DRAFT RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
(*This Draft Red Herring Prospectus will be updated upon filing with the RoC*)
Book Built Issue
Dated March 18, 2011

POWER FINANCE CORPORATION LIMITED

Our Company was incorporated in New Delhi on July 16, 1986 under the Companies Act, 1956, as amended (the "**Companies Act**"), as a public limited company.
Registered Office: 'Urjanidhi', 1, Barakhamba Lane, Connaught Place, New Delhi 110 001, India **Tel:** +91 (11) 2345 6000 **Fax:** +91 (11) 2341 2545
For information on change in the registered office of our Company, see section titled *"**History and Certain Corporate Matters**"* on page [•]
Company Secretary and Compliance Officer: Mr. J.S. Amitabh **Tel:** +91 (11) 2345 6740 **Fax:** +91 (11) 2345 6786
E-mail: fpo@pfcindia.com.**Website:** www.pfcindia.com.

PROMOTER : PRESIDENT OF INDIA, ACTING THROUGH THE MINISTRY OF POWER, GOVERNMENT OF INDIA

FURTHER PUBLIC ISSUE OF 229,553,340 EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF POWER FINANCE CORPORATION LIMITED ("POWER FINANCE", "OUR COMPANY" OR "THE ISSUER") FOR CASH AT A PRICE OF ₹ [•] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [•] PER EQUITY SHARE) AGGREGATING ₹ [•] MILLION* (THE "ISSUE"). THE ISSUE COMPRISES A FRESH ISSUE OF 172,165,005 EQUITY SHARES BY OUR COMPANY (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 57,388,335 EQUITY SHARES BY THE PRESIDENT OF INDIA ACTING THROUGH THE MINISTRY OF POWER, GOVERNMENT OF INDIA (THE "SELLING SHAREHOLDER") (THE "OFFER FOR SALE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 229,277,876 EQUITY SHARES (THE "NET ISSUE") AND A RESERVATION OF NOT MORE THAN 275,464 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (AS DEFINED HEREIN) (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE WOULD CONSTITUTE 17.39% OF THE POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY AND THE NET ISSUE WOULD CONSTITUTE 17.37% OF THE POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY.

THE FACE VALUE OF THE EQUITY SHARE IS ₹ 10 EACH AND THE ISSUE PRICE IS [•] TIMES THE FACE VALUE.

THE PRICE BAND, RETAIL DISCOUNT, EMPLOYEE DISCOUNT AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY AND THE SELLING SHAREHOLDER IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND PUBLISHED ATLEAST ONE WORKING DAY PRIOR TO THE BID OPENING DATE, IN ONE HINDI NATIONAL DAILY NEWSPAPER AND ONE ENGLISH NATIONAL DAILY NEWSPAPER, EACH WITH WIDE CIRCULATION (HINDI ALSO BEING THE REGIONAL LANGUAGE IN THE STATE WHERE OUR REGISTERED OFFICE IS LOCATED), WITH THE RELEVANT FINANCIAL RATIOS CALCULATED AT THE FLOOR PRICE AND AT THE CAP PRICE.**

**subject to under subscription, withdrawal, Retail Discount, Employee Discount and consequent reallocation*

***Discount of ₹ [•] to the Issue Price is being offered to Retail Bidders ("**Retail Discount**") and to Eligible Employees (the "**Employee Discount**"), respectively. Discount is not offered on application, but on Allotment. The excess amount paid on application will be refunded to such Bidders or will be unblocked from their ASBA Accounts as the case may be, after Allotment.*

In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after the revision of the Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers ("**BRLMs**") and the Self Certified Syndicate Banks ("**SCSBs**") and at the terminals of the members of the Syndicate.

This Issue is being made through the Book Building Process where up to 50% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") ("**QIB Portion**"). Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion will be available for allocation on a proportionate basis to QIBs including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. In addition, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price. Any Bidder may participate in this Issue through the ASBA process by providing the details of the ASBA Accounts in which the corresponding Bid Amounts will be blocked by the SCSBs. For more information, specific attention is invited to the section titled "***Issue Procedure***" on page [•].

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and Bidders should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Bidders are advised to read the Risk Factors carefully before making an investment decision in this Issue. For making an investment decision, Bidders must rely on their own examination of our Company and this Issue, including the risks involved. The Equity Shares offered in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the Bidders is invited to "***Risk Factors***" on page [•].

ISSUER'S AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

The Selling Shareholder confirms all information set out in this Draft Red Herring Prospectus in its respect as the Selling Shareholder which is material in the context of Offer for Sale.

LISTING

The Equity Shares of our Company are listed on the BSE and the NSE. The Equity Shares being offered as a part of the Fresh Issue through the Draft Red Herring Prospectus are proposed to be listed on the NSE and the BSE. Our Company has received in-principle approvals from the NSE and the BSE for listing of the Equity Shares being offered as a part of the Fresh Issue, pursuant to their letters dated [•] and [•], respectively. For the purposes of this Issue, [•] shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE ISSUE
BofA Merrill Lynch	Goldman Sachs	ICICI Securities	JM FINANCIAL	KARVY Karvy Computershare Private Limited
DSP MERRILL LYNCH LIMITED	**GOLDMAN SACHS (INDIA) SECURITIES PRIVATE LIMITED**	**ICICI SECURITIES LIMITED**	**JM FINANCIAL CONSULTANTS PRIVATE LIMITED**	**KARVY COMPUTERSHARE PRIVATE LIMITED**
8th Floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021, Maharashtra, India Tel: +91 (22) 6632 8000 Fax: +91 (22) 2204 8518 E-mail: pfc.fpo@baml.com Investor grievance E-mail: dg.india_merchantbanking@baml.com Website: www.dspml.com Contact Person: Mr. N.S. Shekhar SEBI Registration No.: INM000011625	951-A Rational House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025, Maharashtra, India Tel: +91 (22) 6616 9000 Fax: +91 (22) 6616 9090 E-mail: pfcfpo@gs.com Investor Grievance E-mail: india-client-support@gs.com Website:http://www2.goldmansachs.com/worldwide/india/indian_offerings.html Contact Person: Ms. Priya Subbaraman SEBI Registration No.: INM000011054	ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai - 400 020, Maharashtra, India Tel: +91 (22) 2288 2460 Fax: +91 (22) 2282 6580 E-mail: pfc.fpo@icicisecurities.com Investor Grievance E-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Mr. Manvendra Tiwari SEBI Registration No.: INM000011179	141, Maker Chambers III, Nariman Point, Mumbai - 400 021, Maharashtra, India Tel: + 91 (22) 6630 3030 Fax: + 91 (22) 2204 7185 E-mail: fpo.pfc@jmfinancial.in Investor Grievance E-mail: grievance.ibd@jmfinancial.in Website: www.jmfinancial.in Contact Person: Ms. Lakshmi Lakshmanan SEBI Registration No.: INM000010361	Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad - 500 086, Andhra Pradesh, India Tel: +91 (40) 2342 0815 -820 Tel: (toll free): 1-800-345 4001 Fax: +91 (40) 2342 0814 E-mail: einward.ris@karvy.com Website: www.karvy.com Contact Person: Mr. M. Murali Krishna SEBI Registration No.: INR000000221

BID/ISSUE PROGRAMME

BID OPENS ON	[•]	**BID CLOSES ON (FOR QIB BIDDERS)#**	[•]
		BID CLOSES ON (FOR ALL OTHER BIDDERS)	[•]

#Our Company and the Selling Shareholder in consultation with the BRLMs may consider closing the QIB Bidding Period a day before the Bid Closing Date for other Bidders.

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or implies, the following terms have the following meanings in this Draft Red Herring Prospectus, and references to any statute or regulations or policies will include any amendments or re-enactments thereto, from time to time.

Company-Related Terms

Term	Description
"PFC", "our Company", and "the Issuer"	Power Finance Corporation Limited, a public limited company incorporated under the Companies Act with its registered office at 'Urjanidhi', 1, Barakhamba Lane, Connaught Place, New Delhi 110 001, India
Acquisition Advisory Services Unit	The acquisition advisory services unit described in section titled "***Our Business***" on page 94
ALCO	Asset Liability Management Committee
AoA/Articles of Association or Articles	The articles of association of our Company, as amended from time to time
Audit Committee	The audit committee of our Board of Directors described in section titled "***Our Management***" on page 145
Auditors	The statutory auditors of our Company, being Mehra Goel & Co., Chartered Accountants and Raj Har Gopal & Co., Chartered Accountants
Board or Board of Directors	The board of directors of our Company
Consortium Lending Group (The)	The consortium lending group described in section titled "***Our Business***" on page 94
CRA	Corporate Risk Assurance
Currency Risk Management Policy	The currency risk management policy described in section titled "***Our Business***" on page 94
Directors	The directors of our Company
Equity Investment Group	The equity investment group described in section titled "***Our Business***" on page 94
PFC ESOP 2010	PFC Employee Stock Option Plan 2010
IRM Policy	Integrated Enterprise-Wide Risk Management Policy
MoA/Memorandum of Association	The memorandum of association of our Company, as amended from time to time
Operational Policy Statement	The operational policy statement mentioned in section titled "***Our Business***" on page 94
Project Monitoring Unit	The project monitoring unit described in section titled "***Our Business***" on page 94
Promoter	The President of India, acting through the Ministry of Power, Government of India
Registered Office and Corporate Office	The registered office of our Company, at 'Urjanidhi', 1, Barakhamba Lane, Connaught Place, New Delhi 110 001, India
Risk Management Committee	The risk management committee described in section titled "***Our Business***" on page 94
Risk Management Compliance Committee	The risk management compliance committee mentioned in section titled "***Our Business***" on page 94
Selling Shareholder	The President of India, acting through the Ministry of Power, Government of India
Subsidiaries	The subsidiaries of our Company as mentioned in the section titled "***History and Certain Corporate Matters***" on page 134
"We" or "us" or "our"	Our Company and where the context requires, the Subsidiaries, joint ventures and associate companies on a consolidated basis.

Issue Related Terms

Term	Description
Allotted/Allotment/Allot	Issue, transfer and allotment of the Equity Shares to successful Bidders pursuant to this Issue
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Application Supported by Blocked Amount/ASBA	Application (whether physical or electronic) used by a Bidder to make a Bid authorizing the SCSB to block the Bid Amount in the specified bank account maintained with the SCSB
ASBA Account	Account maintained with an SCSB which will be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder
ASBA Bid cum Application Form	The Bid cum Application Form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
ASBA Bidder	Any Bidder who applies through ASBA

Term	Description
ASBA Revision Form	The revision form used by ASBA Bidders to modify the quantity of Equity Shares or the price options in any of their ASBA Bid cum Application Forms or any previous Revision Forms
Bankers to the Issue/Escrow Collection Banks	[•]
Basis of Allotment	The basis on which the Equity Shares will be Allotted, as described in section titled "***Issue Procedure- Basis of Allotment***" on page 405
BAN	Beneficiary Account Number
Bid	An indication to make an offer during the Bidding Period by a Bidder pursuant to submission of a Bid cum Application Form to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by a Bidder on submission of a Bid in the Issue and in the case of ASBA Bidders, the amount mentioned in the ASBA Bid cum Application Form
Bid Closing Date	The date after which the members of the Syndicate and SCSBs will not accept any Bids. Such date shall be notified in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located) and in case of any revision, the extended Bid Closing Date shall also be notified on the website and terminals of the Syndicate and SCSBs. Our Company and the Selling Shareholder in consultation with the BRLMs may consider closing QIB Bidding Period a day before the Bid Closing Date.
Bidding Centre	A centre for acceptance of the Bid cum Application Form.
Bid cum Application Form	The form in terms of which the Bidder will make an offer to purchase Equity Shares and which will be considered as the application for the issue/transfer of Equity Shares pursuant to the terms of the Red Herring Prospectus and the Prospectus, including the ASBA Bid cum Application Form
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form, including an ASBA Bidder
Bidding Period	The period between the Bid Opening Date and the Bid Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof
Bid Opening Date	The date on which the members of the Syndicate and SCSBs shall start accepting Bids. Such date shall be notified in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located) and in case of any revision, the extended Bid Closing Date shall also be notified on the website and terminals of the Syndicate and SCSBs.
Book Building Process	The method of book building as described in Schedule XI of the SEBI Regulations, in terms of which the Issue is being made
Book Running Lead Managers/BRLMs	The book running lead manager to the Issue, in this case being DSP Merrill Lynch Limited, Goldman Sachs (India) Securities Private Limited, ICICI Securities Limited and JM Financial Consultants Private Limited
Cap Price	Higher end of the Price Band, including revisions thereof, above which the Issue Price will not be determined and above which no Bids will be accepted
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate Bids under the Issue by the ASBA Bidders with the BRLMs, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/pmd/scsb.html
Cut-off Price	The Issue Price finalized by our Company and the Selling Shareholder, in consultation with the BRLMs which will be any price within the Price Band. Only Retail Bidders and Eligible Employees, whose Bid Amount does not exceed ₹ 200,000 are entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Designated Branches	Such branches of the SCSBs which will collect the ASBA Bid cum Application Form used by ASBA Bidders, a list of which is available on http://www.sebi.gov.in/pmd/scsb.html
Designated Date	The date on which funds are transferred from the Escrow Accounts to the Public Issue Account and the amount blocked by the SCSBs are transferred from the ASBA Accounts to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Equity Shares will be Allotted
Designated Stock Exchange	[•]
DP ID	Depository Participant's Identity
"Draft Red Herring Prospectus" or "DRHP"	This draft red herring prospectus filed with SEBI and issued in accordance with the SEBI Regulations.
DSPML	DSP Merrill Lynch Limited
Eligible Employee	A permanent and full-time employee of our Company (excluding such other persons not eligible under applicable laws, rules, regulations and guidelines), as on the date of filing of the Red Herring Prospectus with the RoC, who are Indian nationals and are based, working and present in India as on the date of submission of the Bid cum Application Form and who continue to be in the employment of our Company until submission of the Bid cum

Term	Description
	Application Form. An employee of our Company who is recruited against a regular vacancy but is on probation as on the date of submission of the Bid cum Application Form will be deemed a 'permanent employee' of our Company.
Eligible NRI	A NRI resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe for the Equity Shares
Employee Discount	The difference of ₹ [●] between the Issue Price and the differential lower price at which our Company and the Selling Shareholder has decided to Allot the Equity Shares to Eligible Employees. The Employee Discount will be 5% of the Issue Price
Employee Reservation Portion	The portion of the Issue, being not more than 275,464 Equity Shares, available for allocation to Eligible Employees. The employee reservation portion will not exceed 0.12% of the Issue size.
Equity Listing Agreements	Equity listing agreements entered into by our Company with the Stock Exchanges
Equity Share(s)	Equity shares of our Company with a face value of ₹ 10 each
Escrow Account(s)	Accounts opened with the Escrow Collection Banks for the Issue and in whose favour the Bidders (excluding ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	The agreement to be entered into amongst our Company, the Selling Shareholder, the Registrar, the members of the Syndicate and the Escrow Collection Banks for collection of the Bid Amounts and remitting refunds, if any, of the amounts to the Bidders (excluding ASBA Bidders) on the terms and conditions thereof
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form
Floor Price	Lower end of the Price Band and any revisions thereof, below which the Issue Price will not be finalized and no Bids will be accepted and which shall not be lower than the face value of our Equity Shares
Fresh Issue	Fresh issue of 172,165,005 Equity Shares by our Company, as part of the Issue in terms of the Red Herring Prospectus
Goldman Sachs	Goldman Sachs (India) Securities Private Limited
ICICI Securities	ICICI Securities Limited
Issue	Further public issue of 229,553,340 Equity Shares of ₹ 10 each for cash at a price of ₹ [•] per Equity Share of our Company aggregating ₹ [•] million. The Issue comprises a Fresh Issue of 172,165,005 Equity Shares by our Company and an Offer for Sale of 57,388,335 Equity Shares by the Selling Shareholder. The Issue comprises a Net Issue to the public of 229,277,876 Equity Shares and an Employee Reservation Portion of not more than 275,464 Equity Shares for subscription by Eligible Employees. Discount of ₹ [●] to the Issue Price is being offered to Retail Bidders and Eligible Employees on Allotment and not on application, the excess amount paid on application will be refunded to such Bidders or will be unblocked from their ASBA Accounts as the case may be, after Allotment.
Issue Agreement	The agreement dated [●] entered into amongst our Company, the Selling Shareholder and the BRLMs pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price (net of Employee Discount and Retail Discount, as applicable) at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs on the Pricing Date.
JM Financial	JM Financial Consultants Private Limited
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Funds Portion	5% of the QIB Portion equal to a minimum of 5,731,947 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion on a proportionate basis
Net Issue	Issue less the Employees Reservation Portion, consisting of 229,277,876 Equity Shares to be Allotted at the Issue Price
Net Proceeds	Proceeds of the Issue that are available to our Company, excluding Issue expenses and the proceeds of the Offer for Sale
Non-Institutional Bidders	All Bidders, including sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs or Retail Bidders and who have Bid for Equity Shares for an amount more than ₹ 200,000
Non-Institutional Portion	The portion of the Net Issue, being not less than 15% of the Net Issue or 34,391,682 Equity Shares, available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI	A person resident outside India, who is a citizen of India or a person of Indian origin and will have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000
Offer for Sale	Offer of 57,388,335 Equity Shares by the Selling Shareholder for sale.
Price Band	Price band of a minimum price (Floor Price) of ₹ [●] and a maximum price (Cap Price) of ₹ [●], including revisions thereof. The Price Band for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs and advertised in an English national daily newspaper, a Hindi national daily newspaper, each with wide

Term	Description
	circulation (Hindi also being the regional language in the state where our Registered Office is located) at least one Working Day prior to the Bid Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price
Pricing Date	The date on which our Company and the Selling Shareholder, in consultation with the BRLMs will finalize the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, among other things, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information and including any addenda or corrigenda thereof
Public Issue Account	The bank account to be opened with the Bankers to the Issue to receive monies from the Escrow Account(s) and the ASBA Accounts, on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs and sub-accounts registered with SEBI (other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of ₹ 250 million and pension funds with minimum corpus of ₹ 250 million, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India, insurance funds set up and managed by army, navy or air force of the Union of India and insurance funds setup and managed by the Department of Posts, India
QIB Portion	The portion of the Issue being up to 50% of the Net Issue or 114,638,937 Equity Shares to be Allotted to QIBs
Red Herring Prospectus or RHP	The red herring prospectus to be issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the Issue Price, Employee Discount, Retail Discount and the Price Band and which becomes the Prospectus after filing with the RoC after the Pricing Date
Refund Accounts	Account(s) opened with Refund Bank(s) from which refunds of the whole or part of the Bid Amount (excluding the ASBA Bidders), if any, will be made
Refund Banks	Escrow Collection Bank(s) with which Refund Account(s) are opened in this case being, [•]
Registrar to the Issue/Registrar	Karvy Computershare Private Limited
Registrar's Agreement	The agreement dated March 17, 2011 entered into amongst our Company, the Selling Shareholder and the Registrar to the Issue pursuant to which certain arrangements are agreed to in relation to the Issue
Regulation S	Regulation S of the U.S. Securities Act
Retail Bidders	Bidders (including HUFs and NRIs), other than Eligible Employees submitting Bids under the Employee Reservation Portion, who have Bid for Equity Shares for an amount less than or equal to ₹ 200,000 in any of the bidding options in the Net Issue
Retail Discount	The difference of ₹ [●] between the Issue Price and the differential lower price at which our Company and the Selling Shareholder has decided to Allot the Equity Shares to Retail Bidders. The Retail Discount will be 5% of the Issue Price
Retail Portion	The portion of the Issue, being not less than 35% of the Net Issue, or 80,247,257 Equity Shares at the Issue Price, available for allocation to Retail Bidders
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the price options, as applicable, in any of their Bid cum Application Forms or any previous Revision Form(s)
Rule 144A	Rule 144A under the U.S. Securities Act
Self Certified Syndicate Bank or SCSB	Banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994, and offer services of ASBA, including blocking of ASBA Accounts, a list of which is available on http://www.sebi.gov.in/pmd/scsb.html
Spread	The difference between the bid price and the ask price
Stock Exchanges	The BSE and the NSE
Syndicate	Collectively, the BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into amongst the Syndicate, the Selling Shareholder and our Company in relation to the collection of Bids (excluding Bids from the ASBA Bidders) in this Issue
Syndicate Members	[•]
Transaction Registration Slip or TRS	The slip or document issued by a member of the Syndicate to a Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the Underwriters, our Company and the Selling Shareholder to be entered into, on or after the Pricing Date
U.S. Investment Company Act	U.S. Investment Company Act, 1940

Term	Description
U.S. person	As defined in Regulation S under the U.S. Securities Act of 1933
U.S. QIB	U.S. persons that are "qualified institutional buyers", as defined in Rule 144A under the U.S. Securities Act of 1933
U.S. Securities Act	U.S. Securities Act of 1933
Working Day	All days other than a Sunday or a public holiday (except in reference to announcement of Price Band and Bidding Period, where a working day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business

Conventional and General Terms/ Abbreviations and References to Other Business Entities

Term	Description
Act or Companies Act	Companies Act, 1956
APDP	Accelerated Power Development Program
APDRP	Accelerated Power Development and Reform Programme
AT&C	Aggregate, Technical and Commercial
BDTCL	Bhopal Dhule Transmission Company Limited
BPLR	Benchmark Prime Lending Rate
BSE	The Bombay Stock Exchange Limited
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CEA	Central Electricity Authority
CIA Factbook	United States Central Intelligence Agency Factbook
Competition Act	The Competition Act, 2002
Competition Commission	Competition Commission of India
CPSU	Central Public Sector Undertakings
CRAR	Capital to Risk Assets Ratio
CRISIL	CRISIL Limited
CRM	Currency Risk Management
Crore	10 million
CSR	Corporate Social Responsibility
Depositories	NSDL and CDSL
Depositories Act	SEBI Depositories Act, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
DoD	Department of Disinvestment
DoE	Department of Expenditure
DPE	Department of Public Enterprises, Government of India
DTC Bill	The Direct Tax Code Bill, 2010
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
ECBs	External Commercial Borrowings
ECS	Electronic clearing service
EGM	Extraordinary general meeting of the shareholders of a company
EPF Act	Employees (Provident Fund and Miscellaneous Provisions) Act, 1952
EPS	Earnings per share, i.e. profit after tax for a fiscal year divided by the weighted average number of equity shares during the fiscal year
FCNR Account	Foreign Currency Non-Resident Account established in accordance with the FEMA
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999, together with rules and regulations thereunder
FEMA Overseas Investment Regulations	Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000
FIIs	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI
FIPB	Foreign Investment Promotion Board
Fiscal or fiscal or Financial Year or FY	A period of twelve months ended March 31 of that particular year, unless otherwise stated.
FPO	Further Public Offering
GIR No	General Index Register Number
GoI or Government	Government of India
HR	Human Resources
HUF	Hindu Undivided Family
ID Act	Industrial Disputes Act, 1947
IDFC	Infrastructure Development Finance Company Limited

Term	Description
IEX	Indian Energy Exchange
IFC	Infrastructure Finance Company
IFRS	International Financial Reporting Standards
IIFCL	India Infrastructure Finance Company Limited
IL&FS	Infrastructure Leasing and Financial Services Limited
Income Tax Act or I.T. Act	Income Tax Act, 1961
Indian GAAP	Generally Accepted Accounting Principles in India
Industrial Policy	The policy and guidelines relating to industrial activity in India, issued by the Government of India from time to time
Insurance Regulatory and Development Authority or IRDA	Statutory body constituted under the Insurance Regulatory and Development Authority Act, 1999
IPO	Initial Public Offer
ITC	IT Consultants
ITIA	IT Implementing Agencies
ITP	Independent Transmission Project(s)
JTCL	Jabalpur Transmission Company Limited
L&DO	Land and Development Office
MCA	Ministry of Corporate Affairs, GoI
Minimum Wages Act	Minimum Wages Act, 1948
MoF	Ministry of Finance, GoI
MoP	Ministry of Power, GoI
MoU	Memorandum of Understanding
N/A	Not Applicable
NBFC	Non Banking Financial Company
NCDEX	National Commodities & Derivatives Exchange Limited
NEFT	National Electronic Fund Transfer
Non-Resident or NR	A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian
NPCIL	Nuclear Power Corporation of India Limited
NPEL	National Power Exchange Limited
NRE Account	Non-Resident External Account established in accordance with the FEMA
NRO Account	Non-Resident Ordinary Account established in accordance with the FEMA
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
O&M	Operation and maintenance
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Issue
OECD	Organization for Economic Cooperation and Development
OTS	One Time Settlement
PAN	Permanent Account Number allotted under the I.T. Act
PECAP	Power Equity Capital Advisors Private Limited
PFCCL	PFC Consulting Limited
PFI	Public Financial Institution
PGCIL	Power Grid Corporation of India Limited
PSU	Public Sector Undertaking
PTC	PTC India Limited
Public Sector	Includes State Sector and Central Sector
PXIL	Power Exchange India Limited
R-APDRP	Restructured Accelerated Power Development and Reform Programme
RBI	Reserve Bank of India
Re.	One Indian Rupee
REC	Rural Electrification Corporation Limited
RfP	Request for Proposal
RGGVY	Rajiv Gandhi Grameen Vidhyutikaran Yojana
RoC	Registrar of Companies, National Capital Territory Delhi and Haryana
₹	Indian Rupees
RTGS	Real Time Gross Settlement
RTI	Right to Information

Term	Description
SCRA	Securities Contract (Regulations) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992
SEBI Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
SERC	State Electricity Regulatory Board(s)
SPU	State Power Utilities
SPV	Special Purpose Vehicle
STT	Securities Transaction Tax
Supreme Court	Supreme Court of India
TCS	Tata Consultancy Services
TRA	Trust and Retention Account
TRA Agreement	Trust and Retention Account Agreement
UMPP	Ultra Mega Power Project(s)
US GAAP or U.S. GAAP	Generally Accepted Accounting Principles in the United States of America

Industry/ Business Related Terms

Term	Description
9th Plan	The Ninth Five Year Plan (1997-2002)
10th Plan	The Tenth Five Year Plan (2002-2007)
11th Plan	The Eleventh Five Year Plan (2007-2012)
ADB	Asian Development Bank
AG&SP	Accelerated Generation and Supply Program
AT&C	Aggregate Technical and Commercial
CDM	Clean Development Mechanism
CEA Monthly Review	CEA's monthly review of the power sector
CERC	Central Electricity Regulatory Commission
CERC Monthly Report	Central Electricity Regulatory Commission: Monthly Report
CPUs	Council of Power Utilities
DDM	Delivery through Decentralized Management
Discoms	Distribution Companies
DRUM	Distribution Reform, Upgrades and Management
DSCR	Debt Service Coverage Ratio
DSRA	Debt Service Reserve Account
EDs	Electricity Departments
EESL	Energy Efficiency Services Limited
Electricity Act	The Electricity Act, 2003
EPC	Engineering, Procurement and Construction
ERP	Enterprise Resource Planning
GDP	Gross Domestic Product
GW	Giga Watts
IEP report August 2006	Planning Commission, Integrated Energy Policy Report of the Expert Committee on Power, August 2006
International Conclave August, 2009	Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, organized by the MoP and CEA, 18-19 August, 2009
IPP	Independent Power Producer
IREDA	The Indian Renewable Energy Development Agency
JNNSM	Jawaharlal Nehru National Solar Mission
kWh	Kilo Watt hour
LIBOR	London Interbank Offered Rate
MNRE	Website of the Ministry of New and Renewable Energy
MPPs	Merchant Power Plants
Mtoe	Million Tonnes of Oil Equivalent
MU	Million Units
MW	Mega Watts
National Mission on Enhanced Energy Efficiency	One of the eight National Missions announced by the GoI as part of the national action plan on climate change
NPAs	Non-Performing Assets

Term	Description
NTP	The National Tariff Policy
Planning Commission	Website of the Planning Commission of India
PPAs	Power Purchase Agreements
SCADA	Supervisory Control and Data Acquisition
SDC	SCADA/DMS Consultants
SIA	SCADA Implementing Agencies
SEBs	State Electricity Boards
SLR	Statutory Liquidity Ratio
SPUs	State Power Utilities
STUs	State Transmission Utilities
White Paper	White Paper on Strategy for 11th Plan, prepared by the CEA and the Confederation of Indian Industry, August 2007

The words and expressions used but not defined in this Draft Red Herring Prospectus will have the meaning assigned to such terms under the Companies Act, SEBI Act, the SCRA, the Depositories Act and the rules and regulations thereunder.

Notwithstanding the foregoing, terms in the sections titled "***Main Provisions of the Articles of Association***", "***Statement of Tax Benefits***", "***Regulations and Policies***", "***Financial Statements***" and "***Outstanding Litigation and Material Developments***" on pages 418, 74, 124, 163 and 359 respectively, will have the same meaning given to such terms in these respective sections.

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references to "India" in this DRHP are to the Republic of India, together with its territories and possessions, and all references to the "US", the "USA", the "United States" or the "U.S." are to the United States of America, together with its territories and possessions. Unless the context otherwise requires, a reference to the "Company" is a reference to Power Finance Corporation Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Power Finance Corporation Limited and its subsidiaries, joint ventures and associate companies, as applicable in the relevant fiscal period, on a consolidated basis.

Financial Information

In this Draft Red Herring Prospectus, we have included (i) our restated standalone financial statements for fiscal 2006, 2007, 2008, 2009 and 2010 and the nine months ended December 31, 2010; and (ii) our restated consolidated financial statements for fiscal 2009 and 2010 and the nine months ended December 31, 2010. These financial statements are based on our audited standalone and consolidated financial statements for such respective periods, which have been prepared in accordance with the Companies Act and Indian GAAP and have been restated in accordance with the SEBI Regulations.

Our restated consolidated financial statements for fiscal 2009 and 2010 and the nine months ended December 31, 2010 represent consolidation of accounts of our Company, our wholly-owned subsidiary PFC Consulting Limited, our joint venture entities and our associate companies. We commenced preparation of consolidated financial statements in fiscal 2009 following the establishment of our wholly-owned subsidiary PFC Consulting Limited in March 2008. Although we have also established various wholly-owned subsidiaries as SPVs under certain GoI schemes, in accordance with Accounting Standard 21, these entities have not been consolidated in our consolidated financial statements as these are established and held with the intention of subsequent transfer. For further information, see section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations - Presentation of Financial Information***" on page 311.

Our fiscal year commences on April 1 and ends on March 31, and unless otherwise specified or the context otherwise requires, all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

Indian GAAP differs in certain material respects from U.S. GAAP and IFRS. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those under U.S. GAAP or IFRS. Accordingly, the degree to which the financial information prepared in accordance with Indian GAAP, Companies Act and the SEBI Regulations included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting standards and accounting practices, Indian GAAP, the Companies Act and the SEBI Regulations. See section titled "***Risk Factors – The proposed adoption of IFRS could result in our financial condition and results of operations appearing materially different than under Indian GAAP.***" on page 37. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Regulations on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. In making an investment decision, investors must rely upon their own examination of our Company, the terms of the Issue and the financial information relating to our Company. Potential investors should consult their own professional advisors for an understanding of these differences between Indian GAAP and IFRS or U.S. GAAP, and how such differences might affect the financial information contained herein.

Currency and Units of Presentation

All references to "**Rupees**", "**₹**" or "**Rs.**" are to Indian Rupees, the official currency of the Republic of India. All references to "**US$**" or "**USD**" or "**U.S. Dollar**" are to United States Dollars, the official currency of the United States of America. All reference to JPY are to Japanese Yen, the official currency of Japan. All reference to DM are to Deutsche Mark, the erstwhile official currency of Germany, all references to FRF are to the French Franc, the erstwhile official currency of France and all references to "€" or "Euro" are to Euro, the official currency of the European Union. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed therein are due to rounding-off. All figures mentioned in this Draft Red Herring Prospectus are denominated in millions, unless otherwise specified.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Draft Red Herring Prospectus have been derived from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry and market data used in this Draft Red Herring Prospectus is reliable, neither we nor the Selling Shareholder nor BRLMs nor any of their respective affiliates nor advisors have prepared or verified it independently. The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in the section titled "***Risk Factors***" on page 15. Accordingly, investment decisions should not be based on such information.

In accordance with the SEBI Regulations, we have included in the section titled "***Basis for the Issue Price***" on page 71, information pertaining to our peer group companies. Such information has been derived from publically available annual reports of the peer group companies and verified by a chartered accountant as certified through certificate dated March 12, 2011.

Exchange Rates

This Draft Red Herring Prospectus contains translations of U.S. Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of item (VIII) sub-item (G) of Part A of Schedule VIII of the SEBI Regulations. It should not be construed as a representation that such currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The exchange rates of the USD into Indian Rupees for the last three financial years i.e. 2008, 2009 and 2010 and on monthly basis commencing from April 2010 uptill February 2011 are provided below.

USD to INR

Fiscal Year	Year/ Month End	Average	High	Low
2008	39.97	40.24	43.15	39.27
2009	50.95	45.91	52.06	39.89
2010	45.14	47.42	50.53	44.94
April 1, 2010 – February 28, 2011	45.18	45.63	47.57	44.03
Month				
April, 2010	44.44	44.50	44.73	44.33
May, 2010	46.45	45.80	47.57	44.56
June, 2010	46.60	46.56	47.28	45.64
July, 2010	46.46	46.84	47.33	46.46
August, 2010	47.08	46.57	47.08	46.02
September, 2010	44.92	46.06	46.87	44.92
October, 2010	44.54	44.41	44.74	44.03
November, 2010	46.04	45.02	46.04	44.25
December, 2010	44.81	45.16	45.70	44.81
January, 2011	45.95	45.39	45.95	44.67
February, 2011	45.18	45.44	45.81	45.11

**Source: www.rbi.org.in*

Euro to INR

Fiscal Year	Year/ Month End	Average	High	Low
2008	63.09	56.99	64.48	54.32
2009	67.48	65.14	69.17	60.57
2010	60.56	67.08	71.06	60.52
April 1, 2010 – February	62.15	59.94	63.16	56.07

Fiscal Year	Year/ Month End	Average	High	Low
28, 2011				
Month				
April, 2010	58.94	59.66	60.63	58.88
May, 2010	57.17	57.65	59.03	56.07
June, 2010	56.94	56.90	57.59	56.13
July, 2010	60.73	59.76	61.29	56.99
August, 2010	59.50	60.13	61.26	59.19
September, 2010	61.00	60.08	61.10	59.11
October, 2010	61.81	61.71	62.33	60.96
November, 2010	60.36	61.49	62.59	60.36
December, 2010	59.81	59.68	60.31	59.12
January, 2011	62.54	60.53	62.73	58.63
February, 2011	62.15	62.09	63.16	61.41

**Source: www.rbi.org.in*

JPY to INR

Fiscal Year	Year/ Month End	Average	High	Low
2008	40.08	35.29	41.90	32.69
2009	51.87	46.03	55.58	38.15
2010	48.44	51.12	54.38	48.12
April 1, 2010 – February 28, 2011	55.32	53.13	56.02	46.93
Month				
April, 2010	47.25	47.63	48.49	47.02
May, 2010	50.78	49.68	52.82	46.93
June, 2010	52.61	51.24	52.61	50.29
July, 2010	53.70	53.44	54.78	52.43
August, 2010	55.96	54.51	55.96	53.34
September, 2010	53.7	54.54	55.89	53.23
October, 2010	55.21	54.29	55.21	53.25
November, 2010	54.77	54.59	55.22	53.81
December, 2010	55.06	54.25	55.16	53.73
January, 2011	56.02	54.97	56.02	54.33
February, 2011	55.32	55.06	55.99	54.24

**Source: www.rbi.org.in*

Unless otherwise stated, our Company has, in this Draft Red Herring Prospectus, used the conversion rate of ₹ 44.81 for one U.S Dollar, ₹ 59.81 for one Euro and ₹ 55.06 for one Japanese Yen which is the RBI reference rate for the respective currencies as of December 31, 2010.

NOTICE TO INVESTORS

United States

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Draft Red Herring Prospectus. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States. Our Company has not registered and does not intend to register under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act") in reliance on Sections 3(c)(7) thereof.

Accordingly, the Equity Shares are being offered and sold (i) in the United States only to, and only to U.S. persons that are, "qualified institutional buyers" (as defined in Rule 144A and referred to in this Draft Red Herring Prospectus as "U.S. QIBs"; which, for the avoidance of doubt, does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs"), that are also "qualified purchasers" ("QPs") (as defined in Section 2(a)(51) of the U.S. Investment Company Act and the rules and regulations thereunder) acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth herein), in reliance on the exemption from registration under the U.S. Securities Act provided by Rule 144A or other available exemption and in reliance on Sections 3(c)(7) of the U.S. Investment Company Act; and (ii) outside the United States to non-U.S. persons in "offshore transactions" as that term is defined in, and in reliance on, Regulation S.

Each purchaser of Equity Shares inside the United States or who is a U.S. person will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB and a QP; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares to a non-U.S. person in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S and under circumstances that will not require our Company to register under the U.S. Investment Company Act.

Each purchaser of Equity Shares outside the United States that is not a U.S. person will be required to represent and agree, among other things, that such purchaser is a non-U.S. person acquiring the Equity Shares in an "offshore transaction" in accordance with Regulation S.

European Economic Area

This Draft Red Herring Prospectus has been prepared on the basis that all offers of Equity Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of Equity Shares. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and Council and includes any relevant implementing measure in each Relevant Member State (as defined below). Accordingly, any person making or intending to make an offer within the EEA of Equity Shares which are the subject of the placement contemplated in this Draft Red Herring Prospectus should only do so in circumstances in which no obligation arises for our Company or any of the Underwriters to produce a prospectus for such offer. None of our Company and the Underwriters have authorized, nor do they authorize, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the Underwriters which constitute the final placement of Equity Shares contemplated in this Draft Red Herring Prospectus.

FORWARD-LOOKING STATEMENTS

All statements contained in this Draft Red Herring Prospectus that are not statements of historical facts constitute "forward-looking statements." Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements.

All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue, profitability, planned projects or initiatives. These forward-looking statements and any other projections contained in this Draft Red Herring Prospectus (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under sections titled ***"Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry Overview"*** and ***"Our Business"*** on pages 15, 310, 83 and 94 respectively.

The forward-looking statements contained in this Draft Red Herring Prospectus are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Our Company, the Selling Shareholder, the BRLMs, the Syndicate Members or their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the Selling Shareholder and the BRLMs will ensure that investors are informed of material developments until the time of the grant of final listing and trading permissions with respect to Equity Shares being offered under Fresh Issue, by the Stock Exchanges. Our Company and the Selling Shareholder will ensure that investors are informed of material developments in relation to statements about our Company and the Selling Shareholder in this Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus until the time of the grant of listing and trading permissions by the Stock Exchanges with respect to the Equity Shares being offered as a part of the Fresh Issue.

SECTION II – RISK FACTORS

RISK FACTORS

*An investment in equity securities involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with "**Our Business**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" on pages 94 and 310 respectively, as well as the other financial and statistical information contained in this Draft Red Herring Prospectus. Any of the following risks as well as the other risks and uncertainties discussed in this Draft Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment. The risks and uncertainties described in this section are not the only risks that we currently face. Additional risks and uncertainties not known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial condition. The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the effect is not quantifiable and hence has not been disclosed in such risk factors. You should not invest in this offering unless you are prepared to accept the risk of losing all or part of your investment, and you should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the Equity Shares.*

*Unless otherwise stated, financial information included in this section (i) for fiscal 2006, 2007 and 2008 have been derived from our restated standalone financial statements for fiscal 2006, 2007 and 2008 and (ii) for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010 have been derived from our restated consolidated financial statements for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010. For further information, see section titled "**Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation –Financial Information**" on page 10 and "**Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of Financial Information**" on page 311.*

In this section, unless the context otherwise requires, a reference to the "Company" is a reference to Power Finance Corporation Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Power Finance Corporation Limited and its subsidiary, joint ventures and associate company, as applicable in the relevant fiscal period, on a consolidated basis.

Internal Risk Factors

1. We have a significant concentration of outstanding loans to certain borrowers, particularly public sector power utilities, many of which are historically loss-making, and if these loans become non-performing, the quality of our asset portfolio may be adversely affected.

We are a public financial institution focused on the power sector in India, which has a limited number of borrowers primarily comprising State power utilities ("**SPUs**") and State electricity boards ("**SEBs**"), many of which have been historically loss making. Our past exposure has been, and future exposure is expected to be, concentrated towards these borrowers. As of December 31, 2010, our public sector and private sector borrowers accounted for 92.9% and 7.1%, respectively, of our total outstanding loans. Historically, public sector utilities have had a relatively weak financial position and have in the past defaulted on their indebtedness. Consequently, we have had to restructure some of the loans sanctioned to certain SPUs and SEBs, including rescheduling of repayment terms. In addition, many of our public sector borrowers, particularly SPUs, are susceptible to various operational risks including low metering at the distribution transformer level, high revenue gap, high receivables, low plant load factors and high aggregate technical and commercial ("**AT&C**") losses, which may lead to further deterioration in the financial condition of such entities. Also see section titled "***Risk Factors - Certain of our SEB borrowers have been restructured and we have not yet entered into definitive loan agreements with such restructured entities, which could affect our ability to enforce applicable loan terms and related State government guarantees***" and "***Risk Factors- The escrow account mechanism and the trust and retention account arrangements implemented by us as a quasi-security mechanism in connection with the payment obligations of our borrowers may not be effective, which could adversely affect our financial condition and results of operations***." on pages 21 and 22, respectively.

As of December 31, 2010, our single largest borrower accounted for 8.0% of our total outstanding loans, and our top five and top ten borrowers accounted for, in the aggregate, 32.4% and 54.1%, respectively, of our total outstanding loans. In addition, we have additional exposure to these borrowers in the form of non-fund based assistance. Our most significant borrowers are primarily public sector power utilities. For further information, see section titled "***Selected Statistical Information***" on page 303. Any negative trends or financial difficulties, or an inability on the part of such borrowers to manage operational, industry and other risks applicable to such borrowers, could result in an increase in our non-performing assets ("**NPAs**") and adversely affect our business, financial condition and results of operations and consequently the trading price of our Equity Shares.

2. We may not have obtained sufficient security or collateral in connection with our loans, or may be unable to recover, or experience delays in recovering, the expected value from such security or collateral, which may have a material adverse effect on our business, financial condition and results of operations and the trading price of our Equity Shares.

Although we endeavor to obtain adequate security or implement quasi-security arrangements in connection with our loans, we have not obtained such security or collateral for all our loans. In addition, in connection with certain of our loans, we have been able to obtain only partial security or have made disbursements prior to adequate security being created or perfected. There can be no assurance that any security or collateral that we have obtained will be adequate to cover repayment of our loans or interest payments thereon or that we will be able to recover the expected value of such security or collateral in a timely manner, or at all. As of December 31, 2010, 61.0% of our outstanding loans were secured by a charge on the relevant project assets, 16.5% were unsecured (but guaranteed by the relevant State government), and 22.5% were unsecured.

Our loans are typically secured by various movable and immovable assets and/or other collateral. We generally seek a first ranking *pari passu* charge on the relevant project assets for loans extended on a senior basis, while for loans extended on a subordinated basis, we generally seek to have a second *pari passu* charge on the relevant project assets. In addition, some of our loans may relate to imperfect security packages or negative liens provided by our borrowers. The value of certain kinds of assets may decline due to operational risks that are inherent to power sector projects, the nature of the asset secured in our favor and any adverse market or economic conditions in India or globally. The value of the security or collateral obtained may also decline due to an imperfection in the title or difficulty in locating movable assets. Also see section titled "- *We have granted loans to the private sector on a non-recourse or limited recourse basis, which increases the risk of non-recovery and may adversely affect our financial condition.*" Although several pieces of legislation in India provide for various rights of creditors for the effective realization of collateral in the event of default, there can be no assurance that we will be able to enforce such rights in a timely manner, or at all. There could be delays in implementing bankruptcy or foreclosure proceedings, general economic conditions adversely affecting the value of the relevant security or collateral, inadequate security documentation or imperfection in title to security or collateral, requirement of regulatory approvals for enforcement of security or collateral, or fraudulent transfers by borrowers. In addition, certain of our loans have been granted as part of a syndicate, and joint recovery action implemented by a consortium of lenders may be susceptible to delay. In addition, in the event that any specialized regulatory agency assumes jurisdiction over a defaulting borrower, actions on behalf of creditors may be further delayed.

In addition, the RBI has developed a corporate debt restructuring process to enable timely and transparent debt restructuring of corporate entities that are beyond the jurisdiction of the Board of Industrial and Financial Reconstruction, the Debt Recovery Tribunal and other legal proceedings. The applicable RBI guidelines contemplate that in the case of indebtedness aggregating ₹ 100.00 million or more, lenders for more than 75.0% of such indebtedness by value and 60.0% by number may determine the restructuring of such indebtedness and such determination is binding on the remaining lenders. In circumstances where other lenders account for more than 75.0% of such indebtedness by value and 60.0% by number and they are entitled to determine the restructuring of the indebtedness of any of our borrowers, we may be required by such other lenders to agree to such debt restructuring, irrespective of our preferred mode of settlement of our loan to such borrower. In addition, with respect to any loans made as part of a syndicate, a majority of the relevant lenders may elect to pursue a course of action that may not be favorable to us. Any such debt restructuring could lead to an unexpected loss that could adversely affect our business, financial condition, results of operations and the trading price of our Equity Shares.

3. Our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds; an inability to do so could have a material adverse effect on our business, financial condition and results of operations and the trading price of our Equity Shares.

Our ability to compete effectively is dependent on our timely access to, and the costs associated with raising capital and our ability to maintain a low effective cost of funds in the future that is comparable or lower than that of our competitors. Historically, we have been able to reduce our cost of capital and reliance on commercial borrowings through issuance of Rupee denominated bonds and loans guaranteed by the GoI. We also benefit from certain tax benefits extended by the GoI. As a government owned NBFC, loans made by us to Central and State entities in the power sector are currently exempt from the RBI's prudential lending (exposure) norms that are applicable to other non-government owned NBFCs. In addition, in respect of certain of our foreign currency borrowings guaranteed by the GoI, we have been exempted from guarantee fees payable to the GoI, which has also enabled us to reduce our costs of funds. There can be no assurance that we will continue to benefit from any direct or indirect support from the GoI and any adverse development in GoI policies may result in an increase in our cost of funds. Following a general decrease in the level of direct and indirect financial support by the GoI to us in recent years, we are fundamentally dependent upon funding from the equity and debt markets and commercial borrowings and are particularly vulnerable in this regard given the growth of our business. The market for such funds is competitive and there can be no assurance that we will be able to obtain funds on acceptable terms, or at all. Many of our competitors have greater and cheaper sources of funding than we do. Further, many of our competitors may have larger resources or balance sheet strength than us and may have considerable financing resources. In addition, since we are a non-deposit taking NBFC, we may have restricted access to funds in comparison to banks and deposit taking NBFCs. While we have generally been able to pass any increased cost of funds onto our customers, we may not be able to do so in the future. If our financial products are not competitively priced, there is a risk of our borrowers raising loans from other lenders and in the case of financially stronger SPUs and SEBs and private sector borrowers, the risk of their raising funds directly from the market. Our ability to raise capital also depends on our ability to maintain our credit ratings in order to access various cost competitive funding options. We are also dependent on our status as an IFC which enables us, among other things, to diversify our borrowings through the issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to bondholders and to raise, under the automatic route (without the prior approval of the RBI), ECBs up to US$500.00 million each fiscal year, subject to the aggregate outstanding ECBs not exceeding 50.0% of our Owned Funds.

In addition, adverse developments in economic and financial markets or the lack of liquidity in financial markets could make it difficult for us to access funds at competitive rates. For example, our funding strategy was adversely affected by the global financial crisis in fiscal 2009. Through the second half of 2008, capital and lending markets remained highly volatile and access to liquidity was adversely affected, and these conditions resulted in increased borrowing costs and difficulty in accessing funds in a cost-effective manner. If we are not able to maintain a low effective cost of funds, we may not be able to implement our growth strategy, competitively price our loans and, consequently, we may not be able to maintain the profitability or growth of our business, which could have a material adverse effect on our business, financial condition and results of operations and the trading price of our Equity Shares.

4. ***An inability to develop or implement effective risk management policies and procedures could expose us to unidentified risks or unanticipated levels of risk.***

Although we follow various risk management policies and procedures to identify, monitor and manage risks, there can be no assurance that such policies and procedures will be effective in addressing all risks that we encounter in our business and operations or that such policies and procedures are as comprehensive as those implemented by banks and other financial institutions. Our risk management policies and procedures are based, among other considerations, on historical market behavior, information regarding borrowers, and market knowledge. Consequently, these policies and procedures may not predict future risk exposures that could vary from or be greater than that indicated by historical measures. In addition, information available to us may not be accurate, complete, up-to-date or properly evaluated. Unexpectedly large or rapid movements or disruptions in one or more financial markets or other unforeseen developments could have a material adverse effect on our results of operations and financial condition. Our risk management policies and procedures are also influenced by applicable GoI policies and regulations, and may prove inadequate or ineffective in addressing risks that arise as a consequence of any development in GoI policies and regulations that adversely affect our business and operations.

In addition, we intend to continue to diversify our borrower portfolio and extend fund based and non-fund based financial and other assistance and services to projects that represent forward and backward linkages to the core power sector projects. These business initiatives may involve operational and other risks that are different from those we currently encounter or anticipate, and there can be no assurance that we will be able to effectively identify and address any additional risks that apply to such business initiatives. An inability to develop, modify and implement effective and dynamic risk management policies and procedures may adversely affect our growth strategy. Management of operational, legal and regulatory risk requires, among other matters, policies and procedures to accurately record and verify transactions and events. There can be no assurance that our policies and procedures will effectively and accurately record and verify such information. Failure of our risk management policies and procedures or exposure to unanticipated risks could lead to losses and adversely affect our business, financial condition and results of operations.

5. ***The power sector in India and our business and operations are regulated by, and are directly and indirectly dependent on, GoI policies and support, which make us susceptible to any adverse developments in such GoI policies and support.***

We are a Government company operating in a regulated industry, and the GoI, acting through the MoP, exercises significant influence on key decisions relating to our operations, including with respect to the appointment and removal of members of our Board, and can determine various corporate actions that require the approval of our Board or shareholders, including proposed budgets, transactions with other Government companies or GoI entities and agencies, and the assertion of any claim against such entities. The GoI has also issued directions in connection with the payment of dividends by Government companies.

The power sector in India and our business and operations are regulated by, and are directly or indirectly dependent on, GoI policies and support for the power sector. The GoI has implemented various financing schemes and incentives for the development of power sector projects, and we, like other Government companies, are responsible for the implementation of, and providing support to, such GoI schemes and initiatives. We may therefore be required to follow public policy directives of the GoI by providing financing for specific projects or sub-sectors in the public interest which may not be consistent with our commercial interests. In addition, we may be required to provide financial or other assistance and services to public sector borrowers and GoI and other government agencies in connection with the implementation of such GoI initiatives, resulting in diversion of management focus and resources from our core business interests. Any developments in GoI policies or in the level of direct or indirect support provided to us or our borrowers by the GoI in these or other areas could adversely affect our business, financial condition, results of operations and the trading price of our Equity Shares.

6. ***Risks inherent to power sector projects, particularly power generation projects, could materially and adversely affect our business, financial condition and results of operations.***

We are a financial institution focused on providing financial and other assistance and related services to power sector projects. Power sector projects, particularly power generation projects, typically involve long gestation periods before they become operational, and involve various project-specific risks as well as risks that are generally applicable to the power sector in India. Many of these risks are beyond our control and include:

- political, regulatory, fiscal, monetary and legal actions and policies that may adversely affect the viability of power sector projects we finance, including changes in any tariff regulations applicable to power plants;
- delays in the implementation of GoI policies and initiatives;
- environmental concerns and environmental regulations applicable to power sector projects we finance, including, for example, relevant coal mining areas being classified as "no-go" areas;
- delays in obtaining environmental clearances or land for the projects we finance;
- extent and reliability of power sector infrastructure in India;
- strikes, work stoppages or wage demands by employees that affect the project implementation schedule or operations of the projects that we finance;
- adverse changes in demand for, or the price of, power generated or distributed by the projects we finance;
- the willingness and ability of consumers to pay for the power produced by projects we finance;
- shortages of, or adverse price fluctuations in, fuel and other raw materials and key inputs involved in power generation, including coal, oil and natural gas;
- increase in project development costs due to environmental challenges and changes in environmental regulations;
- changes in credit ratings of our borrowers affecting their ability to finance projects;
- interruption or disruption in domestic or international financial markets, whether for equity or debt funds;
- delays in the construction and operation of projects we finance;
- potential defaults under financing arrangements of project companies and their equity investors;

- failure of co-lenders (with us under consortium lending arrangements) to perform on their contractual obligations;
- failure of third parties such as contractors, fuel suppliers, sub-contractors and others to perform on their contractual obligations in respect of projects we finance;
- adverse developments in the overall economic environment in India;
- adverse fluctuations in liquidity, interest rates or currency exchange rates; and
- economic, political and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located in the markets they are intended to serve.

The long-term profitability of power sector projects, when commissioned, is partly dependent on the efficiency of their operation and maintenance of their assets. Delayed implementation, initial complications, inefficient operations, inadequate maintenance and similar factors may reduce the profitability of such projects, adversely affecting the ability of our borrowers to repay our loans or service interest payments thereon. In addition, power sector projects may be exposed to unplanned interruptions caused by catastrophic events such as floods, earthquakes, fires, major plant breakdowns, pipeline or electricity line ruptures or other disasters. Operational disruption, as well as supply disruption, could adversely affect the cash flows available from these projects. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in a permanent loss of customers, substantial litigation or penalties and/or regulatory or contractual non-compliance. To the extent the risks mentioned above or other risks relating to the power sector projects we finance materialize, the quality of our asset portfolio and our results of operations may be adversely affected. Furthermore, as we continue to expand our operations, our loans to individual projects may increase, thereby increasing our exposure with respect to individual projects and the potential for adverse effects on our business, financial condition and results of operations and on the trading price of our Equity Shares in the event these risks were to materialize.

7. ***Volatility in interest rates affects our lending operations and may result in a decline in our net interest income and net interest margin and adversely affect our return on assets and profitability.***

Our business is primarily dependent on interest income from our lending operations, which contributed approximately 96.8% and 96.3% of our total income in fiscal 2010 and in the nine months ended December 31, 2010, respectively. In addition, as of December 31, 2010, 65.0% of our borrowings were at fixed rates while the remaining were at floating rates (i.e., linked to the benchmark prime lending rate/base rate/Repo and other market benchmarks), compared to a large part of our loans which carry fixed interest rates with a three year reset clause. The primary interest rate-related risks we face are from timing difference in the pricing of our assets and liabilities, e.g., if in an increasing interest rate environment, our liabilities get priced prior to our assets we may have to incur additional liabilities at a higher interest rate, and repricing risk, e.g., where there is an adverse mismatch between the repricing terms of our loan assets and our loan liabilities.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. When interest rates decline, we are subject to greater re-pricing and pre-payment risks as borrowers may take advantage of the attractive interest rate environment. If we re-price loans, our results may be adversely affected in the period in which the re-pricing occurs. If borrowers prepay loans, the return on our capital may be impaired as any prepayment premium we receive may not fully compensate us for the redeployment of such funds elsewhere. In addition, while we set the interest rate under our loans and also typically have the option to reset the rate to our prevailing lending rates in accordance with the terms of the relevant loans, typically every three years or ten years, this flexibility is also subject to the borrower's ability to prepay the loan and refinance with another lender. When interest rates rise, it results in an increase of interest rates for our borrowings and given that a majority of our loans are subject to three year re-set clauses, we may not be able to re-price the loans or increase the interest rates with respect to such loans during such period, which could in turn have a material adverse effect on our results of operations and financial condition. In addition, as a non-deposit taking NBFC, we may be more susceptible to such increases in interest rates than some of our competitors such as commercial banks or deposit taking NBFCs, that have access to lower cost funds.

Our results of operations are therefore dependent on various factors that are indirectly affected by the prevailing interest rate and lending environment, including disbursement and repayment schedules for our loans, the terms of such loans including interest rate reset terms as well as the currency of such loans and any exchange gains or losses relating thereto. In addition, the value of any interest rate hedging instruments we may enter into in the future may be affected by changes in interest rates. There can be no assurance that we will be able to adequately manage our interest rate risk and be able to effectively balance the proportion and maturity of our interest earning assets and interest bearing liabilities in the future.

8. ***We currently fund our business in significant part through use of borrowings that have shorter maturities than the maturities of substantially all of our new loan assets and we may be required to obtain additional financing in order to repay our indebtedness and grow our business.***

We may face potential liquidity risks due to mismatches in our funding requirements and the financing we provide to our borrowers. In particular, a significant part of our business is funded through borrowings that have shorter maturities than the maturities of substantially all of our new loan assets. Our long-term loans represented 74.0%, 78.8%, 81.1% and 81.9% of our total loan assets as of March 31, 2008, 2009, 2010 and as of December 31, 2010, respectively. As of December 31, 2010, we had bonds outstanding of ₹ 562,688.94 million and long term borrowings of ₹ 192,063.80 million, which constituted 73.6% and 25.1%, respectively, of our unsecured loan liabilities as of such date. Our other financial products may also have maturities that exceed the maturities of our borrowings. For additional information with respect to our sources of funds, see the section titled "***Our Business-Resource Mobilization***" on page 110.

To the extent we fund our business through the use of borrowings that on the whole have shorter maturities than the loan assets we disburse, our loan assets will not timely generate sufficient liquidity to enable us to repay our borrowings as they become due, and we will be required to obtain new borrowings to repay our existing indebtedness. Further, in accordance with GoI directives, we are required to declare a minimum dividend on equity of 20.0% or a minimum dividend payout of 30.0% of our profit after tax each fiscal year, whichever is higher. However, this is subject to availability of disposable profits and we may declare a lower dividend with the consent of the GoI. As a result, our retained earnings remain low and we may be unable to repay our loans as and when they mature, from our retained earnings. There can be no assurances that new borrowings will be available on favorable terms, or at all. In particular, we are increasingly reliant on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds on acceptable terms will depend on various factors including, in particular, our ability to maintain our credit ratings. Further, our inability to effectively manage our funding requirements and the financing we provide, may also be aggravated if our borrowers pre-pay or are unable to repay any of the financing facilities we grant to them. Our asset-liability management framework categorizes all interest rate sensitive assets and liabilities into various time period categories according to contracted residual maturities or anticipated re-pricing dates, as may be relevant in each case. The difference between the value of assets and liabilities maturing, or being re-priced, in any time period category provides the measure to which we are exposed to the risk of potential changes in the margins on new or re-priced assets and liabilities. Despite the existence of such measures, our liquidity position could be adversely affected by the development of an asset-liability mismatch, which could have a material adverse effect on our business, prospects, results of operations, financial condition and the trading price of the Equity Shares.

9. ***An inability to effectively manage our growth or successfully implement our business plan and growth strategy could adversely affect our business, financial condition and results of operations.***

Our total loan assets increased from ₹ 355,819.18 million as of March 31, 2006 to ₹ 798,557.56 million as of March 31, 2010, at a CAGR of 22.4%. Further, our total income increased from ₹ 31,353.82 million in fiscal 2006 to ₹ 81,265.75 million in fiscal 2010, at a CAGR of 26.9%. We intend to continue to grow our business, which could place significant demands on our operational, credit, financial and other internal risk controls, making management of asset quality increasingly important. It may also exert pressure on the adequacy of our capitalization. We intend to fund our asset growth primarily through issuance of Rupee denominated bonds and commercial borrowings raised in India. There can be no assurance that we will be able to raise funding on attractive terms, or at all. Any adverse development in the Indian credit markets and increase in interest rates may significantly increase our debt service costs and our overall cost of funds. Our growth also increases the challenges involved in maintaining and improving our internal administrative, technological and physical infrastructure, and entails substantial senior level management time and resources. In addition, because of the long gestation period for power sector projects, our historical financial statements may not be an accurate indicator of our future financial condition or results of operations.

As part of our growth strategy, we have strategically expanded our focus areas to include renewable energy projects and projects that represent forward and backward linkages to the core power sector projects, including capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development, as well as power trading initiatives. In addition, we intend to strategically expand our business and service offerings in consultancy and other fee-based services, debt syndication and equity investments. We are also currently in the preliminary stages of evaluating the possibility of establishing or acquiring a bank and are in the process of appointing a consultant in connection with such initiative. In addition, we intend to continue to develop strategic partnerships and alliances and evaluate new business opportunities related to the power sector in India. Pursuing any strategic business opportunities may require capital resources and additional regulatory approvals. We have limited knowledge and experience with respect to financing and other opportunities in these strategic business expansion areas, and competition, applicable regulatory regimes and business practices applicable to these areas and opportunities may differ significantly from those faced by us in our current operations. In addition, if we decide to expand inorganically in these strategic areas, we may not be able to achieve expected synergies from, or achieve the strategic purpose of, any such acquisition, or achieve operational integration or the expected return on our investment. There can be no assurance that we will be able to implement, manage or execute our growth strategy efficiently or in a timely manner, or at all, which could adversely affect our business, prospects, financial condition and results of operations.

10. ***Certain of our SEB borrowers have been restructured and we have not yet entered into definitive loan agreements with such restructured entities, which could affect our ability to enforce applicable loan terms and related State government guarantees.***

We have granted long–term loans to various SEBs that were guaranteed by the respective State governments. Pursuant to certain amendments to the Electricity Act, the respective State governments have restructured these SEBs into separate entities formed for power generation, transmission and/or distribution activities. As part of such restructuring process, all liabilities and obligations of the restructured SEBs relating to our loans were transferred, pursuant to a notification process, to the respective State government, which in turn transferred such liabilities and obligations to the newly formed State government-owned transmission, distribution and/or generation companies. However, the relevant notification transferring such liabilities and obligations under our loans necessitates the execution of a transfer agreement among us, the respective State government and the relevant newly formed transferee entity. We have not yet executed such transfer agreements with respect to some of these loans. In such circumstances, as the State government guarantees have not been reaffirmed to cover the debt obligations of such newly formed transferee entities, we may not be able to enforce the relevant State guarantees in case of default on our loans by such transferee entities. Although we intend to enter into such transfer agreements to ensure that the terms of our original loan agreements entered into with the SEBs continue to apply to such transferee entities, there can be no assurance that we will be able to execute such transfer agreements in a timely manner, or at all. In addition, the relevant State government may not reaffirmed such guarantees with respect to the debt obligations assumed by such restructured transferee entities. There may also be delay, due to factors beyond our control, with respect to the establishment of relevant trust and retention account arrangements with such restructured transferee entities. In addition, we have restructured loans sanctioned to certain SPUs and other SEBs, including rescheduling of repayment terms. Any negative trends or financial difficulties faced by such SPUs and SEBs could increase our NPAs and adversely affect our business, financial condition and results of operations.

11. ***We have granted loans to private sector borrowers on a non-recourse or limited recourse basis, which increases the risk of non-recovery and may adversely affect our financial condition.***

We commenced lending to private sector borrowers in fiscal 1997. As of December 31, 2010, ₹ 65,799.30 million, or 7.1%, of our total loans outstanding as of such date, were to private sector borrowers. Under the terms of our loans to private sector borrowers, our loans are secured by project assets, and in certain cases, we also obtain additional collateral in the form of a pledge of shares by the relevant promoter, or sponsor guarantee. We expect to increase our exposure to private sector borrowers in the future. The ability of such borrowers to perform their obligations under our loans will depend primarily on the financial condition and results of the relevant projects, which may be affected by many factors beyond the borrowers' control, including competition, operating costs, regulatory issues and other risks. If borrowers with non-recourse or limited recourse loans were to be adversely affected by these or other factors and were unable to meet their obligations, the value of the underlying assets available to repay the loans may become insufficient to pay the full principal and interest on the loans, which could expose us to significant losses.

12. ***An increase in the level of our NPAs could adversely affect our financial condition.***

As of December 31, 2010, we had gross NPAs of ₹ 131.63 million, which represented 0.01% of our loan assets against which we have made provision of ₹ 131.63 million. The provisioning has been made in terms of prudential norms laid down internally by us. For further information, see section titled "***Financial Statements-***

Significant Accounting Policies " and "***Selected Statistical Information***" beginning on pages 209 and 303, respectively. As a government owned NBFC, loans made by us to Central and State sector borrowers in the Indian power sector are currently exempt from the RBI's prudential lending (exposure) norms that are applicable to other non-government owned NBFCs. Such exemption, unless further extended by the GoI, is currently applicable until March 31, 2012. In compliance with RBI's directive in this regard, we are in the process of formulating and submitting a roadmap (in consultation with the MoP) to the RBI prior to March 31, 2012, that sets out the manner in which we intend to comply with such prudential norms of the RBI, including further capitalization. In accordance with our internal prudential norms, in case of government sector borrowers, we follow a loan-wise NPA determination policy, rather than a borrower-wise NPA determination policy, which is a regulatory requirement for other non-government sector NBFCs. In the event we are required to follow a borrower-wise NPA determination policy for our government sector borrowers, our NPA levels may increase substantially, which may have a material adverse effect on our business, financial condition and results of operations. In addition, we may, from time to time, amend our policies and procedures regarding asset classification or rescheduling of our loans, which may also increase our level of NPAs. In addition, we are required to assign risk weight of 20.0% to the State government guaranteed loans not in default. However, if such loans have remained in default for a period of more than 90 days, a risk weight of 100.0% is assigned. Our loans made to the private sector are generally consistent with lending (exposure) norms stipulated by the RBI. For further information on RBI regulations and guidelines applicable to us, see section titled "***Regulations and Policies***" on page 124. If RBI provisioning norms were to become applicable to us, our level of NPAs and provisions with respect thereto could be significantly higher. If we are not able to prevent increases in our level of NPAs, our business and our future financial condition could be adversely affected.

13. The escrow account mechanism and the trust and retention account arrangements implemented by us as a quasi-security mechanism in connection with the payment obligations of our borrowers may not be effective, which could adversely affect our financial condition and results of operations.

We use escrow accounts as a credit enhancement mechanism for certain of our public sector borrowers that do not meet certain of our credit risk criteria. As of December 31, 2010, 83.7% of our outstanding loans to State and Central sector borrowers involved such escrow account mechanism. Similarly, in the case of private sector borrowers, security is typically obtained through a first priority *pari passu* charge on the relevant project assets, and through a trust and retention mechanism. For further information, see section titled "***Our Business - Security Risk***" for a description of the trust and retention account arrangement and the escrow account mechanism.

The escrow account mechanism and the trust and retention account arrangements are effective in the event that revenue from the end users or other receipts, as applicable, is received by our borrowers and deposited in the relevant escrow account or trust and retention account. We do not have any arrangement in place to ensure that such revenue is actually received or deposited in such accounts and the effectiveness of the escrow account mechanism and the trust and retention account arrangements is limited to such extent. In the event that end users do not make payments to our borrowers, the escrow account mechanism and the trust and retention account arrangements will not be effective in ensuring the timely repayment of our loans, which may adversely affect our financial condition and results of operations. In addition, as we diversify our loan portfolio and enter into new business opportunities, we may not be able to implement such or similar quasi-security mechanisms or arrangements and there can be no assurance that even if such mechanisms and arrangements are implemented, that they will be effective.

14. Insurance of relevant project assets obtained by our borrowers may not be adequate to protect them against all potential losses, which could indirectly affect our ability to recover our loans to such borrowers.

Under our loan agreements, where loans are extended on the basis of a charge on assets, our borrowers are required to create a charge on their assets in our favor in the form of hypothecation or mortgage, or both. In addition, terms and conditions of the loan agreements require our borrowers to maintain insurance against damage caused by any disasters including floods, fires and earthquakes or theft on the assets charged, primarily as collateral against the loan granted by us. However, our borrowers may not have obtained the required insurance coverage, or may not renew the insurance policies, or the amount of insurance coverage may be less than the replacement cost of the relevant assets and therefore insufficient to cover all financial losses that our borrowers may suffer. In the event the assets charged in our favor are damaged, it may affect our ability to recover the loan amounts due to us.

15. We might not be able to recover costs incurred on the Ultra Mega Power Projects ("UMPPs") and Independent Transmission Projects ("ITPs") and our failure to do so may adversely affect our financial condition and results of operations.

We have been appointed as the nodal agency for the development of UMPPs with a minimum capacity of 4,000 MW each. As of February 28, 2011, we had incorporated 12 wholly-owned subsidiaries as special purpose vehicles ("**SPVs**") for these projects. These SPVs have been established to conduct the bidding process in accordance with the Guidelines for Determination of Tariff By Bidding Process for Procurement of Power by Distribution Licensees, 2005, as amended. The SPVs undertake preliminary studies and obtain necessary linkages, clearances, land and approvals including for water, land and power sale arrangements, prior to transfer of the projects to successful bidders. The objective is to transfer these SPVs to successful bidders, through a tariff based international competitive bidding process, who will then implement these projects, on payment of development costs incurred by each SPV (including a success fee). We have and are likely to continue to incur expenses in connection with these SPVs. There may be delays in the development of such UMPPs or we may be unable to transfer these UMPPs due to various factors, including environmental issues, resistance by local residents, changes in related laws or regulatory frameworks, or our inability to find a developer for such projects. For example, development of two UMPPs have been delayed due to delay in receipt of certain clearances. In addition, we may not be able to fully recover our expenses from the successful bidder, which may result in financial loss to us, which could adversely affect our financial condition and results of operations.

We have also been appointed as a bid process coordinator for the ITP scheme. The ITP scheme is a tariff based competitive bidding process for ITPs, similar to that followed for UMPPs, for the development of transmission systems through private sector participation. We earn revenue from our involvement with ITP projects in a manner similar to the UMPPs. Four SPVs, were initially incorporated under the ITP scheme, of which one SPV was liquidated in December, 2010 and another SPV has been transferred to the successful bidder in March, 2010. As of February 28, 2011, we are in the process of transferring the two existing SPVs to the successful bidders and if we are unable to fully recover our expenses from the relevant successful bidder, it may result in financial loss to us, which could adversely affect our financial condition and results of operations.

16. Our statutory auditors have qualified their reports on our audited standalone financial statements for fiscal 2006, 2007, 2008, 2009 and 2010 and our audited consolidated financial statements for fiscal 2009 and 2010. There can be no assurance that there will not be any similar qualifications to our audited standalone and consolidated financial statements in future periods.

Our statutory auditors have qualified their reports on our audited standalone financial statements for fiscal 2006, 2007, 2008, 2009 and 2010. Our statutory auditors have also qualified their reports on our audited consolidated financial statements for fiscal 2009 and 2010. These audited standalone and consolidated financial statements and our statutory auditors' reports thereon are not included in this Draft Red Herring Prospectus.

Our statutory auditors have qualified their report on our audited standalone and consolidated financial statements for 2010 as reproduced below:

"Power Finance Corporation Limited (The Company) pursuant to the opinion of the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) provided "Deferred Tax Liability" (DTL) on special reserve created under section 36(1) (viii) of the Income Tax Act, 1961 in fiscal 2005, by charging the profit and loss account with ₹142.87 crores and debiting the free reserves by ₹745.14 crores (for creating DTL for fiscal 1998 to fiscal 2004). Since then the Company continued to provide DTL until the end of March 2008 by charging the profit and loss account. The total amount towards DTL up to March 31, 2008 comes to ₹ 1,228.38 crores. The Company during the fiscal 2009 reversed the DTL provided in earlier years amounting to ₹ 1,228.38 crores and also did not provide DTL amounting to ₹ 291.21 crores (including ₹ 133.28 crores for fiscal 2009) in the current year, contrary to opinions expressed by the EAC of the ICAI on two occasions dated November 23, 2004 and May 18, 2006, clarification furnished in July 2009 by the ICAI on the request of the Comptroller and Auditor General of India and mandatory provisions of Accounting Standard 22.

In view of the facts and circumstances placed before us, the profits and free reserves of the Company are overstated by ₹ 774.45 crores and ₹ 745.14 crores (previous year ₹ 616.52 crores and ₹ 745.14 crores), respectively and DTL has been understated by ₹1,519.59 crores (previous year ₹1,361.66 crores).

Further, the amount of capital considered in the calculation of Capital Risk Adjustment Ratio (CRAR) is overstated to the above extent. As regards the liability of ₹ 663.49 crores (previous year ₹ 908.94 crores) *shown as "Interest Subsidy Fund from GOI" in the balance sheet, received under Accelerated Generation and Supply Program (AG&SP) Scheme from the Ministry of Power, Government of India, the Company has estimated the net excess amount of ₹ 166.25 crores (previous year ₹ 283.14 crores) and ₹ 209.97 crores (previous year ₹ 44.27 crores) as at March 31, 2010, for the 9th Five Year Plan period and 10th Plan, respectively. This net excess amount is worked out on overall basis and not on individual basis and may vary due to change in assumptions, if any, during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre payment, interest rate reset, etc. Hence, the impact of this excess, if any could not be determined. As such we are not in a position to express our opinion thereon."*

Our statutory auditors have similarly qualified their reports on our audited standalone and consolidated financial statements for fiscal 2009 with respect to the non-provision of such deferred tax liability on special reserve created under Section 36(1)(viii) of the I.T. Act. In addition, our statutory auditors have similarly qualified their reports on (i) our audited standalone and consolidated financial statements for fiscal 2006, 2007, 2008, 2009 and 2010 with respect to the impact of the excess amount relating to the interest subsidy fund from the GoI under the AG&SP scheme and (ii) our audited standalone and consolidated financial statements for fiscal 2006, 2007 and 2008 with respect to certain balances shown under loans, advances and other debits/ credits in so far such balances have not been confirmed, realized, discharged or adjusted, which are subject to reconciliation. For further information on these and other audit qualifications on our historical audited standalone and consolidated financial statements, see section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Restatement of Audited Financial Statements – Deferred Tax Liability on Special Reserve***", "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Restatement of Audited Financial Statements – Restatement Adjustments Not Effected - AG&SP Interest Subsidy Fund***", and Annexures 23, 27, 28 and 30 to our restated consolidated financial statements on pages 204, 215, 218 and 229, respectively, and Annexures 23, 27, 28 and 30 to our restated standalone financial statements on pages 275, 286, 289 and 300, respectively.

Our statutory auditors have not qualified their report on our audited standalone and consolidated financial statements as of and for the nine months ended December 31, 2010. However, there can be no assurance that there will not be any similar qualifications to our audited standalone and consolidated financial statements in future periods

17. As an NBFC and an IFC, we are required to adhere to certain individual and borrower group exposure limits prescribed by the RBI. Any change in the regulatory regime may adversely affect our business, financial condition, results of operations and the trading price of Equity Shares.

We are a systemically important non-deposit taking NBFC and are subject to various regulations by the RBI as an NBFC. With effect from July 28, 2010, our Company has been classified as an IFC by the RBI, which classification is subject to certain conditions including (i) a minimum of 75.0% of the total assets of such NBFC should be deployed in infrastructure loans (as defined under the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007); (ii) net owned funds of ₹ 3,000.00 million or more; (iii) a minimum credit rating of "A" or an equivalent credit rating of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accrediting rating agencies; and (iv) a capital to risk-weighted asset ratio ("CRAR") of 15.0% (with a minimum Tier I capital of 10.0%). Tier I capital for such purposes mean Owned Funds as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10.0% of the Owned Fund and perpetual debt instruments issued by an systemically important non-deposit taking NBFC in each year to the extent it does not exceed 15.0% of the aggregate Tier I capital of such company as on March 31 of the previous accounting year.

The maximum exposure ceilings as prescribed in respect of systemically important non-deposit taking NBFC that are also IFCs under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are set out below:

Concentration of credit / investment	Loan company	Infrastructure Finance Company
Lending ceilings		
Lending to any single borrower	15% (+ 5*)	25%
Lending to any single group of borrowers	25% (+ 10*)	40%
Investing ceilings		
Investing in shares of a company	15% (+ 5*)	15% (+ 5*)
Investing in shares of a single group of companies	25% (+ 10*)	25% (+ 10*)
Loans and investment taken together		

Lending and investing to single party	25% (+ 5*)	30%
Lending and investing to single group of parties	40% (+ 10*)	50%

* Additional exposure applicable in case the same is on account of infrastructure loan and/or investment.

As of December 31, 2010, the CRAR of our Company was 17.3%. Any inability to continue being classified as an IFC may impact our growth plans by affecting our competitiveness. As an IFC, we will have to constantly monitor our compliance with the necessary conditions, which may hinder our future plans to diversify into new business lines. In the event we are unable to comply with the eligibility condition(s), we may be subject to regulatory actions by the RBI and/or cancellation of our registration as a systemically important non-deposit taking NBFC that are also IFCs. Any levy or fines or penalties or the cancellation of our registration as an NBFC or IFC may adversely affect our business, prospects, results of operations and financial condition. In addition, the RBI has exempted us from prudential exposure norms in respect of lending to Central and State sector borrowers in the power sector until March 31, 2012. In compliance with RBI's directive in this regard, we are in the process of formulating and submitting a roadmap (in consultation with the MoP) to the RBI prior to March 31, 2012, that sets out the manner in which we intend to comply with such prudential lending norms of the RBI, including additional capitalization. However, if such exemption is not extended, our business prospects, financial condition and results of operations may be adversely affected.

In addition, our ability to borrow from various banks may be restricted under guidelines issued by the RBI imposing restrictions on banks in relation to their exposure to NBFCs. For example, according to the RBI, the exposure (both lending and investment, including off balance sheet exposures) of a bank to a single NBFC should not exceed 10.0% of the bank's capital funds as per its last audited balance sheet. Banks may, however, assume exposures on a single NBFC up to 15.0% of their capital funds provided the exposure in excess of 10.0% is on account of funds on-lent by the NBFC to the infrastructure sector. Further, exposure of a bank to IFCs should not exceed 15.0% of its capital funds as per its last audited balance sheet, with a provision to increase it to 20.0% if the same is on account of funds on-lent by the IFCs to the infrastructure sector. Banks may also consider fixing internal limits for their aggregate exposure to the power sector put together. Although we do not believe such exposure limits have had any adverse effects on our own liquidity, we believe that individual lenders from whom we currently borrow may not be able to continue to provide us funds.

As we grow our business and increase our borrowings we may face similar limitations with other lenders, which could impair our growth and interest margins and could therefore have a material adverse effect on our business, financial condition, results of operations and the price of Equity Shares. Also see section titled "- Material changes in the regulations that govern us and our borrowers could cause our business to suffer and trading price of our Equity Shares to decline."

18. ***The power sector financing industry is becoming increasingly competitive and our growth will depend on our ability to compete effectively and maintain a low effective cost of funds.***

We face increasing competition from public and private sector commercial banks and from other financial institutions that provide funding to the power sector. For details on our competitors, see section titled "***Industry Overview***" on page 83. Many of our competitors may have access to greater and cheaper sources of funding than we do. Competition in our industry depends on, among other factors, the ongoing evolution of GoI policies relating to the industry, the entry of new participants into the industry and the extent to which there is consolidation among banks, financial institutions and NBFCs in India. Our primary competitors are public sector infrastructure finance companies, public sector banks, private banks (including foreign banks), financial institutions and other NBFCs. Many of our competitors may have larger resources or balance sheet sizes than us and may have considerable financing resources. In addition, since we are a non-deposit accepting NBFC, we may have restricted access to funds in comparison to banks and deposit taking NBFCs. Our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds. With the growth of our business, we are dependent on funding from the equity and debt markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds on acceptable terms, or at all, will depend on various factors including our ability to maintain our credit ratings. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans to power projects. This is a significant challenge for us, as there are limits to the extent to which higher costs of funds can be passed on to borrowers, thus potentially affecting our net interest income.

19. ***We may make equity investments in power sector projects in the future and such investments may not be recovered.***

As part of our growth strategy, and subject to receipt of relevant approvals, we are in the process of evaluating potential equity investment opportunities in power sector projects. In addition, we may consider equity syndication opportunities for power sector projects, which we expect will also increase our fee-based income. The value of such investments will depend on the success and continued viability of these projects. In addition to project-specific risks, we will have limited control over the operations or management of these businesses. Therefore, our ability to realize expected gains on our equity interest in a business is highly dependent on factors outside our control. Write-offs or write-downs in respect of our equity investments may adversely affect our financial condition and the trading price of our Equity Shares. We may also be unable to realize any value if the company we invest in does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interest. In addition, the ability of these investee companies to make dividend payments is subject to applicable laws and regulations in India relating to payment of dividends. Furthermore, equity investments in power sector projects may be less liquid and involve a longer holding period than traditional private equity investments. Such investments may not have any readily ascertainable market value and the value of investments reflected in our financial statements may be higher than the values obtained by us upon the sale of such investments. Also see section titled "***Risk Factors - We may not be able to identify attractive financing or investment opportunities or provide financing to or make investments in such identified opportunities, which may adversely affect our financial condition and results of operations***." on page 32.

20. We are subject to restrictive covenants under our credit facilities that could limit our flexibility in managing our business.

There are restrictive covenants in the agreements we have entered into with certain banks and financial institutions for our short term borrowings, long term borrowings and bonds trust deeds. These restrictive covenants require us to maintain certain financial ratios and seek the prior permission of these banks/financial institutions for various activities, including, selling, leasing, transferring or otherwise disposing of any part of our business or revenues, effecting any scheme of amalgamation or reconstitution, implementing a new scheme of expansion, taking up a new or allied line of business, forming a new subsidiary and in certain cases, consent for on-lending of the funds. Such restrictive covenants in our loan and bond documents may restrict our operations or ability to expand and may adversely affect our business. Furthermore, a default on some of our loans may also trigger cross-defaults under some of our other loans. In addition, if we fail to meet our debt service obligations or if a default otherwise occurs, our lenders could declare us in default under the terms of our borrowings and accelerate the maturity of our obligations, or in some cases, could exercise step-in rights, or could enforce the security underlining their secured lendings, such as on the proposed offering of the secured, long-term Rupee-denominated infrastructure bonds. Any acceleration of the maturity of our obligations could have a material adverse effect on our cash flows, business and results of operations. Further, our lenders may recall certain short-term demand loans availed of by us at any time. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain the consents necessary to take the actions we believe are required to operate and grow our business, in the future. For further information, see section titled "***Financial Indebtedness***" on page 344.

21. Our agreements regarding certain of our joint venture arrangements or investments in other companies contain restrictive covenants, which limit our ability on transfer our shareholding in such ventures.

Our Company has entered into various joint venture arrangements, pursuant to which certain joint venture companies have been incorporated, namely, National Power Exchange Limited, Energy Efficiency Services Limited and PTC India Limited (formerly known as Power Trading Corporation of India Limited). Our Company has also entered into a share subscription and shareholders agreement with the National Stock Exchange and National Commodity & Derivates Exchange Limited subscribing to the equity shares of Power Exchange India Limited. Furthermore, our Company has investments in Power Equity Capital Advisors Private Limited and the Small is Beautiful Fund, a venture capital fund established with the objective to invest in equity and equity like instruments of special purpose vehicles involved in the development of power projects. For further information see section titled "***History and Certain Corporate Matters***" on page 134.

Further, as we hold minority interests in each of these joint venture companies, our joint venture partners will have control over such joint venture companies (except to the extent agreed under the respective joint venture agreements). In addition, we have not made provisions for the decline in value of such investments. Under the terms of the relevant agreements our Company is not permitted to transfer its shareholding in the joint ventures to a third party for a specified lock-in period and/or with consent of the board of director or the other parties to such agreement/ arrangement. Such covenants may limit our ability to make optimum use of our investments or exit these joint ventures and thereby liquidating our investments at our discretion, which may have an adverse impact on our financial condition. In addition, we cannot assure that we will be able perform or comply with our obligations under the joint venture agreements and our failure to do so may result in a breach of such agreements, which could affect our rights under these agreements.

Further, the success of these joint ventures is dependent upon the cooperation of our joint venture partners. These joint ventures are subject to the risk of non-performance by our joint venture partners of their obligations, including their financial obligations, in respect of the joint venture. Joint venture partners may have business interests or goals that may differ from our business interests or goals, or those of our shareholders. Any disputes that may arise between our joint venture partners and us may cause delays in completion or the suspension or abandonment of the venture. In addition, though our joint ventures confer rights on us, our joint venture partners have certain decision-making rights that may limit our flexibility to make decisions relating to such business, and may cause delays or losses.

22. ***Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.***

Many of our employees, particularly senior management, have worked with our Company for significantly long periods. Our future performance depends on the continued service of our management team and skilled personnel. We may face a challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for management and other skilled personnel in our industry. Further, our ability to meet future business challenges depends on our ability to attract and recruit talented and skilled personnel. The loss of any of the members of our Board, our senior management, or other key personnel or an inability to manage the attrition levels in the different employee categories may materially and adversely impact our business, financial condition and results of operations.

23. ***The GoI will continue to retain majority control in our Company following the completion of the Issue, which will enable them to influence the outcome of matters submitted to shareholders for approval.***

Upon completion of the Issue, the GoI will control, directly or indirectly, 73.72% of our outstanding Equity Shares. As a result, the GoI, acting through MoP, will continue to exercise significant control over us, including in matters relating to any sale of all or substantially all of our assets, timing and distribution of dividends, controlling the composition of our Board and determining matters requiring shareholder approval or approval of our Board. The GoI may take or block actions with respect to our business, which may conflict with our interests or the interests of our minority shareholders. By exercising its control, the GoI could delay, defer or cause a change of our control or a change in our capital structure, or a merger, consolidation, takeover or other business combination involving us, discourage or encourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us. In addition, as long as the GoI continues to exercise control over the Company, it may influence the material policies of our Company in a manner that could conflict with the interest of our other shareholders and may take positions with which we or our other shareholders may not agree. In addition, the GoI significantly influences our operations both directly and indirectly through its various departments and policies in relation to the power industry generally. In particular, given the importance of the power industry to the economy, the GoI could require us to take action designed to serve the public interest in India and not necessarily to maximize our profits.

24. ***We are subject to credit, market and liquidity risks and, if any such risk were to materialize, our credit ratings and our cost of funds may be adversely affected.***

We may not be able to effectively mitigate our risk exposures in particular market environments or against particular types of risks. Our revenues and interest rate risk are dependent upon our ability to properly identify, and mark to market, changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon our effectiveness in managing credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or are not predictive of actual results, we could incur higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing our liquidity risk because it affects the evaluation of our credit ratings by rating agencies. We currently hold the highest credit ratings of "AAA" and "LAAA" for our long term domestic borrowings and "P1+" and "A1+" for our short term borrowings from CRISIL and ICRA, respectively. International credit rating agencies Moody's, Fitch and Standard & Poor's have provided us long-term foreign currency issuer ratings of "Baa3", "BBB-" and "BBB-", respectively, which are at par with the sovereign ratings for India. However, rating agencies may reduce or indicate their intention to reduce the ratings at any time and there can be no assurance that we may not experience such downgrade in the future. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in our ratings. Any reduction (or withdrawal) in our ratings may make us ineligible to remain classified as an IFC, increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions, particularly longer-term and derivatives transactions, or retain our customers. This, in turn, could reduce our liquidity and negatively impact our financial condition and results of operations.

25. ***We may fail to obtain regulatory approvals to operate or expand our business in a timely manner or at all, or to comply with the terms and conditions of our existing regulatory approvals and licenses, which may have a material adverse effect on the continuity of our business and may impede our operations in the future.***

We require certain regulatory approvals, sanctions, licenses, registrations and permissions for operating and expanding our business. We may not receive or be able to renew such approvals in the time frames anticipated by us, or at all, which could adversely affect our business. If we do not receive, renew or maintain the regulatory approvals required to operate our business it may have a material adverse effect on the continuity of our business and may impede our effective operations in the future. For further information relating to the approvals obtained by us see section titled "***Government and Other Approvals***" beginning on page 366.

NBFCs in India are subject to strict regulations and supervision by the RBI. These laws and regulations impose numerous requirements on us, including those relating to asset classification and prescribed levels of capital adequacy, cash reserves and liquid assets. However, as a government company, loans made by us to Central and State entities in the power sector have been exempted from certain RBI policies relating to prudential lending norms applicable to certain non-government NBFCs, such as asset classification norms, RBI's norms in respect of cash reserves and liquid assets. In addition to the numerous conditions required for the registration as a NBFC with the RBI, we are required to maintain certain statutory and regulatory permits and approvals for our business. In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations.

Further, the RBI has not provided for any ceiling on interest rates that can be charged by non-deposit taking NBFCs. There may be future changes in the regulatory system or in the enforcement of the laws and regulations including policies or regulations or legal interpretations of existing regulations, relating to or affecting interest rates, taxation, inflation or exchange controls, that could have an adverse effect on non-deposit taking NBFCs. In addition, we are required to make various filings with the RBI, the RoC and other relevant authorities pursuant to the provisions of RBI regulations, Companies Act and other regulations. If we fail to comply with these requirements, or a regulator claims we have not complied with such requirements, we may be subject to penalties. Moreover, these laws and regulations can be amended, supplemented or changed at any time such that we may be required to restructure our activities and incur additional expenses in complying with such laws and regulations, which could materially and adversely affect our business. In addition, any historical or future failure to comply with the terms and conditions of our existing regulatory or statutory approvals may cause us to lose or become unable to renew such approvals. For further details, see section titled "***Regulations and Policies***" on page 124.

26. ***We benefit from certain tax benefits available to us as a lending institution. If these tax benefits are no longer available to us it would adversely affect our business, financial condition, results of operations and trading price of our Equity Shares.***

We have received and currently receive tax benefits by virtue of our status as a lending institution, including as a result of our lending within the infrastructure sector, which have enabled us to reduce our effective tax rate. In fiscal 2008, 2009 and 2010 and in the nine months ended December 31, 2010, our effective tax liability, calculated on the basis of our tax liability as a percentage of profit before tax,) was 26.9%, 24.8%, 26.8% and 25.2% respectively, compared to statutory corporate tax rates (including surcharge and cess) of 33.99%, 33.99%, 33.99% and 33.22% in such periods. For further information on our tax benefits and the impact these benefits have on our results of operations, see sections titled "***Management's Discussion and Analysis of***

Financial Condition and Results of Operations - Factors Affecting our Financial Results- Tax Benefits and Incentives" and "***Statement of Tax Benefits***" on pages 312 and 74, respectively. The availability of such tax benefits is subject to the policies of the GoI, among other things, and there can be no assurance as to any tax benefits that we will receive in the future. If the laws or regulations regarding these tax benefits are amended, our taxable income and tax liability may increase, which would adversely impact our financial condition and results of operations.

27. Our contingent liabilities in the event they were to materialize could adversely affect our business, financial condition, results of operations and trading price of our Equity Shares.

As of December 31, 2010, we had contingent liabilities of ₹ 57,256.28 million including non-funded contingent exposure of ₹ 4,725.39 million in the form of guarantees and ₹ 52,309.57 million in the form of letters of comfort issued to borrowers' banks in connection with letters of credit. If these contingent liabilities materialize, our financial condition could be adversely affected. For further information on our contingent liabilities, see sections titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Off-Balance Sheet Arrangements and Financial Instruments***" and note 4 of Annexure 29 to our restated consolidated financial statements on pages 338 and 219, respectively. Also refer to section titled "***Outstanding Litigation and Material Developments***" on page 359.

28. We may incur shortfalls in the advance subsidy received under the Accelerated Generation and Supply Program ("AG&SP") of the GoI, which may affect our financial condition.

In fiscal 1998, the GoI started the Accelerated Generation and Supply Program ("**AG&SP**"), a scheme for providing interest subsidies for various projects. While the scheme ended in April 2007, we currently receive interest income from the interest subsidy fund established in connection with the loans granted under this scheme. The scheme subsidized our lending rates on loans to public sector power utilities. The subsidy was paid in advance directly to us from the Central government budget and was to be passed on to the borrowers against their interest liability arising in future under the AG&SP.

We maintain an interest subsidy fund account for the subsidy claimed from the GoI at net present value which is calculated at certain pre-determined and indicative discount rates, irrespective of the actual repayment schedule, moratorium period and duration of repayment. The impact of the difference between the indicative discount rate and period considered at the time of drawal and the actual rate and period can be ascertained only after the end of the respective repayment period in relation to that particular loan. There might be instances where there is a shortfall or a surplus in the subsidy received from the GoI. In the event of a surplus in subsidy, the excess is to be refunded. In the event of there being a shortfall, we shall have to bear the difference, which may adversely affect our financial condition and results of operations.

29. The security of our IT systems may fail and adversely affect our business, operations, financial condition and reputation.

We are dependent on the effectiveness of our information security policies, procedures and capabilities to protect our computer and telecommunications systems and the data such systems contain or transmit. An external information security breach, such as a hacker attack, fraud, a virus or worm, or an internal problem with information protection, such as failure to control access to sensitive systems, could materially interrupt our business operations or cause disclosure or modification of sensitive or confidential information. Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security. Although we maintain procedures and policies to protect our IT systems, such as data back-up system, disaster recovery and business continuity system, any failure of our IT systems as mentioned above could result in business interruption, material financial loss, regulatory actions, legal liability and harm to our reputation. Further, any delay in implementation or disruption of the functioning of our IT systems could disrupt our ability to track, record, process financial information or manage creditors/debtors or engage in normal business activities. In particular, we are in the process of implementing an enterprise resource planning ("**ERP**") system primarily for financial accounting and risk management to manage our operations. Any such delay or disruption, or a failure to effectively and timely implement ERP systems, could have a material adverse effect on our business, financial condition and results of operations.

In addition, we rely extensively on our information technology systems to provide us with connectivity across our business functions through our software, hardware and connectivity systems. We are in the process of upgrading our information technology infrastructure so as to implement SAP, which process is currently ongoing. Any delay in implementation, problems in transition to the new system or any disruptions in its functioning may adversely impact our business, financial condition and results of operations.

30. We are involved in a number of legal proceedings, including taxation related proceedings that, if determined against us, could adversely affect our business and financial condition.

Our Company is a party to various legal proceedings. These legal proceedings are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory, authorities/ other judicial authorities, and if determined against our Company, could have an adverse impact on the business financial condition and results of operations of our Company. For further information relating to outstanding litigation against our Company, see the section titled "***Outstanding Litigation and Material Developments***" on page 359 of this Draft Red Herring Prospectus. No assurances can be given as to whether these legal proceedings will be decided in our Company's favor or have no adverse outcome, nor can any assurance be given that no further liability will arise out of these claims. Details of the proceeding that have been initiated against and by our Company and the amounts claimed against and by us in these proceedings, to the extent ascertainable, are set forth below:

Litigation against our Company

Nature of Proceedings	Number of Proceedings against the Company	Amount Involved (₹ million)*
Writ Petitions	4	Not ascertainable
Income Tax	13	840.56
Consumer Cases	1	0.06
Civil	1	Not ascertainable
Total	**19**	**840.62**

* The amounts stated do not include the interest claimed or payable.

Criminal litigation against our Company

Nature of Proceedings	Number of Proceedings against the Company	Amount Involved (₹ million)
Writ Petition	1	Not ascertainable

Litigation by our Company

Nature of Proceedings	Number of Proceedings against the Company	Amount Involved (₹ million)*
Civil	2	72.87
Total	**2**	**72.87**

* The amounts stated do not include the interest claimed or payable.

Also see section titled "***Risk Factors - Our contingent liabilities in the event they were to materialize could adversely affect our business, financial condition, results of operations and trading price of Equity Shares***" on page 29.

31. We may in the future conduct additional business through joint ventures and strategic partnerships, exposing us to certain regulatory and operating risks.

We intend to continue to pursue suitable joint venture and strategic partnership opportunities in India and internationally, in particular with companies/firms whose resources, capabilities and strategies are likely to enhance and diversify our business operations in the power sector. We may not be able to identify suitable joint venture or strategic partners or we may not complete transactions on terms commercially acceptable to us, or at all. We cannot assure you that we will be able to successfully form such alliances and ventures or realize the anticipated benefits of such alliance and joint ventures. Further, such partnerships may be subject to regulatory approvals, which may not be received in a timely manner, or at all. In addition, we cannot assure you that the expected strategic benefits or synergies of any future partnerships will be realized. Further, such investments in strategic partnerships may be long-term in nature and may not yield returns in the short to medium term. Such initiatives will place significant strains on our management, financial and other resources and any unforeseen costs or losses could adversely affect our business, profitability and financial condition.

32. A decline in our capital adequacy ratio could restrict our future business growth.

We are required under applicable laws and regulations to maintain a capital adequacy ratio of at least 15.0% of our risk-weighted assets, with the minimum requirement of Tier I capital being 10.0%. Our capital adequacy ratio was 17.31% as of December 31, 2010, with Tier I capital comprising 16.23%. If we continue to grow our loan portfolio and asset base, we will be required to raise additional Tier I and Tier II capital in order to continue to meet applicable capital adequacy ratios. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favorable to us or that we will be able to retain our IFC classification, and this may adversely affect the growth of our business.

33. We have entered and may enter into certain transactions with related parties, which may not be on an arm's length basis or may lead to conflicts of interest.

We have entered and may enter into transactions with related parties, including our Directors. There can be no assurance that we could not have achieved more favorable terms on such transactions had they not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. The transactions we have entered into and any future transactions with related parties have involved or could potentially involve conflicts of interest. For further information, see section titled " ***Financial Statements-Annexure 21-Related Party Transactions*** " on page 202.

Our subsidiary PFC Consulting Limited ("**PFCCL**") is engaged in the consultancy services business, and our own constitutional documents permit us to engage in similar business, and there is no relationship agreement or similar arrangement currently in place between PFCCL and us, which may result in potential conflicts of interest.

34. Our Directors may have business interests similar to ours, which may result in a conflict of interest that may adversely affect future financing opportunity referrals.

Some of our Directors have interests in other companies, which are in businesses similar to ours, which may result in potential conflict of interest. Our Director, Mr. Mukesh Kumar Goel is also a director on the board of PTC India Financial Services Limited, a company that has business interest similar to ours. Further, our Director Mr. Devender Singh is a government nominee director on the board of Rural Electrification Corporation Limited, which is also in a business similar to ours. For further information with respect to directorships of certain of our Directors, see section titled "***Our Management***" on page 145. Accordingly, potential conflicts of interest may arise out of common business objectives shared by us and our Directors and there can be no assurance that these or other conflicts of interest will be resolved in an impartial manner.

35. Our Company did not comply with certain provisions of the Equity Listing Agreement relating to composition of Board during certain quarters of fiscal 2010.

Our Company has not complied with certain provisions of the Equity Listing Agreement relating to composition of its Board for certain quarters of fiscal 2010. However, our Company is in compliance with the requirements of Clause 49 of the Equity Listing Agreement in relation to composition of Board, as on the date of this Draft Red Herring Prospectus. Presently, our Board has ten Directors, of which five are Independent Directors. No penalties or suspension of trading has been imposed by the Stock Exchanges.

36. We have negative cash flows from operations in recent periods. There is no assurance that such negative cash flows from operations shall not recur in the future.

Our cash outflows relating to loans and advances we disburse (net of any repayments we receive) is reflected in our cash flow from operating activities whereas the cash inflows from external funding we procure (net of any repayments of such funding) to disburse these loans and advances are reflected in our cash flows from financing activities. Our operating profit before allocation for working capital changes as of March 31, 2009, March 31, 2010 and December 31, 2010, was ₹ 22,811.50 million, ₹ 28,520.58 million and ₹ 26,958.06 million, respectively. However, our net cash flow from operating activities has turned negative amounting to ₹ 107,323.28 million, ₹ 134,020.37 million and ₹ 96,600.51 million, respectively, in these periods as a result of an increase in our lending operations. The net cash flow from investing activities primarily represent sale and purchase of fixed assets, other investments and interest received. Our net decrease in cash and cash equivalent was ₹ 2,549.29 million and ₹ 6,699.20 million in fiscal 2009 and in the nine months ended December 31, 2010, respectively. For further information, see section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flows***" on page 202.

37. Our insurance may not be adequate to protect us against all potential losses to which we may be subject.

We maintain insurance for our physical assets such as our office and residential properties against standard fire and special perils (including earthquake), amounting to ₹ 1,080.00 million. In addition, we maintain a group personal accident insurance as well as directors' and officers' insurance policy. However, the amount of our insurance coverage may be less than the replacement cost of such property and may not be sufficient to cover all financial losses that we may suffer should a risk materialize. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our results of operations and financial position.

In addition, in the future, we may not be able to maintain insurance of the types or in the amounts which we deem necessary or adequate or at premiums which we consider acceptable. The occurrence of an event for which we are not adequately or sufficiently insured or the successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material and adverse effect on our business, financial condition, results of operations, and cash flows.

38. We may not be able to identify attractive financing or investment opportunities, or provide financing to or make investments in such identified opportunities, which may adversely affect our financial condition and results of operations.

There can be no assurance that we will be able to identify attractive financing or investment opportunities that meet our financing and investment criteria, or provide financing to or make investments in such identified opportunities. The activity of identifying attractive financing and investment opportunities is highly competitive and providing financing to or making such investments may be subject to various factors beyond our control. In addition, we may not be able to fully ascertain the risks involved in the power sector projects we finance or invest in due to limited information.

Furthermore, any investment that we make in power sector projects may be subject to contractual, legal and other restrictions, such as pre-emption rights and the requirement to obtain consents and approvals on resale. The illiquidity of these investments may make it difficult to sell investments even if we determine that the sale is in our interest. In addition, if we are required to liquidate all, or a portion of our investment portfolio quickly, we may not realize an appropriate value for our investments. We may also face other restrictions on our ability to liquidate an investment in an investee company to the extent that we have material non-public information regarding such company. In addition, the large number of competitors compared to the limited number of attractive investment opportunities in the Indian power sector may increase the cost at which investments may be made and reduce potential profits. We may also incur significant expenses identifying, investigating and seeking to acquire potential investments, which are ultimately not consummated, including expenses relating to due diligence, transportation, extended competitive bidding processes, legal expenses and the fees of other third-party advisors. Furthermore, in case of equity investments in the power sector, our competing entities may seek to sell assets at the same time as us, thereby resulting in a decline in the value of such assets.

39. Material changes in the regulations that govern our borrowers and us could cause our business to suffer and trading price of our Equity Shares to decline.

We are under the administrative control of the MoP and some of our activities are subject to supervision and regulation by statutory authorities including the RBI, SEBI and IRDA and we are also subject to policies/procedures of GoI departments such as the MoF, MCA and DPE. In addition, our borrowers in the power sector are subject to supervision and regulation by the CEA, CERC and SERCs. See section titled "***Regulations and Policies***" on page 124. Further, we are subject to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. We also receive certain benefits and take advantage of certain exemptions available to our classification as a public financial institution under Section 4A the Companies Act and as a of systemically important non-deposit taking NBFC that are also IFCs under the RBI Act.

Further, the statutory and regulatory framework for the Indian power sector has changed in many important ways in recent years and the impact of these changes is yet to be seen. The Electricity Act puts in place a framework for major reforms in the sector. Furthermore, there could be additional changes in the manner of determination of tariff and other policies and licensing requirements for, and tax incentives applicable to, companies in the power sector. Presently, we do not know what the nature or extent of review and amendment of the Electricity Act and rules and policies issued thereunder in the future may be, and cannot assure that any amendments will not have an adverse impact on our business, financial condition and results of operations and performance and the price of our Equity Shares. Applicable laws and regulations governing our borrowers and us could change in the future and any such changes could adversely affect our business, financial condition, results of operations and the trading price of our Equity Shares.

40. We have certain cash credit facilities that may be recalled by our lenders at any time, which could adversely affect our financial condition.

We have certain cash credit facilities aggregating ₹ 9,712.30 million as of December 31, 2010, which may be recalled by our respective lenders at any time. In the event any of our lenders recall such cash credit facilities, we may face adverse liquidity problems and our financial condition could be adversely affected.

41. Volatility in foreign exchange and un-hedged foreign currency could adversely affect our financial conditions and results of operations and trading prices of our Equity Shares.

We have put in place a Currency Risk Management ("**CRM**") policy to manage risks associated with foreign currency borrowings. We enter into hedging transactions to cover exchange rate and interest rate risk through various instruments, such as currency forwards, options, principal swaps, interest rate swaps and forward rate agreements.

We currently engage in borrowing from the international market in foreign currency. Further, as an IFC, we are also eligible to raise, under the automatic route (without the prior approval of the RBI), ECBs up to US$500.0 million each fiscal, subject to the aggregate outstanding ECBs not exceeding 50.0% of our Owned Funds, and are likely to avail of significant external commercial borrowings in the future. The enhanced level of borrowing will expose us to fluctuations in foreign exchange rates, which may have adverse effects on our financial results. As at December 31, 2010, we had foreign currency borrowings outstanding of U.S.$541.68 million, JPY 21,477.05 million and €26.66 million (aggregate equivalent to ₹ 38,134.20 million, or 5.0% of our total borrowings as of such date). As of December 31, 2010, we had lent in foreign currency to cover approximately 11.0% of our foreign currency principal exposure. As of December 31, 2010, U.S.$160.00 million has been hedged through interest rate swaps. Foreign currency liabilities not hedged by a derivative instrument or otherwise as of December 31, 2010 was U.S.$452.05 million, € 26.66 million and JPY 21,231.04 million. In addition, we have recently borrowed U.S.$260.00 million equivalent in JPY in February 2011 through ECBs and have obtained a waiver from the RBI from its requirement to hedge our foreign currency exposure for these ECBs. Although we have in place the CRM policy to manage risk associated with foreign currency borrowings there is no assurance that it will remain effective over a period of time or that we will enter into effective hedging with respect to any foreign currency borrowing. We may be exposed to fluctuations in foreign currency rates with the increased foreign currency borrowings. Volatility in currency exchange rates could adversely affect our business, financial condition and results of operations and the price of our Equity Shares.

In addition, although we engage in hedging transactions to manage interest rate and foreign exchange currency rate risks our hedging strategy may not be successful in minimizing our exposure to these fluctuations. We face the risk that the counterparties to our hedging activities may fail to honor their contractual obligations to us. This may result in us not being able to net off our positions and hence reduce the effectiveness of our hedges. Non-performance of contracts by counterparties may lead to us in turn not being able to honor our contractual obligations to third parties. This may subject us to, among others, legal claims and penalties.

42. Any future capital raising exercise, the vesting and exercise of stock options or sales of our Equity Shares by any existing shareholders could significantly affect the trading price of our Equity Shares.

To fund future growth plans, we may raise further capital by way of a subsequent issue of Equity Shares in either the domestic or the international market. Any such issuance of our Equity Shares would dilute the shareholding of our existing investors in our Company. Any such future issuance of Equity Shares or sales of Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities.

In addition, in September 2010, our shareholders approved an employee stock option plan "PFC ESOP 2010" for the purpose of issuance and allotment of Equity Shares to the permanent employees including whole time directors of the Company. As of the date of this Draft Red Herring Prospectus, no options have been granted under the PFC ESOP 2010. However, in the event such options are granted, vested or exercised it would dilute the current investors' shareholdings in our Company. For further information relating to the PFC ESOP 2010, see section titled "***Capital Structure***" on page 63.

43. We are in the process of executing a perpetual lease deed for our registered office premises and consequently do not have leasehold rights to the premises at present.

In accordance with the memorandum of agreement dated February 5, 2002 entered into with the President of India, Ministry of Urban Development and Poverty Alleviation, by its letter dated February 5, 2002, we were required to execute a perpetual lease deed with the L&DO after completion of construction of the building where our registered office is located. We are currently awaiting execution of the same, as a result of which, we presently do not have leasehold rights over the land on which the registered office is situated. Pending execution of the lease in our favor, we have been granted license and any breach of the terms of this memorandum of agreement dated February 5, 2002 and, or the lease as and when executed by and between the President of India and us, the Company shall be liable to pay penalty, as may be fixed by the President of India, by way of compensation for such contravention. Further, the President shall also have the right to rescind or revoke this MoU, and the land (including the superstructure) will revert to the GoI.

44. Any dispute, proceeding or irregularity in title to properties leased or owned by us may adversely affect our financial condition and result of operations.

We have taken certain properties on lease for our branch offices. We cannot assure you whether the lease for such property would be renewed in favorable terms. Certain of these properties may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements. In addition, there may be certain irregularities in title in relation to some of our owned/leased properties. For example, some of the agreements for such arrangements may not have been duly executed and/or adequately stamped or registered in the land records of the local authorities or the lease deeds may have expired and not yet been renewed. Since registration of land title in India is not centralized and has not been fully computerized, the title to land may be defective as a result of a failure on our part, or on the part of a prior transferee, to obtain the consent of all such persons or duly complete stamping and registration requirements. The uncertainty of title to land may impede the processes of acquisition, independent verification and transfer of title, and any disputes in respect of land title that we may become party to may take several years and considerable expense to resolve if they become the subject of court proceedings. Any such dispute, proceedings or irregularities may have an impact on the operation of our business.

45. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The amount of future dividend payments, if any, in addition to being regulated by the GoI, will depend upon our future earnings, financial condition, cash flows, working capital requirements, terms and conditions of our indebtedness and capital expenditures. There can be no assurance that we will be able to pay dividends in the future.

46. We may become liable for the acts or omissions of external consultants engaged by PFCCL.

Our Company's wholly-owned subsidiary, PFCCL, provides consultancy services and undertakes execution of consultancy assignments in the power sector for its clients. For these purposes, PFCCL also engages external consultants. We also engage external consultants in the course of our business such as to assist in the conduct of the bidding process. In the event that any acts or omissions of these external consultants may result in professional negligence or breach of contract, we could become liable to our clients or third parties for the acts or omissions of such external consultants, which could have an adverse affect on our business, financial condition and results of operations.

47. We are subject to stringent labour laws and trade union activity or any work stoppage could have an adverse affect on our business, financial condition and results of operations and the price of our Equity Shares.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for employee removal and dispute resolution and imposes financial obligations on employers. This makes it difficult for us to maintain flexible human resource policies, discharge employees or downsize, which though not quantifiable, may adversely affect our business and profitability.

Our Company has a registered trade union under the Trade Unions Act 1926. Our revised pay scales with our unionized employees expires on December 31, 2016. Although we consider our relations with our employees to be stable, 15.0% of our employees are unionized and we have until date not lost any time on account of strikes or labour unrest, our failure to effectively re-negotiate wage revisions or other legitimate union activity could result in work stoppages. Any such work stoppage, though not quantifiable could have an adverse affect on our business, financial condition and results of operations and the price of our Equity Shares.

48. The funding requirements of our Company and the deployment of a portion of the Net Proceeds are based on management estimates and have not been independently appraised by any bank or financial institution and may be revised from time to time.

The funding requirements of our Company and the deployment of the Net Proceeds are based on management estimates and have not been appraised by any bank, financial institution or other independent institution. Our management will have discretion in the application of the Net Proceeds and investors will not have the opportunity, as part of their investment decision, to assess whether we are using the proceeds in a manner that they believe enhances our market value. In view of the highly competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and, consequently, our funding requirements may also change. For further details in this regard, see section titled "***Objects of the Issue***" on page 68.

External Risk Factors

Risks relating to the Power Sector and Power Sector Financing in India

49. Private participation in the power sector in India is dependent on the continued growth of the Indian economy and regulatory developments in India. Any adverse change in policy/implementation/industry demand may adversely affect us.

Although the power sector, particularly power, is a rapidly growing sector in India, we believe that further development of this sector is dependent upon the formulation and effective implementation of regulations and policies that facilitate and encourage private sector investment in power projects. Many of these regulations and policies are evolving and their success will depend on whether they are designed to adequately address the issues faced and are effectively implemented. In addition, these regulations and policies will need continued support from stable and experienced regulatory regimes that not only stimulate and encourage the continued investment of private capital into power projects, but also lead to increased competition, appropriate allocation of risk, transparency, and effective dispute resolution. The availability of private capital and the continued growth of the private power sector in India are also linked to continued growth of the Indian economy. Many specific factors in the power sector may also influence the success of power projects, including changes in policies, regulatory frameworks and market structures. Any adverse change in the policies relating to the power sector may leave us with unutilized capital and interest and debt obligations to fulfill. If the central and state governments' initiatives and regulations in the power sector do not proceed in the desired direction, or if there is any downturn in the macroeconomic environment in India, our business, prospects, results of operations and financial condition could be adversely affected. In addition, it is generally believed that demand for power in India will increase in connection with expected increases in India's GDP. However, there can be no assurance that demand for power in India will increase to the extent we expect or at all. In the event demand for power in India does not increase as anticipated, the extent to which we are able to grow our business by financing the growth of the power sector would be limited and this could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

50. Setting up and operating power projects in India require a number of approvals and permits, and the failure to obtain or renew them in a timely manner may adversely affect the operations of our borrowers and in turn adversely affect the quality of our loans.

Setting up and operating power projects requires a number of approvals, licenses, registrations and permissions. Some of these approvals are subject to certain conditions, the non-fulfillment of which may result in revocation of such approvals. Moreover, some of the conditions may be onerous and may require our customers to incur substantial expenditure, specifically with respect to compliance with environmental laws. Furthermore, certain of our borrowers' contractors and other counterparties are required to obtain approvals, licenses, registrations and permits with respect to the services they provide to our borrowers. We cannot assure you that our borrowers, their contractors or any other party will be able to obtain or comply with all necessary licenses, permits and approvals required for the power projects in a timely manner to allow for the uninterrupted construction or operation of the power plants, or at all. Any failure to renew the approvals that have expired or apply for and obtain the required approvals, licenses, registrations or permits, or any suspension or revocation of any of the approvals, licenses, registrations and permits that have been or may be issued to our borrower, may adversely affect its operations. This in turn could adversely affect the quality of our loans, may put our customers in financial difficulties (which could increase the level of non-performing assets in our portfolio) and adversely affect our business and financial condition.

51. Significant shortages in the supply of crude oil, natural gas or coal could adversely affect the Indian economy and the power sector projects to which we have exposure, which could adversely affect us.

Crude oil prices are volatile and are subject to a number of factors such as the level of global production and political factors such as war and other conflicts, particularly in the Middle East, where a substantial proportion of the world's oil and natural gas reserves are located. Further, in June 2010, the GoI eliminated subsidies on certain petroleum products, and there have been media reports regarding the proposed deregulation of diesel and liquefied petroleum gas in the near future.

Any significant increase in oil prices could affect the Indian economy, including the power sector, and the Indian banking and financial system. High oil prices could also add to inflationary pressures in the Indian economy. In addition, increases in oil prices may have a significant impact on the power sector and related industries in which we have substantial exposure. This could adversely affect our business including our ability to grow, the quality of our asset portfolio, our financial condition and our ability to implement our strategy.

Finally, natural gas is a significant input for power projects. India has experienced interruptions in the availability of natural gas, which has caused difficulties in these projects. Continued difficulties in obtaining a reliable, timely supply of natural gas could adversely affect some of the projects we finance and could impact the quality of our asset portfolio and our financial condition. Prices of other key raw materials, for example steel, coal and cement, have also risen in recent years and if the prices of such raw materials approach levels that project developers deem unviable, this will result in a slowdown in the infrastructure sector and thereby reduce our business opportunities, our financial condition and our ability to implement our strategy.

Continued shortages of fuel could adversely affect some of the projects we finance and could impact the quality of our asset portfolio and our financial condition.

Risks relating to India

52. Political instability or changes in the Government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.

We are incorporated in India, derive our revenues from operations in India and all our assets are located in India. Consequently, our performance and the market price of Equity Shares may be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. The GoI has traditionally exercised and continues to exercise significant influence over many aspects of the Indian economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by changes in the GoI's policies, including taxation.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. However, there can be no assurance that such policies will be continued and any significant change in the GoI's policies in the future could affect our business and economic conditions in India in general. In addition, as economic liberalization policies have been a major force in encouraging private funding of power sector development, any change in these policies could have a significant impact on power sector development, business and economic conditions in India, which could adversely affect our business and our future financial condition and the price of our Equity Shares. In addition, any political instability in India or geo-political stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could affect the trading price of our Equity Shares.

53. Difficulties faced by other financial institutions or the Indian financial sector generally could cause our business to suffer and the price of our Equity Shares to decline.

We are exposed to the risks consequent to being part of the Indian financial sector. This sector in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years, and some co-operative banks have also faced serious financial and liquidity difficulties. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect our business and financial condition and the price of our Equity Shares.

54. The proposed adoption of IFRS could result in our financial condition and results of operations appearing materially different than under Indian GAAP.

We may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI in January, 2010. The convergence of certain Indian Accounting Standards with IFRS was notified by the Ministry of Corporate Affairs on February 25, 2011. The date of implementing such converged Indian accounting standards has not yet been determined, and will be notified by the Ministry of Corporate Affairs in due course after various tax-related and other issues are resolved.

Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP. This may have a material adverse effect on the amount of income recognized during that period and in the corresponding period in the comparative period. In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, our transition may be hampered by increasing competition and increased costs for the relatively small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements.

55. Our business and activities will be regulated by the Competition Act, 2002 ("Competition Act") and any application of the Competition Act to us could have a material adverse effect on our business, financial condition and results of operations.

The Competition Act is designed to prevent business practices that have an appreciable adverse effect on competition in India. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area, market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Further, if it is proved that the contravention committed by a company took place with the consent or connivance or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person shall be guilty of the contravention and liable to be punished. For more information, see section titled "***Regulations and Policies***" on page 124.

The effect of the Competition Act on the business environment in India is unclear. If we are affected, directly or indirectly, by any provision of the Competition Act, or its application or interpretation, including any enforcement proceedings initiated by the Competition Commission and any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission, it may have a material adverse effect on our business, financial condition and results of operations.

56. A slowdown in economic growth in India could adversely impact our business. Our performance and the growth of our business are necessarily dependent on the performance of the overall Indian economy.

The Professional Forecasters' Survey conducted by the RBI in June 2010 places the overall (median) GDP growth rate for fiscal 2011 at 8.4%. (*Source: Macroeconomic and Monetary Developments: First Quarter Review Fiscal 2011*). Any slowdown in the Indian economy or in the growth of the industry to which we provide financing to or any future volatility in global commodity prices could adversely affect our borrowers and the growth of our business, which in turn could adversely affect our business, financial condition, results of operations and the price of our Equity Shares.

India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Further, conditions outside India, such as slowdowns in the economic growth of other countries could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions.

The Indian economy and financial markets are also significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss of investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

The recent global financial turmoil, an outcome of the sub-prime mortgage crisis which originated in the United States, led to a loss of investor confidence in worldwide financial markets. Indian financial markets also experienced the effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby having a material adverse effect on our business, financial condition and results of operations, and the price of our Equity Shares.

57. Changes in legislation, including tax legislation, or policies applicable to us could adversely affect our results of operations.

The Finance Minister has presented the Direct Tax Code Bill, 2010 ("**DTC Bill**") on August 30, 2010, which is proposed to be effective from April 1, 2012. On the finalization of the DTC Bill and on obtaining the approval of the Indian Cabinet, the DTC Bill will be placed before the Indian Parliament for its approval and notification as an Act of Parliament. Accordingly, it is currently unclear what effect the Direct Tax Code would have on our financial statements. However, under the proposed DTC Bill, the deduction u/s 36(1)(viia)(c) and 36(1)(viii) of the I.T. Act, which are currently available to the Company, would not be available in the future, which will increase our tax liability. If the DTC Bill is passed in its entirety and we are affected, directly or indirectly, by any provision of the Direct Tax Code, or its application or interpretation, including any enforcement proceedings initiated under it and any adverse publicity that may be generated due to scrutiny or prosecution under the Direct Tax Code, it may have a material adverse effect on our business, financial condition and results of operations. For more information, see section titled "***Statement of Tax Benefits***" on page 74.

In addition, upon the passing of the Companies Bill 2009 by the Indian legislature the regulatory framework my undergo a change which may affect our operations.

58. Our ability to raise foreign currency borrowings may be constrained by Indian law.

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, if at all. Limitations on raising foreign debt may have an adverse effect on our business, financial condition and results of operations, and the price of our Equity Shares. Also see section titled "- ***Internal Risk Factors***" on page 15 for additional details.

59. Economic developments and volatility in securities markets in other countries may also cause the price of our Equity Shares to decline.

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. For instance, the economic downturn in the U.S. and several European countries during a part of Fiscal 2008 and 2009 adversely affected market prices in the world's securities markets, including India. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general.

60. Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets in which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business.

India has experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our business may be adversely affected. The Asian region has from time to time experienced instances of civil unrest and hostilities. Hostilities and tensions may occur in the future and on a wider scale. Military activity or terrorist attacks in India, such as the attacks in Mumbai in November 2008, as well as other acts of violence or war could influence the Indian economy by creating a greater perception that investments in India involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares.

61. India is vulnerable to natural disasters that could severely disrupt the normal operation of our business.

India has experienced natural calamities, such as tsunamis, floods, droughts and earthquakes in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, the erratic progress of the monsoon in 2004 and 2009 affected sowing operations for certain crops. Such unforeseen circumstances of below normal rainfall and other natural calamities, could have a negative impact on the Indian economy. Because our operations are located in India, our business and operations could be interrupted or delayed as a result of a natural disaster in India, which could affect our business, financial condition, results of operations and the price of our Equity Shares.

62. An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could adversely affect our business.

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern, such as swine influenza, could have a negative impact on the global economy, financial markets and business activities worldwide, which could adversely affect our business, financial condition, results of operations and the price of our Equity Shares. Although, we have not been adversely affected by such outbreaks in the past, we can give you no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have a material adverse effect on our business, financial condition, results of operations and the price of our Equity Shares.

63. Any downgrading of our debt rating or India's sovereign rating by a credit rating agency could have a negative impact on our business.

Any adverse revisions to our credit rating or India's sovereign credit ratings for domestic and international debt by credit rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available to us. Consequently, if India's sovereign credit rating were to be downgraded, we may not be able to comparatively price our loans and, accordingly, we may not be able to maintain the profitability or growth of our business. In addition, if we are unable to competitively price our loans, we are subject to greater levels of prepayments on our loans as borrowers seek loans from our competitors that can offer lower priced loans resulting from their lower cost of capital. Accordingly, any adverse revisions to our credit rating or the India's sovereign credit rating could have a material adverse effect on our business and financial condition, our ability to obtain financing for lending operations and the price of our Equity Shares.

64. Direct capital market access by our borrowers could adversely affect us.

The Indian capital markets are developing and maturing and, as such, there may be a shift in the pattern of power sector financing. Financially stronger state power utilities might source their fund requirement directly from the market. We have a large exposure to state power utilities and such changes may have an adverse impact on our business, financial condition and results of our operations.

65. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition.

A decline in India's foreign exchange reserves could impact the valuation of the Rupee and result in reduced liquidity and higher interest rates, which could adversely affect our future financial condition. On the other hand, high levels of foreign funds inflow could add excess liquidity to the system, leading to policy interventions, which would also allow slowdown of economic growth. Either way, an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect our business, prospects, financial condition, results of operations, and the trading price of the Equity Shares.

66. Companies operating in India are subject to a variety of central and State government taxes and surcharges.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include: central and state taxes and other levies, income tax, value added tax, turnover tax, service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. For example, a new direct tax code is proposed to be introduced before the Indian Parliament. In addition, there is a proposal to introduce a new goods and services tax, effective April 1, 2011, and the scope of the service tax is proposed to enlarged. The effective statutory corporate income tax in India is currently 33.22%. The central or state government may in future increase the corporate income tax it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business and results of operations.

Risks relating to this Issue

67. You will not be able to immediately sell any of the Equity Shares you purchase in this Issue on the Stock Exchanges.

Under the SEBI Regulations, we are required to Allot the Equity Shares within 12 Working Days of the Bid Closing Date. Consequently, the Equity Shares you purchase in this Issue may not be credited to your beneficiary account with Depository Participants until 12 Working Days of the Bid Closing Date. You can start trading in the Equity Shares only after they have been credited to your beneficiary account and final listing and trading permissions have been received from the Stock Exchanges in respect of the Equity Shares offered in this Fresh Issue.

Further, there can be no assurance that the Equity Shares allocated to you will be credited to your beneficiary account, or that the trading in Equity Shares will commence within the specified time periods.

68. After this Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not be sustained.

The price of our Equity Shares on the Stock Exchanges may fluctuate after this Issue due to a wide variety of factors, including:

- volatility in the Indian and global securities markets;
- our operational performance, financial results and capacity expansion;
- developments in India's economic liberalization and deregulation policies, particularly in the power sector or the non-banking finance sector;
- changes in India's laws and regulations impacting our business;
- changes in security analysts' recommendations or the failure to meet the expectations of securities analysts;
- the entrance of new competitors and their positions in the market; and
- announcements by our Company of its financial results.

Further, in the past, the Equity Shares of our Company have been traded infrequently on the BSE. For further details, see section titled "***Stock Market Data for Equity Shares of our Company***" on page 342. We cannot assure that an active trading market for our Equity Shares will be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

69. We cannot guarantee the accuracy or completeness of facts and other statistics with respect to India, the Indian economy and the financial services and power sector contained in this Draft Red Herring Prospectus.

While facts and other statistics in this Draft Red Herring Prospectus relating to India, the Indian economy and the financial services and power sector have been based on various publications and reports from agencies that we believe are reliable, we cannot guarantee the quality or reliability of such materials. While we have taken reasonable care in the reproduction of such information, industry facts and other statistics have not been prepared or independently verified by us or any of our respective affiliates or advisers and therefore we make no representation as to their accuracy or completeness. These facts and other statistics include the facts and statistics included in section titled "***Industry Overview***" on page 83. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced elsewhere and should not be unduly relied upon.

70. There has been press coverage about this Issue. You should read the Draft Red Herring Prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles, including, in particular, any financial projections, valuations or other forward-looking information. To the extent that any such statements are inconsistent with, or conflict with, the information contained in the Draft Red Herring Prospectus, we disclaim them. Accordingly, you should not rely on any such information.

There has been press coverage about us and this Issue, primarily in India, that included certain projections, valuations and other forward-looking information. We wish to emphasize to potential investors that we do not accept any responsibility for the accuracy or completeness of such press articles and that such press articles were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information, or of any assumptions underlying such projections, valuations or other forward-looking information, included in or referred to by the media. To the extent that any such statements are inconsistent with, or conflict with, the information contained in the Red Herring Prospectus, we disclaim them. Accordingly, you should not rely on any such information. In making your decision as to whether to purchase our Equity Shares, you should rely only on the financial, operational and other information contained in the Red Herring Prospectus.

<u>Prominent Notes</u>:

1. Further public issue of 229,553,340 Equity Shares of face value of ₹ 10 each of the Company for cash at a price of ₹ [•] per Equity Share including a share premium of ₹ [•] per Equity Share aggregating ₹ [•] million. The Issue comprises a fresh issue of 172,165,005 Equity Shares by our Company and an offer for sale of 57,388,335 Equity Shares by the Selling Shareholder. The Issue comprises a Net Issue to the public of 229,277,876 Equity Shares and a reservation of 275,464 Equity Shares for subscription by Eligible Employees. The Issue would constitute 17.39% of the post Issue paid-up equity capital of our Company and the Net Issue would constitute 17.37% of the post Issue paid-up equity capital of our Company. The Issue Price is [•] times the face value.

2. A discount of ₹ [●] to the Issue Price is being offered to Retail Bidders and to Eligible Employees, respectively.

3. The net worth of our Company was ₹ 143,595.50 million as of December 31, 2010, as per our restated financial statements included in this Draft Red Herring Prospectus.

4. The book value per Equity Share as of December 31, 2010 was ₹ 125.11 per Equity Share.

5. The average cost of acquisition per Equity Share to the Promoters is ₹ 10 per Equity Share.

6. Refer to our financial statements relating to related party transactions in section titled " ***Financial Statements-Annexure 21-Related Party Transactions*** " on page 202

7. Bidders may contact any of the BRLMs and other members of the Syndicate for any complaints in relation to the Issue.

8. There has been no financing arrangement by which the Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus with SEBI.

9. Any clarification or information relating to the Issue shall be made available by the BRLMs and our Company to the public at large and no selective or additional information will be available for a section of the public in any manner whatsoever. For any clarifications or information relating to the Issue, Bidders may contact the BRLMs, who will be obliged to provide such clarification or information to the investors.

SECTION III – INTRODUCTION

SUMMARY OF INDUSTRY

*The information in this section has been extracted from publicly available documents prepared by various sources, including officially prepared materials from the Government of India ("**GoI**") and its various ministries and from various multilateral institutions. This information has not been prepared or independently verified by us, the Selling Shareholder, the BRLMs or the Syndicate Members, and should not be relied on as if it had been so prepared or verified. Unless otherwise indicated, the data presented exclude captive capacity and generation. For the avoidance of doubt, the information on the websites referred to herein or any website directly or indirectly linked to these websites does not form part of the Draft Red Herring Prospectus.*

Overview of the Indian Economy

India is the fifth largest economy in the world after the European Union, United States of America, China and Japan in purchasing power parity terms, with an estimated GDP (purchasing power parity) of U.S.$ 4.05 trillion in 2010. India rebounded from the global financial crisis, largely because of cautious banking policies and a relatively low dependence on exports for growth. India recorded one of the largest global GDP gains of 2010, experiencing growth of 8.3%.

Overview of the Indian Power Sector

India has continuously experienced shortages in energy and peak power requirements. During the course of the 10th Five Year Plan (2002 to 2007) ("10th Plan"), capacity addition achieved was 21,180 MW, which was 51.6% of the 41,110 MW targeted under the 10th Plan. The current revised capacity target for the 11th Plan is 78,700 MW. As of February 28, 2011, capacity addition achieved over the 11th Plan has been 48.8% of the target addition or 38,454.40 MW. The total installed power generation capacity in India was 171,926.40 MW as of February 28, 2011. According to CEA Monthly Review published in February 2011, the total energy deficit and peak power deficit for February 2011 was approximately 7.8% and 10.2%, respectively.

Demand and Supply in India

The low per capita consumption of electricity in India compared to the world average presents significant potential for sustainable growth in the demand for electric power in India. The total energy consumption in India is estimated to grow to approximately 1,280 Mtoe by Fiscal 2030. This implies growth of 3.5% CAGR in India's energy requirement over the next 25-30 years, reflecting the huge potential for investments in the energy sector in India.

In each of the last three Five-Year Plans (the 8th, 9th, and 10th Five-Year Plans, covering fiscal 1992 to fiscal 2007), less than 55.0% of the targeted additional energy capacity level was added. According to the White Paper, India added an average of approximately 20,000 MW to its energy capacity in each of the 9th Plan and 10th Plan periods. The total capacity addition during the past 25 years between the 6th Five Year Plan and the 10th Plan was approximately 92,000 MW.

Demand-Supply Imbalance in India

The Indian power sector has historically been beset by energy shortages which have been rising over the years. The total Indian power deficit of 10.1% in fiscal 2010 can be compared to power deficits of 11.1% and 9.9% in fiscal 2009 and fiscal 2008, respectively. Similarly, the total Indian peak deficit of 12.7% can be compared to peak deficits of 12.0% and 16.6% in fiscal 2009 and fiscal 2008. The demand for electricity has consistently exceeded the supply, and the demand-supply gap has been widening.

Future Capacity Additions and Investments

The current revised capacity target for the 11th Plan is 78,700 MW. A tentative capacity addition of approximately 100,000 MW has been envisaged for the 12th Plan. The total fund requirement to achieve the 11th Plan target was estimated as ₹ 10,316.00 billion. Similarly, the total fund requirement to achieve the targeted capacity addition under the 12th Plan is estimated at ₹ 11,000.00 billion.

Power Transmission and Distribution

In India, the transmission and distribution system is a three-tier structure comprised of regional grids, State grids and distribution networks. The five regional grids, configured on a geographical contiguity basis, enable transfer of power from a power surplus State to a power deficit State. The regional grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between power plants. These regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be redirected to another region facing power deficits, thereby allowing a more optimal utilization of the national generating capacity.

Government Policy and Initiatives in the Indian Power Industry

In recent years, in light of persistent power shortages and given the estimated rate of increase in demand for electricity in India, the GoI has taken significant action to restructure the power sector, increase capacity, improve transmission, sub-transmission and distribution, and attract investment to the sector. The most significant reform package has been the introduction of the Electricity Act, which has modified the legal framework governing the electricity sector and has been designed to address systemic deficiencies in the Indian power sector and to attract capital for large-scale power projects. In addition, some of the other policies and initiatives of the GoI include the National Tariff Policy, UMPPs, ITPs, R-APDRP, DRUM and the national solar mission. Other initiatives of the GoI include development of merchant power plants and captive power plants, power trading, the establishment exchanges such as the Indian Energy Exchange and the Power Exchange India Limited and IFCs, which are a new category of infrastructure funding entities introduced by the RBI in February 2010.

Providers of Finance to the Power Sector in India

The primary providers of power sector financing in India are power sector specific government companies, financing institutions, public sector banks and other public sector institutions, international development institutions and private banks.

SUMMARY OF OUR BUSINESS

*Unless otherwise stated, financial information included in this section (i) for fiscal 2006, 2007 and 2008 have been derived from our restated standalone financial statements for fiscal 2006, 2007 and 2008 and (ii) for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010 have been derived from our restated consolidated financial statements for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010. For further information, see section titled "**Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation –Financial Information**" on page 10 and "**Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of Financial Information**" on page 311.*

In this section, unless the context otherwise requires, a reference to the "Company" is a reference to Power Finance Corporation Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Power Finance Corporation Limited and its subsidiary, joint ventures and associate company, as applicable in the relevant fiscal period, on a consolidated basis.

Overview

We are a leading financial institution in India focused on the power sector. We were established as an integral part of, and continue to play a strategic role in, the GoI's initiatives for the development of the power sector in India. We work closely with GoI instrumentalities, State governments and power sector utilities, other power sector intermediaries and private sector clients for the development and implementation of policies and structural and procedural reforms for the power sector in India. In addition, we are involved in various GoI programs for the power sector, including acting as the nodal agency for the UMPP program and the R-APDRP and as a bid process coordinator for the ITP scheme.

We provide a comprehensive range of financial products and related advisory and other services from project conceptualization to the post-commissioning stage for our clients in the power sector, including for generation (conventional and renewable), transmission and distribution projects as well as for related renovation and modernization projects. We provide various fund based financial assistance, including project finance, short-term loans, buyer's line of credit and debt refinancing schemes, as well as non-fund based assistance including default payment guarantees and letters of comfort. We also provide various fee-based technical advisory and consultancy services for power sector projects.

We have well established relationships with the GoI and State governments, regulatory authorities, major power sector organizations, Central and State power utilities, as well as private sector power project developers. We have also strategically expanded our focus areas to include projects that represent forward and backward linkages to the core power sector projects, including procurement of capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development. We also intend to fund power trading initiatives.

Our primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. We currently enjoy the highest credit ratings of "AAA" and "LAAA" for our long-term domestic borrowings and "P1+" and "A1+" for our short-term borrowings from CRISIL (a subsidiary of Standard & Poor's) and ICRA (an affiliate of Moody's), respectively. International credit rating agencies Moody's, Fitch and Standard & Poor's have granted us long-term foreign currency issuer ratings of "Baa3", "BBB-" and "BBB-", respectively, which are at par with the sovereign ratings for India.

We are a listed government company and a public financial institution under the Companies Act. We are registered with the RBI as a non-deposit taking systemically important NBFC ("NBFC") and were classified as an IFC in July 2010. We believe that our NBFC and IFC classification enables us to effectively capitalize on available financing opportunities in the power sector in India. In addition, as a government-owned NBFC, loans made by us to Central and State entities in the power sector are currently exempt from the RBI's prudential lending (exposure) norms that are applicable to other non-government owned NBFCs. However, we follow prudential lending norms and guidelines approved by the MoP with respect to loans made to Central and State entities in the Indian power sector, while our loans made to the private sector are generally consistent with lending (exposure) norms stipulated by the RBI. We believe our classification as an IFC enhances our ability to raise funds on a cost-competitive basis (including through issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to the bondholders), and increase our lending exposures to individual entities, corporations and groups, compared to other NBFCs that are not IFCs.

We were granted the *Navratna* status by the DPE in 2007, and have received an "Excellent" rating from the GoI in each of the last five fiscal years. We were also awarded the *India Pride Award 2009* in the NBFC category for excellence among public sector undertakings, and the *Dalal Street Investor Journal PSU Award 2010* for being the *Heavy Weight Navratna PSU* and the *Fastest Growing Navratna PSU*, in the non-manufacturing category.

We have an established track record of consistent financial performance and growth:

- Our total loan assets increased from ₹ 355,819.18 million as of March 31, 2006 to ₹ 798,557.56 million as of March 31, 2010, at a CAGR of 22.4%. Our total loan assets further increased to ₹ 921,182.57 million as of December 31, 2010. As of December 31, 2010, our total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹ 1,580,005 million.
- Our total income increased from ₹ 31,353.82 million in fiscal 2006 to ₹ 81,265.75 million in fiscal 2010, at a CAGR of 26.9%, while our profit after tax increased from ₹ 9,966.82 million in fiscal 2006 to ₹ 22,500.89 million in fiscal 2010, at a CAGR of 22.6%. Our total income and profit after tax were ₹ 74,870.43 million and ₹ 19,470.18 million, respectively, in the nine months ended December 31, 2010.
- We had gross NPAs of ₹ 131.63 million, ₹ 131.63 million, ₹ 131.63 million and ₹ 131.63 million as of March 31, 2008, 2009 and 2010 and December 31, 2010, respectively, which represented 0.03%, 0.02%, 0.02% and 0.01% of our total loan assets, respectively, as of such dates.
- Our profit after tax as a percentage of average total assets and as a percentage of average net worth were 2.9% and 19.1%, respectively, in fiscal 2010 and 2.1% and 14.5%, respectively, in the nine months ended December 31, 2010.
- Our net worth as of December 31, 2010 was ₹ 143,595.50 million.
- Our capital adequacy ratio was 18.3% and 17.3% as of March 31, 2010 and as of December 31, 2010, respectively.

Our Strengths

For details on our Company's strengths, see section titled "***Business – Our Strengths***" on page 95.

Business Strategies

For details on our Company's strategies, see section titled "***Business – Business Strategies***" on page 98.

THE ISSUE

The following table summarizes the Issue details:

Equity Shares offered	
Issue by our Company	229,553,340 Equity Shares
Of which:	
Fresh Issue by our Company	172,165,005 Equity Shares
Offer for Sale by the Selling Shareholder	57,388,335 Equity Shares*
Of which	
Employee Reservation Portion#	Not more than 275,464 Equity Shares
Therefore Net Issue to the Public#	229,277,876 Equity Shares
Of which	
A) Qualified Institutional Buyers (QIB) portion**	Up to 114,638,937 Equity Shares***
Of which	
Available for allocation to Mutual Funds only	5,731,947 Equity Shares***
Balance for all QIBs including Mutual Funds	108,906,990 Equity Shares***
B) Non-Institutional Portion (available for allocation)	Not less than 34,391,682 Equity Shares***
C) Retail Portion (available for allocation)	Not less than 80,247,257 Equity Shares***
Equity Shares outstanding prior to the Issue	1,147,766,700 Equity Shares
Equity Shares outstanding after the Issue	1,319,931,705 Equity Shares
Use of Net Proceeds	See section titled "***Objects of the Issue***" on page 68.

** The Equity Shares offered by the Selling Shareholder in the Issue have been held by it for more than a period of one year as on the date of filing of this Draft Red Herring Prospectus. The MoP, through its letter (No. 3/5/2010- PF Desk) dated February 21, 2011, conveyed the approval granted by the GoI for the Issue, including the Offer for Sale.*

*** 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than 5,731,947 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund portion will be added to the QIB Portion and allocated proportionately to QIBs in proportion to their Bids. For more information, see section titled "**Issue Procedure**" on page 388. Allocation will be made on a proportionate basis.*

**** In the event of over-subscription, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Issue Price.*

 # Any under-subscription in the Employee Reservation Portion will be added to the Net Issue on a proportional basis. In the event of undersubscription in the Net Issue, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Issue Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange.

Our Company and the Selling Shareholder, in consultation with the BRLMs, propose a discount of 5% of the Issue Price determined pursuant to completion of the Book Building Process, to Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion. Such discount will not be offered on application, but on Allotment. The excess amount paid on application will be refunded to Bidders or will be unblocked from their ASBA Accounts as the case may be, after Allotment.

SUMMARY FINANCIAL INFORMATION

SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

The following tables set forth summary financial information derived from the restated standalone financial statements for the nine month period ended December 31, 2010 and for fiscal years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 and restated consolidated financial statements for the nine month period ended December 30, 2010 and for the fiscal years ended March 31, 2010 and March 31, 2009. These financial statements have been prepared in accordance with Part II of Schedule II to the Companies Act and the applicable SEBI Regulations and are presented in the section titled "***Financial Statements***" on page 163. The summary financial information presented below should be read in conjunction with our restated standalone and consolidated financial statements, the notes thereto and the section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and "***Selected Statistical Information***" on pages 310 and 303, respectively.

POWER FINANCE CORPORATION LIMITED (CONSOLIDATED)

Summary statement of Assets & Liabilities, as restated

(₹ in Million)

	Description	As of March 31, 2009	As of March 31, 2010	As of December 31, 2010
ASSETS				
1	**Fixed Assets**			
	Gross Block	973.76	935.38	990.70
	Less : Depreciation / Amortization	(221.95)	(204.71)	(232.29)
	Capital Works in Progress	0.00	17.25	20.79
		751.81	**747.92**	**779.20**
2	**Investments**	350.72	300.25	278.13
3	**Loans**	644,289.94	798,557.56	921,182.57
4	**Current Assets, Loans & Advances**			
	Cash & Bank Balances	4,195.79	14,603.85	7,904.65
	Other Current Assets	13,520.14	16,158.27	19,389.39
	Loans & Advances	19,927.73	19,103.25	25,976.96
		37,643.66	**49,865.37**	**53,271.00**
	Total Assets	**683,036.13**	**849,471.10**	**975,510.90**
LIABILITIES				
1	**Unsecured Loan Funds**	521,601.45	671,084.11	764,465.04
2	**Deferred Tax Liability (Net of Asset)**	554.73	469.29	810.39
3	**Interest Subsidy Fund from GOI**	9,089.38	6,634.87	5,706.64
4	**Current Liabilities & Provisions**			
	Current Liabilities	18,744.98	21,682.31	31,028.85
	Provisions	15,878.16	15,974.98	20,397.60
		34,623.14	**37,657.29**	**51,426.45**
	Total Liabilities	**565,868.70**	**715,845.56**	**822,408.52**
	Net Assets	**117,167.43**	**133,625.54**	**153,102.38**
	Represented by :			
	Share Capital	11,477.67	11,477.67	11,477.67
	Free Reserves & Surplus	98,488.25	113,696.78	132,117.83
	Networth	**109,965.92**	**125,174.45**	**143,595.50**
	Add : Reserve for Bad & Doubtful Debts u/s 36 (1) (viia) (c) of Income Tax Act, 1961	7,201.51	8,451.09	9,506.88
	Total Share Holders Funds	**117,167.43**	**133,625.54**	**153,102.38**

POWER FINANCE CORPORATION LIMITED (CONSOLIDATED)

Summary Statement of Profits, as restated

(₹ in Million)

Description	Fiscal 2009	Fiscal 2010	Nine months ended December 31, 2010
INCOME			
Operating Income	65,660.81	81,029.69	74,706.61
Other Income	236.44	236.06	163.82
Total	**65,897.25**	**81,265.75**	**74,870.43**
EXPENSES			
Interest and other charges	44,363.96	49,155.10	46,935.03
Bonds Issue Expenses	655.85	437.94	482.12
Personnel & Administration and other expenses	682.23	1,013.63	869.68
Depreciation	38.45	33.99	31.17
Amortisation of Intangible Assets	2.83	4.00	5.68
Provision for Contingencies	21.61	-5.69	61.00
Provision for decline in value of investments	14.95	-15.16	-0.45
Preliminary Expenses written off	0.56	3.03	0.00
Total	**45,780.44**	**50,626.84**	**48,384.23**
Profit before tax	**20,116.81**	**30,638.91**	**26,486.20**
Provision for Tax	-5,412.97	-8,138.02	-7,016.02
Provision for Fringe Benefit Tax	-7.85	0.00	0.00
Profit after tax available for appropriations	**14,695.99**	**22,500.89**	**19,470.18**

POWER FINANCE CORPORATION LIMITED (STANDALONE)

Summary Statement of Assets and Liabilities, as restated

(₹ in Millions)

	Description	As of March 31, 2006	As of March 31, 2007	As of March 31, 2008	As of March 31, 2009	As of March 31, 2010	As of December 31, 2010
ASSETS							
1	**Fixed Assets**						
	Gross Block	3,322.36	3,770.40	3,748.60	973.35	934.43	988.95
	Less : Depreciation / Amortization	(2,768.57)	(2,942.88)	(2,978.65)	(221.87)	(204.45)	(231.76)
	Capital Works in Progress	312.69	0.00	0.00	0.00	17.25	20.79
		866.48	**827.52**	**769.95**	**751.48**	**747.23**	**777.98**
2	**Investments**	165.11	588.79	655.92	358.55	314.32	413.24
3	**Loans**	355,819.18	438,923.85	515,683.05	644,289.94	798,557.56	921,182.57
4	**Current Assets, Loans & Advances**						
	Cash & Bank Balances	3,648.37	5,076.69	6,745.08	3,928.35	13,942.88	7,272.49
	Other Current Assets	6,958.70	11,106.52	10,597.07	13,480.98	16,108.05	19,355.00
	Loans & Advances	7,886.48	10,730.11	13,163.74	19,878.84	18,952.44	25,797.45
		18,493.55	**26,913.32**	**30,505.89**	**37,288.17**	**49,003.37**	**52,424.94**
	Total Assets	**375,344.32**	**467,253.48**	**547,614.81**	**682,688.14**	**848,622.48**	**974,798.73**
LIABILITIES							
1	**Unsecured Loan Funds**	269,248.20	335,841.82	406,478.12	521,601.45	671,084.10	764,465.04
2	**Deferred Tax Liability (Net of Asset)**	325.43	225.62	152.25	554.75	469.45	811.02
3	**Interest Subsidy Fund from GOI**	12,003.30	12,316.29	10,667.49	9,089.38	6,634.87	5,706.64
4	**Current Liabilities & Provisions**						
	Current Liabilites	4,879.67	11,877.00	11,953.66	18,546.58	21,254.68	30,724.10
	Provisions	7,574.82	7,568.62	10,520.54	15,825.05	15,861.33	20,363.77
		12,454.49	**19,445.62**	**22,474.20**	**34,371.63**	**37,116.01**	**51,087.87**
	Total Liabilities	**294,031.42**	**367,829.35**	**439,772.06**	**565,617.21**	**715,304.43**	**822,070.57**
	Net Assets	**81,312.90**	**99,424.13**	**107,842.75**	**117,070.93**	**133,318.05**	**152,728.16**
	Represented by :						
	Share Capital	10,304.50	11,477.67	11,477.67	11,477.67	11,477.67	11,477.67
	Free Reserves & Surplus	66,199.53	82,412.69	89,927.30	98,391.75	113,389.29	131,743.61
	Networth	**76,504.03**	**93,890.36**	**101,404.97**	**109,869.42**	**124,866.96**	**143,221.28**
	Add : Reserve for Bad & Doubtful Debts u/s 36 (1) (viia) (c) of Income Tax Act, 1961	4,808.87	5,533.77	6,437.78	7,201.51	8,451.09	9,506.88
	Total Share Holders Funds	**81,312.90**	**99,424.13**	**107,842.75**	**117,070.93**	**133,318.05**	**152,728.16**

POWER FINANCE CORPORATION LIMITED (STANDALONE)

Summary Statement of Profits, as restated

(₹ in Millions)

Description	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Nine months ended December 31, 2010
INCOME						
Operating Income	31,229.75	38,178.62	50,116.63	65,514.31	80,610.42	74,543.67
Other Income	124.07	209.27	221.23	222.37	206.73	134.30
Total	**31,353.82**	**38,387.89**	**50,337.86**	**65,736.68**	**80,817.15**	**74,677.97**
EXPENSES						
Interest and other charges	17,967.20	23,346.73	31,436.73	44,326.52	49,123.63	46,913.04
Bond Issue Expenses	292.54	332.26	388.21	655.85	437.93	482.12
Personnel & Administration and Other Expenses	484.59	490.02	810.43	709.09	924.45	799.75
Depreciation	13.94	36.63	44.77	38.36	33.82	30.90
Amortization of Intangible Assets	0.25	0.25	0.25	2.83	4.00	5.68
Provision for Contingencies	175.59	(150.28)	(206.53)	21.61	(5.69)	61.00
Provision for decline in value of investments	1.80	(0.08)	(2.39)	14.95	(15.16)	(0.45)
Total	**18,935.91**	**24,055.53**	**32,471.47**	**45,769.21**	**50,502.98**	**48,292.04**
Profit before tax	**12,417.91**	**14,332.36**	**17,866.39**	**19,967.47**	**30,314.17**	**26,385.93**
Provision for Tax	(2,443.00)	(2,900.86)	(4,738.18)	(5,360.65)	(8,024.31)	(6,982.47)
Provision for Fringe Benefit Tax	(8.09)	(8.22)	(9.65)	(7.31)	0.00	0.00
Profit after tax available for appropriations	**9,966.82**	**11,423.28**	**13,118.56**	**14,599.51**	**22,289.86**	**19,403.46**

GENERAL INFORMATION

Our Company was incorporated on July 16, 1986 as a public limited company under the Companies Act. We received a certificate for commencement of business on December 31, 1987.

Registered and Corporate Office of our Company

Urjanidhi,
1, Barakhamba Lane,
Connaught Place,
New Delhi - 110 001,
India.
Tel: +91 (11) 2345 6000
Fax: +91 (11) 2341 2545
Website: www.pfcindia.com

Corporate Identity Number: L65910DL1986GOI024862

RBI Registration Number classifying Company as Infrastructure Finance Company: B-14.00004

Registration Number: 24862 of 86-87

Registrar of Companies

Our Company is registered with the Registrar of Companies described below:

Registrar of Companies, National Capital Territory of Delhi and Haryana
4th Floor, IFCI Tower,
61, Nehru Place,
New Delhi - 110 019,
India.

Board of Directors

The following table sets out the current composition of our Board as on the date of the filing of this Draft Red Herring Prospectus. Our Board currently consists of 10 Directors, of which 5 are Independent Directors:

S. No.	Name, Designation, DIN and Occupation	Age	Address
1.	**Mr. Satnam Singh** *Chairman and Managing Director* *DIN:* 00009074 *Occupation:* Service	53	B-2/2378, Vasant Kunj, New Delhi - 110 070, India.
2.	**Mr. Mukesh Kumar Goel** *Director (Commercial) and Whole Time Director* *DIN:* 00239813 *Occupation:* Service	54	278D, Pocket-2, Mayur Vihar, Phase One, Delhi - 110 091, India.
3.	**Mr. Rajeev Sharma** *Director (Projects) and Whole Time Director* *DIN:* 00973413 *Occupation*: Service	50	594, Pocket-E, Mayur Vihar II, Delhi - 110 091, India.

S. No.	Name, Designation, DIN and Occupation	Age	Address
4.	**Mr. Radhakrishnan Nagarajan** *Director (Finance) and Whole Time Director* *DIN*: 00701892 *Occupation*: Service	53	Flat No. 3C, Pocket A - 10, Kohinoor Apartments, Kalkaji Extension, New Delhi - 110 019, India.
5.	**Mr. Devender Singh** *Government Nominee Director* *DIN:* 01792131 *Occupation*: Government Officer	48	E-244, Naraina Vihar, New Delhi - 110 028, India.
6.	**Mr. Ravindra Harshadrai Dholakia** *Independent Director* *DIN* : 00069396 *Occupation*: Professor	57	313, Indian Institute of Management (IIM), Vastrapur, Ahmedabad - 380 015, Gujarat, India.
7.	**Mr. P. Murali Mohana Rao** *Independent Director* *DIN:* 01909611 *Occupation:* Service	53	Plot No.61, Avanthi Nagar, Basheerbagh, Hyderabad - 500 029, Andhra Pradesh, India.
8.	**Mr. Suresh Chand Gupta** *Independent Director* *DIN:* 00541198 *Occupation*: Service	57	20, Shri Ram Road, Civil Lines, Delhi - 110 054, India.
9.	**Mr. Ajit Prasad** *Independent Director* *DIN:* 03302219 *Occupation*: Professor	53	A-640, Sarita Vihar, New Delhi - 110 044, India.
10.	**Mr. Krishna Mohan Sahni** *Independent Director* *DIN:* 02103128 *Occupation*: Retired Government Officer	64	C-1/17, Humayun Road, New Delhi - 110 003, India.

For further details and profile of our Directors, see section titled "***Our Management***" on page 145.

Company Secretary and Compliance Officer

Our Company Secretary and Compliance Officer is Mr. J.S. Amitabh. His contact details are as follows:

Mr. J. S. Amitabh,
Company Secretary, Power Finance Corporation Limited,
'Urjanidhi',
1, Barakhamba Lane,
Connaught Place,
New Delhi - 110 001,
India.
Tel: +91 (11) 2345 6740
Fax: +91 (11) 2345 6786
Email: fpo@pfcindia.com

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of Allotment advice, credit of Allotted Equity Shares in the respective beneficiary account or refund orders.

Grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, ASBA Bid cum Application Form number, address of the Bidder, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

All complaints, queries or comments received by SEBI shall be forwarded to the Book Running Lead Managers, who shall respond to the same.

Book Running Lead Managers

DSP Merrill Lynch Limited 8th Floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021, Maharashtra, India. Tel: + 91 (22) 6632 8000 Fax: + 91 (22) 2204 8518 E-mail: pfc.fpo@baml.com Investor Grievance E-mail: dg.india_merchantbanking@baml.com Website: www.dspml.com Contact Person: Mr. N.S. Shekhar SEBI Registration No.: INM000011625	*JM Financial Consultants Private Limited* 141, Maker Chambers III, Nariman Point, Mumbai - 400 021, Maharashtra, India. Tel: + 91 (22) 6630 3030 Fax: + 91 (22) 2204 7185 E-mail: fpo.pfc@jmfinancial.in Investor Grievance E-mail: grievance.ibd@jmfinancial.in Website: www.jmfinancial.in Contact Person: Ms. Lakshmi Lakshmanan SEBI Registration No.: INM000010361
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai - 400 020, Maharashtra, India. Tel: +91 (22) 2288 2460 Fax: +91 (22) 2282 6580 E-mail: pfc.fpo@icicisecurities.com Investor Grievance E-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Mr. Manvendra Tiwari SEBI Registration No.: INM000011179	*Goldman Sachs (India) Securities Private Limited* 951-A Rational House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025, Maharashtra, India. Tel: + 91 (22) 6616 9000 Fax: + 91 (22) 6616 9090 E-mail: pfcfpo@gs.com Investor Grievance E-mail: india-client-support@gs.com Website: http://www2.goldmansachs.com/worldwide/india/indian_offerings.html Contact Person: Ms. Priya Subbaraman SEBI Registration No.: INM000011054

Syndicate Members

[●]

Domestic Legal Counsel to our Company and the Selling Shareholder

AZB & Partners
Plot No. A8, Sector 4,
Noida - 210 301,
India.
Tel: +91 (120) 4179 999
Fax: +91 (120) 4179 900
Email: pfcl-fpo@azbpartners.com

International Legal Counsel to our Company and the Selling Shareholder

DLA Piper Singapore Pte. Ltd.
80, Raffles Place,
#48-01 UOB Plaza 1,
Singapore - 048 624.
Tel: +(65) 6512 9595
Fax: +(65) 6512 9500

Domestic Legal Counsel to the BLRMs

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers,
216, Okhla Industrial Estate, Phase – III,
New Delhi - 110 020,
India.
Tel: +91 (11) 2692 0500
Fax: +91 (11) 2692 4900

International Legal Counsel to the BLRMs

O'Melveny & Myers LLP
9 Raffles Place,
22-01/02 Republic Plaza 1,
Singapore - 048 619.
Tel: +(65) 6593 1800
Fax: +(65) 6593 1801

Registrar to the Issue

Karvy Computershare Private Limited
Plot No. 17 to 24, Vithalrao Nagar,
Madhapur,
Hyderabad - 500 086,
Andhra Pradesh,
India.
Tel: +91 (40) 2342 0815 - 820
Tel: (toll free): 1-800-345 4001
Fax: +91 (40) 2342 0814
Email: einward.ris@karvy.com
Website: www.karvy.com
Contact Person: Mr. M. Murali Krishna
SEBI registration number: INR000000221

Bankers to the Issue/Escrow Collection Banks

[●]

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSBs for the ASBA process is provided at http://www.sebi.gov.in/pmd/scsb.pdf or at such other website as may be prescribed by SEBI from time to time. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer to the above mentioned link.

Refund Bankers

[●]

Statutory Auditors to our Company

Raj Har Gopal & Co.
Chartered Accountants
412, Ansal Bhawan,
16, K.G. Marg,
New Delhi 110001
Tel: +91 (11) 4152 0698/ 4152 0699
Email: rajhargopal@hotmail.com
Firm Registration No.: 002074N

Mehra Goel & Co.
Chartered Accountants
505, Chiranjiv Tower,
Nehru Place,
New Delhi 110 023
Tel.: +91 (11) 2621 7981/ 2641 9527
Email: mg@mehragoelco.com
Firm Registration No.: 0517N

Bankers to our Company

State Bank of India
Chanderlok Building branch,
36, Janpath,
New Delhi - 110 001,
India.
Tel: +91 (11) 2332 9831
Fax: +91 (11) 2373 9198
Email: sbi.01639@sbi.co.in
Website : www.statebankofindia.com
Contact Person: Mr. Rajinder Seth

Bank of India
66, Janpath,
New Delhi - 110 001,
India.
Tel: +91 (11) 2332 0945
Fax: +91 (11) 2332 0944
Email: janpath.newdelhi@bankofindia.com
Website: www.bankofindia.co.in
Contact Person: Mr. S.C. Mishra

IDBI Bank Limited
Indian Red Cross Building,
1, Red Cross Road,
New Delhi - 110 001,
India.
Tel: +91 (11) 6628 1025
Fax: +91 (11) 2375 2730
Email: jaiprakash_nathaniel@idbi.co.in
Website: www.idbi.com
Contact Person: Mr. Jai Prakash Nathaniel

ICICI Bank Limited
9-A, Phelps Building,
A – Block,
Connaught Place,
New Delhi - 110 001,
India.
Tel: +91 (11) 6631 0336
Fax: +91 (11) 6631 0410
Email: abhay.s@icicibank.com, mohit.sa@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Abhay Singh, Mr. Mohit Saxena

HDFC Bank Limited
FIG – OPS Department,
- Lodha, I Think Techno Campus,
O-3 Level, Next to Kanjurmarg Railway Station,
Kanjurmarg (East),
Mumbai – 400 042,
Maharashtra,

Andhra Bank
M-35, Connaught Circus branch,
New Delhi - 110 001,
India.
Tel: +91 (11) 23415616
Fax: +91 (11) 2341 6043
Email: bmdel084@andhrabank.co.in

India.
Tel: +91 (22) 3075 2928
Fax: +91 (22) 2579 9801
Email: deepak.rane@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Deepak Rane

Canara Bank
74, Janpath,
New Delhi - 110 001,
India.
Tel: +91 (11) 2332 0835
Fax: +91 (11) 2332 0441
Email: cbdel0307@canarabank.com
Website: www.canarabank.com
Contact Person: Ms. Veena Kataria

Website: www.andhrabank.in
Contact Person: Mr. R. Padmanabhan

Statement of Responsibilities of the Book Running Lead Managers

The following table sets forth the *inter se* allocation of responsibilities for various activities in relation to this Issue among the Book Running Lead Managers:

S. No.	Activity	Responsibility	Designated Coordinating BRLM
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	All BRLMs	DSPML
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus including the memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements & completion of prescribed formalities with the Stock Exchanges, the RoC & SEBI including finalization of Prospectus & RoC filing of the same.	All BRLMs	DSPML
3.	Drafting and approval of all statutory advertisements	All BRLMs	DSPML
4.	Drafting and approval of all publicity material (other than statutory advertisement) including corporate advertisement, brochure, corporate films, etc.	All BRLMs	JM Financial
5.	Appointment of Intermediaries	All BRLMs	ICICI Securities
6.	International institutional marketing Strategy, which will cover, *inter alia:* • Finalizing the list and division of investors for one to one meetings; • Finalizing the International road show schedule and investor meeting schedules • Preparing road show presentation and frequently asked questions	All BRLMs	Goldman Sachs
7.	Domestic institutional marketing strategy, which will cover, *inter alia*: • Finalizing the list and division of investors for one to one meetings, • Finalizing the Domestic Institutional investor meeting schedules	All BRLMs	DSPML
8.	Domestic Retail Marketing of the Issue, which will cover, *inter alia*: • Formulating marketing strategies, preparation of publicity budget • Finalising media and PR strategy; • Finalising centres for holding conferences for brokers etc.; • Finalising collection centres; and Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material. • Co-ordination with the Stock Exchanges for book building software, bidding terminals and mock trading.	All BRLMs	JM Financial

S. No.	Activity	Responsibility	Designated Coordinating BRLM
9.	Domestic HNI Marketing of the Issue, which will cover, *inter alia*: • Formulating marketing strategies, preparation of publicity budget • Finalising media and PR strategy; • Finalising centres for holding conferences for brokers etc.; • Finalising collection centres; Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material.	All BRLMs	ICICI Securities
10.	Managing the book, Finalisation of pricing in consultation with the Company & the Selling Shareholder	All BRLMs	Goldman Sachs
11.	The post-bidding activities including management of escrow accounts, follow-up with bankers to the issue, co-coordination of non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post Issue activities will involve essential follow up steps, which include the finalization of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank handling refund business. The designated coordinating BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company and the Selling Shareholder.	All BRLMs	ICICI Securities

Even if any of these activities are being handled by other intermediaries, the Book Running Lead Managers shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with our Company.

IPO Grading

As this is not an initial public offering of our Company's Equity Shares, grading of this Issue is not required.

Credit Rating

As this is an Issue comprising only Equity Shares, credit rating is not required.

Trustees

As the Issue is of Equity Shares, the appointment of trustees is not required.

Monitoring Agency

We are not required to appoint a monitoring agency, as our Company is a 'public financial institution' as per Section 4A of the Companies Act.

Expert

Except for the report of the Auditors of our Company on the audited restated standalone financial statements, as of and for the years ended March 31, 2006, 2007 and 2008 and our audited restated consolidated financial statements as of and for the years ended March 31, 2009 and 2010 and as of, for the nine months ended December 31, 2010, prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and the statement of tax benefits, included in this Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

Project Appraisal

The objects of this Issue have not been appraised by an independent agency as it is not required.

Book Building Process

Book building refers to the process of collection of Bids on the basis of the Red Herring Prospectus, the Bid cum Application Forms. The Issue Price will be determined by the Selling Shareholder and our Company, in consultation with the BRLMs, after the Bid Closing Date. The principal parties involved in the Book Building Process are:

1. our Company;
2. the Selling Shareholder;
3. the BRLMs;
4. the Syndicate Members;
5. the Registrar to the Issue;
6. the Escrow Collection Banks; and
7. the SCSBs.

The Issue is being made through the Book Building Process where up to 50% of the Net Issue will be allocated to QIBs on a proportionate basis. Further, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Bidders, respectively, subject to valid Bids being received at or above the Issue Price. Further, not more than 275,464 Equity Shares will be made available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. Any Bidder may participate in the Issue through the ASBA process by providing details of the ASBA Accounts in which the corresponding Bid Amounts will be blocked by the SCSBs. Any unsubscribed portion in the Employee Reservation Portion will be added to the Net Issue. Under subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange. For more information, see section titled "***Issue Procedure***" on page 388.

In accordance with the SEBI Regulations, QIBs are not allowed to withdraw their Bid(s) after the Bid Closing Date for QIBs, i.e. [•]. For further details, see section titled "***Issue Structure***" on page 384.

We will comply with the SEBI Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

Steps to be taken by the Bidders for Bidding:

- Check eligibility for making a Bid. For further details, see section titled "***Issue Procedure***" on page 388;
- Ensure that your PAN, BAN and DP ID details are correctly mentioned in the Bid cum Application Form. Based on these three parameters, the Registrar to the Issue will obtain details of the Bidders from the Depositories including Bidders name, bank account, number, etc.;
- Ensure that the Bid cum Application Form is duly completed as per the instructions given in the Red Herring Prospectus and in the respective forms;
- Except for bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form (see section titled "***Issue Procedure***" on 388). However, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants verifying the veracity of the claim of the Bidders that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address;
- Bids by QIBs (excluding ASBA Bidders) will only have to be submitted to the BRLMs and their affiliates; and
- Bids by ASBA Bidders will have to be submitted to the Designated Branches. ASBA Bidders should ensure that the specified ASBA accounts have adequate credit balance at the time of submission to the SCSB to ensure that the ASBA Bid cum Application Form is not rejected.

Illustration of Book Building Process and the Price Discovery Process

(Bidders should note that the following is solely for the purpose of illustration and is not specific to the Issue)

Bidders can bid at any price within the Price Band. For instance, assuming a price band of ₹ 20 to ₹ 24 per equity share, an offer size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below, the illustrative book would be as given below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book shown below indicates the demand for the shares of the company at various prices and is collated from bids from various bidders.

Bid Quantity	Bid Price (₹)	Cumulative Quantity	Subscription (%)
500	24	500	16.67
1,000	23	1,500	50.00
1,500	22	3,000	100.00
2,000	21	5,000	166.67
2,500	20	7,500	250.00

The price discovery is a function of demand at various prices. The highest price at which the offeror is able to issue the desired number of shares is the price at which the book cuts off, i.e. ₹ 22 in the above example. The offeror, in consultation with the BRLMs, will finalize the issue price at or below such cut off, i.e., at or below ₹ 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Withdrawal of the Issue

In accordance with the SEBI Regulations, our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time including after the Bid Opening Date but before Allotment without assigning any reason thereof. However, in the event the Selling Shareholder and our Company withdraw the Issue after the Bid Closing Date, our Company will give the reason thereof within two days of the Bid Closing Date by way of a public notice in the same newspapers where the pre-Issue advertisement had appeared. The Stock Exchanges will also be informed promptly and the BRLMs, through the Registrar to the Issue, will notify the SCSBs to unblock the bank accounts specified by the ASBA Bidders within one day from the date of receipt of such notification.

In the event the Selling Shareholder and our Company, in consultation with the BRLMs, withdraw the Issue after the Bid Closing Date, a fresh offer document will be filed with the RoC/SEBI in the event we subsequently decide to proceed with a public offering.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges in relation to Equity Shares being offered as a part of the Fresh Issue, which our Company will apply for after Allotment, and (ii) the final RoC approval of the Prospectus.

In terms of the SEBI Regulations, QIBs are not allowed to withdraw their Bids after the Bid Closing Date. QIBs will not be able to withdraw their Bids after [•].

<table>
<tr><th colspan="4">BIDDING PROGRAMME</th></tr>
<tr><td rowspan="2">BID OPENS ON</td><td rowspan="2">[•]</td><td>BID CLOSES ON (FOR QIB BIDDERS)#</td><td>[•]</td></tr>
<tr><td>BID CLOSES ON (FOR ALL OTHER BIDDERS)</td><td>[•]</td></tr>
</table>

Our Company and the Selling Shareholder, in consultation with the BRLMs, may consider closing the QIB Bidding Period a day before the Bid Closing Date for other Bidders.

Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period at the Bidding centers mentioned in the Bid cum Application Form, or in the case of ASBA Bidders, at the Designated Branches, **except that on the Bid Closing Date (which for QIBs may be a day prior to the Bid Closing Date for other non-QIB Bidders), Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time)** and uploaded until (i) 5.00 p.m. in case of Bids by QIB Bidders, Retail Bidders and Eligible Employees; and until (ii) 4.00 p.m. for Non-Institutional Bidders. Due to limitation of time available for uploading the Bids on the Bid Closing Date, the Bidders other than QIB Bidders are advised to submit their Bids one day prior to the Bid Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid Closing Date, as is typically experienced in public issues, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company, the Selling Shareholder and the Syndicate will not be responsible. Bids will be accepted only on Working Days.

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On the Bid Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Bidders and Eligible Employees, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical or electronic ASBA Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask the relevant SCSB for rectified data.

Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/Allotment. In the event of a discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of the Book Running Lead Managers and the Designated Stock Exchange, based on the physical records of Bid cum Application Forms shall be final and binding on all concerned.

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI Regulations. The Cap Price will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band as disclosed at least one Working Day prior to the Bid Opening Date and the upper end of the Price Band will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate and by intimation to the SCSBs.

Underwriting Agreement

After the determination of the Issue Price, but prior to filing of the Prospectus with the RoC, our Company and the Selling Shareholder intend to enter into an underwriting agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue as per the SEBI Regulations. Pursuant to the terms of the underwriting agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The underwriting agreement is dated [●]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten*	Amount Underwritten (In ₹ million)*
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

**The information will be finalized after determination of the Issue Price and finalization of the 'Basis of Allotment'.*

In the opinion of the Board of Directors (based on a representation given by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. Each of the Underwriters is registered with SEBI under Section 12(1) of the SEBI Act or as a broker with the Stock Exchanges. Pursuant to a meeting of a committee of our Directors held on [●], 2011, the Selling Shareholder and our Board have accepted and entered into the Underwriting Agreement dated [●], 2011.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters will be severally responsible for ensuring payment with respect to the Equity Shares allocated to Bidders procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations mentioned in the underwriting agreement, will also be required to procure subscriptions/ subscribe for Equity Shares to the extent of the defaulted amount in accordance with the underwriting agreement

CAPITAL STRUCTURE

Our share capital as on the date of filing of this Draft Red Herring Prospectus with the SEBI is set forth below.

(in ₹million, except share data)

	Aggregate nominal value	Aggregate Value at Issue Price
A. Authorised Capital		
2,000,000,000 Equity Shares of ₹ 10 each	20,000.00	[●]
B. Issued, Subscribed and Paid-Up Capital before the Issue		
1,147,766,700 Equity Shares of ₹ 10 each	11,477.67	[●]
C. Present Issue in terms of this Draft Red Herring Prospectus*		
Issue of : 229,553,340 Equity Shares of ₹ 10 each fully paid up **Comprising :** • Fresh Issue of 172,165,005 Equity Shares of ₹ 10 each fully paid-up. • Offer for Sale of 57,388,335 Equity Shares of ₹ 10 each fully paid-up.	2,295.53	[●]
D. Employee Reservation in terms of this Draft Red Herring Prospectus		
Not more than 275,464 Equity Shares of ₹ 10 each fully paid up	2.75	[●]
E. Net Issue to the Public		
Up to 229,277,876 Equity Shares of ₹ 10 each fully paid up	2,292.78	[●]
Of Which:		
QIB Portion of up to 114,638,937 Equity Shares:	1,146.39	[●]
Non-Institutional Portion of not less than 34,391,682 Equity Shares (available for allocation):	343.92	[●]
Retail Portion of not less than 80,247,257 Equity Shares (available for allocation):	802.47	[●]
F. Equity Capital after the Issue		
1,319,931,705 Equity Shares of ₹ 10 each fully paid up	13,199.32	[●]
G. Share Premium Account		
Before the Issue	8,510.97	
After the Issue	[●]	

*For details on changes in authorized share capital of our Company, see section titled "**History and Certain Corporate Matters**" on page 134.*

The MoP, through its letter dated February 21, 2011, has authorized the Issue. Further, the Issue has also been authorized by a resolution of our Board dated August 12, 2010 and resolution of our shareholders dated September 21, 2010.

** The Selling Shareholder has offered 57,388,335 Equity Shares as part of the Issue. This amounts to 5% of the pre Issue equity capital of our Company. The Equity Shares constituting the Offer for Sale portion have been held by the Selling Shareholder for a period of at least one year prior to the filing of the Draft Red Herring Prospectus with the SEBI. Further the Equity Shares being offered for sale held are in dematerailsed form.*

An application dated February 24, 2011, has been made to the RBI seeking the RBI's approval for the proposed transfer of 57,388,335 Equity Shares, pursuant to the Offer for Sale in compliance with the applicable foreign exchange rules and regulations and other related matters.

The Promoter presently holds 89.78% of the issued and paid up equity capital of our Company. After the Issue, the shareholding of the Promoter will be 73.72% of the fully diluted post Issue paid-up equity capital of our Company.

Notes to the Capital Structure

1. Build-up of Promoter's shareholding and Lock-in

(a) *Details of the build up of our Promoter's shareholding in our Company:*

Date of Allotment/ Transfer	Number of Equity Shares	Face Value (₹)	Issue price per Equity Share (₹)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment	Cumulative Shareholding of the Promoter
September 23, 1987	304,000	1,000	1,000	Cash	Allotment of shares to the Promoter, against funds released by the GoI, including initial subscription of seven shareholders.	304,000
March 25, 1988	1,000,000	1,000	1,000	Cash	Allotment of shares to the Promoter, against funds released by the GoI	1,304,000
November 7, 1988	2,000,000	1,000	1,000	Cash	Allotment of shares to the Promoter, against funds released by the GoI	3,304,000
December 13, 1989	3,000,000	1,000	1,000	Cash	Allotment of shares to the Promoter, against funds released by the GoI	6,304,000
February 25, 1991	2,200,500	1,000	1,000	Cash	Allotment of shares to the Promoter, against funds released by the GoI	8,504,500
February 17, 1992	1,250,000	1,000	1,000	Cash	Allotment of shares to the Promoter, against funds released by the GoI	9,754,500
September 1, 1992	100,000	1,000	1,000	Cash	Allotment of shares to the Promoter, against funds released by the GoI	9,854,500
July 15, 1994	450,000	1,000	1,000	Cash	Allotment of shares to the Promoter, against funds released by the GoI	10,304,500
With effect from September 26, 2002, the equity shares of face value of ₹ 1,000 each, were split into Equity Shares of the face value of ₹ 10 each. Accordingly, the shareholding of the Promoter, stood revised from 10,304,500 Equity Shares of ₹ 1,000 each to 1,030,450,000 Equity Shares of ₹ 10 each. Subsequently, in February 2007, our Company made an initial public offering of its equity shares by way of fresh issue of equity shares, pursuant to which the shareholding of the Promoter, reduced from 100% to 89.78% of the pre- Issue paid up equity capital of our Company.						

(b) *Details of Equity Shares locked in for one year:*

Our Company has not made any issue of Equity Shares during preceding one year from the date of this DRHP.

The post-Issue shareholding of the Promoter i.e. an aggregate of 973,061,665 Equity Shares of our Company, shall be locked in for a period of one year from the date of Allotment as required in terms of Regulation 36(b) of the SEBI Regulations.

(c) *Other requirements in respect of lock-in:*

As per Regulation 39 read with Regulation 36(b) of the SEBI Regulations, the locked in Equity Shares held by the Promoter, as specified above, may be pledged only with any scheduled commercial banks or PFIs as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

In terms of Regulation 40 of the SEBI Regulations, the Equity Shares held by the Promoter may be transferred *inter se* or to new promoters or persons in control of our Company, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

2. **Shareholding Pattern of our Company**

Shareholders	Pre-Issue (as on December 31, 2010)		Post-Issue*	
	No. of Equity Shares	Percentage of shareholding	No. of Equity Shares	Percentage of shareholding
Promoter (A)				
President of India, including where acting through nominees	1,030,450,000	89.78	973, 061, 665	73.72
Sub-Total (A)	**1,030,450,000**	**89.78**	**973, 061, 665**	**73.72**
Public shareholding (B)				
Institutions (B1)				
Mutual Funds	24,750,094	2.16	[•]	[•]
Financial Institutions/Banks	328,167	0.03	[•]	[•]
Insurance Companies	10,417,013	0.91	[•]	[•]
Foreign Institutional Investors	40,303,280	3.51	[•]	[•]
Sub-Total (B)(1)	**75,798,554**	**6.60**	**[•]**	**[•]**
Non-institutions (B2)				
Bodies Corporate	23,830,084	2.08	[•]	[•]
Individuals				
Individual shareholders holding nominal share capital up to ₹ 0.10 million	15,085,465	1.31	[•]	[•]
Individual shareholders holding nominal share capital in excess of ₹ 0.10 million	838,342	0.07	[•]	[•]
Non Resident Indians	292,789	0.03	[•]	[•]
Foreign Nationals	97	Negligible	[•]	[•]
OCBs	Nil	Nil	[•]	[•]
Trusts	24,856	Negligible	[•]	[•]
Clearing Members	582,306	0.05	[•]	[•]
HUF	Nil	Nil	[•]	[•]
Employees	864,207	0.08	[•]	[•]
Sub-Total (B)(2)	**41,518,146**	**3.62**	**[•]**	**[•]**
Public (Pursuant to the Issue) (B)(3)	**0**	**0.00**	**229,553,340**	**17.39**
Total Public Shareholding (B) = (B)(1)+(B)(2)+(B)(3)	**117,316,700**	**10.22**	**346,870,040**	**26.28**
GRAND TOTAL (A) + (B)	**1,147,766,700**	**100.00**	**1,319,931,705**	**100**

**To be finalized at the time of filing the Prospectus*

3. A total of not more than 0.12% of the Issue size, i.e. not more than 275,464 Equity Shares, have been reserved for allocation to Eligible Employees on a proportionate basis, subject to valid Bids being received at the Issue Price and subject to the maximum Bid Amount by each Eligible Employee not exceeding ₹ 200,000. Only Eligible Employees are eligible to apply in this Issue under the Employee Reservation Portion. Bids by Eligible Employees bidding under the Employee Reservation Portion may also be made in the Net Issue and such Bids will not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 275,464 Equity Shares at the Issue Price, allocation will be made on a proportionate basis.

4. Any unsubscribed portion in the Employee Reservation Portion will be added to the Net Issue. In case of under-subscription in the Net Issue category, spill-over to the extent of under-subscription will be permitted from the Employee Reservation Portion to the Net Issue. Under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange.

5. Oversubscription, if any, to the extent of 10% of this Issue can be retained for the purpose of rounding off and making allotments in minimum lots, while finalising the Basis of Allotment. Consequently, the Allotment may increase by a maximum of 10% of this Issue, as a result of which the post-Issue paid-up capital would also increase by the excess amount of Allotment so made.

6. A Bidder cannot Bid for more than the number of Equity Shares offered through the Net Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidders.

7. Our Promoter will not participate in this Issue.

8. Neither our Promoter nor our Directors and their immediate relatives have purchased or sold any Equity Shares during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus with SEBI.

9. None of our Directors, except Mr. Satnam Singh, Mr. M.K. Goel, Mr. Rajeev Sharma and Mr. R. Nagarajan who hold Equity Shares of our Company in their individual capacities and Mr. Devender Singh who holds Equity Shares as a nominee of the Promoter, hold Equity Shares of our Company. For more information, see section titled "***Our Management***" on page 145.

10. The total number of holders of our Equity Shares as on March 11, 2011 was 147,838.

11. Our Company has not issued any Equity Shares for consideration other than cash.

12. Our Company has not issued any Equity Shares out of its revaluation reserves.

13. Our Promoter, our Company, our Directors and the BRLMs have not entered into any buyback or standby arrangements for purchase of Equity Shares from any person.

14. The details of shareholding of the BRLMs and their associates in our Company is mentioned below:

S. No.	Name of the BRLM	Number of Equity Shares	Name of the Associate	Number of Equity Shares
1.	ICICI Securities Limited	Nil	ICICI Bank Limited	500
			ICICI Prudential Life Insurance Company Limited	2,864,452
			ICICI Prudential Asset Management Company Limited-a/c	80
			ICICI Prudential Nifty Junior Index Fund	3,231
2.	Goldman Sachs (India) Securities Private Limited	Nil	Goldman Sachs Investments (Mauritius) I Limited	19
3.	DSP Merrill Lynch Limited	Nil	Merrill Lynch Capital Markets Espana	12,924
4.	JM Financial Consultants Private Limited	Nil	JM Financials Services Private Limited	6,168*

** Equity Shares held by JM Financial Services Private Limited in its demat account*

15. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares as on the date of this Draft Red Herring Prospectus. In terms of the resolution of the shareholders dated September 21, 2010, approval was granted to reserve 0.025% of the paid-up Equity Shares with the PFC Employee Welfare Trust, to be offered to persons who are in permanent employment of the Company including whole time directors, under the employee stock option plan of the Company, titled as "**PFC ESOP 2010**". However, no employee stock options have been granted under PFC ESOP 2010 as on the date of this Draft Red Herring Prospectus.

16. There will be only one denomination of the Equity Shares, unless otherwise permitted by law. We will comply with such disclosure and accounting norms as may be specified by the SEBI from time to time.

17. The Company agrees that it will not, without the prior written consent of the BRLMs, during the period between the date of filing of this Draft Red Herring Prospectus with the SEBI, and ending 180 days after the listing of the Equity Shares in the Issue or refund of application moneys on non-listing or failure of the Issue, whichever is sooner, (i) issue, offer, lend, pledge, encumber, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or

warrant to purchase, lend or otherwise transfer or dispose off, directly or indirectly, any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of shares of the Company or any securities convertible into or exercisable as or exchangeable for the Equity Shares; or (iii) publicly announce any intention to enter into any transaction described in (i) or (ii) above; whether any such transaction described in (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise.

However, if the Company enters into acquisitions or joint ventures, it may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares for participation in such acquisitions or joint ventures or to use such shares as consideration for such joint ventures.

18. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with the SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.

19. There has been no financing arrangement by which the Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus with the SEBI.

20. No Equity Shares held by our Promoter are subject to any pledge.

21 Our Company has not issued any Equity Shares at a price lesser than the Issue Price in the last one year preceding the date of filing of this Draft Red Herring Prospectus.

22 The Equity Shares Allotted pursuant to the Issue will be fully paid-up at the time of Allotment, failing which no Allotment will be made.

23 Our Company will ensure that transactions in the Equity Shares by our Promoter between the date of filing of the Red Herring Prospectus and the Bid Closing Date will be intimated to the Stock Exchanges within 24 hours of such transaction.

OBJECTS OF THE ISSUE

The Issue comprises the Fresh Issue by our Company and an Offer for Sale by the Selling Shareholder.

Offer for Sale

The object of the Offer for Sale is to carry out the disinvestment of 57,388,335 Equity Shares of ₹ 10 each constituting 5% of our Company's pre-Issue paid up equity share capital. Our Company will not receive any proceeds from the Offer for Sale and all proceeds from the Offer for Sale excluding the Selling Shareholder's share of Issue expenses shall go to the GoI.

Object of the Fresh Issue

Our Company intends to utilize the proceeds from the Fresh Issue, after deduction of the Issue expenses (such net proceeds, the "**Net Proceeds**") for the following objects:

(a) augment our capital base to ensure compliance with requisite capital adequacy norms and to meet our future capital requirements arising out of growth in our business; and

(b) general corporate purposes.

The main objects clause of our Memorandum of Association enables our Company to undertake its existing activities and the activities for which funds are being raised by our Company through the Fresh Issue. The activities which have been carried out until now by our Company are in accordance with the objects clause of our Memorandum of Association.

To meet the enhanced demand for financial assistance, we need to augment our resources. We meet our financial requirements through borrowings, from loan repayments and interest repayments. These resources are used for our various financial activities, replacement of matured debt and general corporate purposes. Hence, it is not possible to project an activity wise break up of the disbursement of funds raised.

Issue Proceeds and Net Proceeds

The details of the proceeds of the Issue are summarized below:

(in ₹Million)

S. No.	Particulars	Amount*
1.	Gross Proceeds of the Issue	[●]
2.	Issue related Expenses	[●]
3.	Offer for Sale portion**	[●]
4.	Net Proceeds***	[●]

** Will be incorporated after finalization of the Issue Price.*
*** Excluding Selling Shareholder's share of Issue expenses.*
****Excluding Company's share of Issue expenses.*

Utilization of Net Proceeds and Means of Finance

We are a listed public financial institution in Indian power sector, primarily engaged in the financing of transmission, distribution and generation projects in India. For further details of our business, see section titled "***Our Business***" on page 94. The proceeds from the Fresh Issue will be utilised to augment our capital base to meet requisite capital adequacy norms and our future capital requirements arising out of growth in our business and for other general corporate purposes.

Our funding requirements and the deployment of the Net Proceeds are currently based on estimates of our management. Our funding requirements are dependent on a number of factors including disbursements and repayment obligations, variations in interest rate structures, changes in our financial condition and external factors such as applicable regulatory requirements, which may not be in the control of our management. This may entail rescheduling and revising the planned expenditures and fund requirements and increasing or decreasing expenditures for a particular purpose at the discretion of our management, within the objects of the Fresh Issue mentioned above.

We propose to meet the entire requirement of funds for the objects of the Issue entirely from the Net Proceeds of the Issue. No amount is required to be raised through means other than this Issue for financing the object of the Issue. Accordingly, the requirement of Regulation 4(2)(g) of the SEBI Regulations for firm arrangements of finance through verifiable means for 75% of the stated means of finance excluding the Net Proceeds and existing identifiable internal accruals does not arise.

Issue Related Expenses

The estimated Issue related expenses are as under:

Activity	Amount (₹ million)	% of the Issue Expenses	% of total Issue Size
BRLM fees*	[●]	[●]	[●]
Underwriting commission and selling commission (including commission to SCSBs for ASBA applications)*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Publication of advertisements *	[●]	[●]	[●]
Advisors*	[●]	[●]	[●]
Bankers to the Issue*	[●]	[●]	[●]
Others (listing fees, etc.) *	[●]	[●]	[●]
Total	[●]	[●]	[●]

**Will be incorporated at the time of filing of the Prospectus.*

The above-mentioned Issue expenses will be initially borne by our Company. Further, in proportion to the Equity Shares being offered by the Selling Shareholder in the Offer for Sale, the Selling Shareholder shall reimburse to the Company the expenses borne by the Company on behalf of the Selling Shareholder in the manner and in relation to the apportionable items communicated to the Company.

Interim use of funds

Our management, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including investment in mutual funds, deposits with banks and other interest bearing securities. Such investments would be in accordance with investment policies approved by our Board from time to time. Other than the investments made by our Company as a part of our Company's business activities, we confirm that, pending utilization of the Net Proceeds, we shall not use the funds for any investments in the equity markets.

Monitoring Utilization of Funds

Our Company will disclose the utilization of the Net Proceeds, including interim use under a separate head in its balance sheet for such Fiscal periods as required under the SEBI Regulations, the Equity Listing Agreements with the Stock Exchanges and any other applicable laws or regulations, clearly specifying the purposes for which the Net Proceeds have been utilized. Our Company will also, in its balance sheet for the applicable Fiscal periods, provide details, if any, in relation to the Net Proceeds that have not been utilized.

In accordance with clause 43A of the Equity Listing Agreements, our Company will furnish to the Stock Exchanges, on a quarterly basis, a statement including any material deviations in the utilization of the Net Proceeds for the objects of the Issue stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results, after placing them before the Audit Committee. Pursuant to clause 49 of the Equity Listing Agreements we shall on a quarterly basis disclose to the Audit Committee the uses and applications of the Net Proceeds as part of our quarterly declaration of results. Further, on an annual basis, our Company will prepare a statement of funds utilized for purposes other than those stated in the Red Herring Prospectus and place it before the Audit Committee. The said disclosure will be made until the time the Net Proceeds have been fully spent. This statement will be certified by the statutory auditors of our Company.

Appraisal

The objects of the Issue have not been appraised by any bank, financial institution or any other independent third party organization as it is not required.

Bridge Financing Facilities

We have not raised any bridge loan against the proceeds of the Fresh Issue.

Other confirmations

There are no material existing or anticipated transactions with the Promoter, the Directors, our Company's key management personnel, associate and group entities, in relation to the utilization of the Net Proceeds. No part of the Net Proceeds will be paid by us as consideration to our Promoter, our Directors or key management personnel, except in the normal course of our business.

BASIS FOR THE ISSUE PRICE

The Issue Price will be determined by our Company and the Selling Shareholder in consultation with the BRLMs, on the basis of assessment of market demand for the equity shares through the Book Building Process. The face value of the Equity Shares is ₹ 10 per Equity Share and the Issue Price is [•] times the face value at the lower end of the Price Band and [•] times the face value at the higher end of the Price Band.

Bidders should also refer to the sections titled "***Risk Factors***", "***Our Business***" and "***Financial Statements***" on pages 15, 94 and 163 respectively, to have an informed view before making the investment decision.

Qualitative Factors

We believe the following are our primary strengths:

- Comprehensive financial assistance platform focused on the Indian power sector;
- Strategic role in GoI initiatives and established relationships with sector participants;
- Operational flexibility to capitalize on financing opportunities;
- Favorable credit rating and access to various cost-competitive sources of funds;
- Comprehensive credit appraisal and risk management policies and procedures;
- Consistent financial performance and growth; and
- Experienced and committed management and employee base with in-depth sector expertise.

For detailed discussion on the above factors, see sections titled "***Our Business***" and "***Risk Factors***" on pages 94 and 15 respectively.

Quantitative Factors

The information presented below relating to the Company is based on the consolidated restated summary statements for Fiscals 2009, 2010 and the nine months period ended December 31, 2010 and standalone restated summary statements for Fiscal 2008 (as the Company was not required to prepare the consolidated statements for Fiscal 2008 under the Indian GAAP). The basic and diluted Earning per Share ("**EPS**") of the Company for Fiscals 2008, 2009 and 2010, and the nine months period ended December 31, 2010 are same. For details, see section titled "***Financial Statements***" on page 163.

1. EPS

Year ended	EPS (in ₹)	Weight
March 31, 2008	11.43	1
March 31, 2009	12.80	2
March 31, 2010	19.60	3
Weighted Average	15.97	
Nine months ended December 31, 2010 (not annualized)	16.96	

Notes:

1) Basic EPS calculated in accordance with Accounting Standard 20 "Earnings per Share" issued by the Institute of Chartered Accountants of India.

2. Price/Earning Ratio ("P/E Ratio") in relation to the Price Band

a. P/E Ratio in relation to Price Band of ₹ [●] to ₹ [●] per Equity Share of face value of ₹ 10 each:

Particulars	P/E Ratio at the lower end of the Price Band (no. of times)	P/E Ratio at the higher end of the Price Band (no. of times)
P/E Ratio based on the EPS for the year ended March 31, 2010 of ₹ 19.60	[●]	[●]
P/E Ratio based on weighted average EPS of 15.97	[●]	[●]

b. Industry P/E Ratio

The Company is a listed public financial institution in Indian power sector, primarily engaged in the financing of transmission, distribution and generation projects in India. For further details of our business, see section titled "***Our Business***" on page 94. Rural Electrification Corporation Limited ("**REC**") is the only other listed company primarily engaged in financing the Indian power sector. Hence, the industry P/E Ratio is taken as equal to the P/E Ratio of REC. The basic and diluted EPS of REC for the year ended March 31, 2010 are same.

The P/E Ratio of REC is 9.83

Note: The P/E Ratio for REC has been calculated based on the closing price of equity shares of REC on March 16, 2011 on the NSE and the EPS sourced from the consolidated audited annual accounts as reported in the Annual Report of REC for the year ended March 31, 2010.

3. Return on Net Worth ("RoNW")

Year ended	RoNW (%)	Weight
March 31, 2008	13.43	1
March 31, 2009	13.91	2
March 31, 2010	19.14	3
Weighted Average	16.45	
Nine months period ended December 31, 2010 (not annualized)	14.49	

*Note: RoNW has been computed by dividing the net profit after tax by the net worth. For further details, see section titled "**Financial Statements**" on page 163.*

4. Minimum return on total net worth after the Issue needed to maintain Pre-Issue EPS for the year ended March 31, 2010:

(a) At the lower end of the Price Band: [●]%
(b) At the higher end of the Price Band: [●]%

5. Net Asset Value per Equity Share ("NAV")

(a) NAV as of March 31, 2010 is ₹ 109.06
(b) NAV as of December 31, 2010 is ₹ 125.11
(c) NAV after the Issue is ₹ [●] *
(d) Issue Price: ₹ [●] *

* *Issue Price will be determined on conclusion of Book Building process.*

Note: NAV has been computed by dividing net worth by the number of equity shares outstanding at the end of the period.

6. Comparison with industry peers

The Company is a listed public financial institution in Indian power sector, primarily engaged in the financing of transmission, distribution and generation projects in India. For further details of our business, see section titled "***Our Business***" on page 94. REC is the only other listed company primarily engaged in financing the Indian power sector. Hence, the REC has been included as part of the peer group of the Company.

Name of the Company	Financial Statements	Year End	Face Value (₹ per equity share)	EPS (₹ per equity share)	NAV (₹)	RoNW (%)	P/E Ratio (no. of times)
Power Finance Corporation	Consolidated	March 31, 2010	10	19.60 [(1)]	109.06[(1)]	19.14[(1)]	[●] [(2)]

Limited[1]							
Peer Group [3]							
Rural Electrification Corporation Limited	Consolidated	March 31, 2010	10	23.30	121.54	24.82	9.83

Notes:

1) *EPS, NAV and RoNW of the Company are based on the consolidated restated summary statements of the Company for the year ended March 31, 2010.*
2) *Based on the Issue Price to be determined on conclusion of book building process and the EPS of the Company.*
3) *The EPS, NAV and RoNW for the peer (i.e. REC) are based on the audited consolidated accounts as reported in the Annual Report for the year ended March 31, 2010. The P/E Ratio of the peer (i.e. REC) has been calculated based on the closing price of equity shares of REC on March 16, 2011 on the NSE and EPS sourced from the audited consolidated accounts as reported in the Annual Report of the peer (i.e. REC) for the year ended March 31, 2010.*

The Issue Price of ₹ [•] has been determined by our Company and the Selling Shareholder in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares by way of the Book Building Process and is justified in view of the above qualitative and quantitative parameters. Prospective investors should also review the entire Red Herring Prospectus, including, in particular, the sections titled "***Risk Factors***", "***Our Business***" and "***Financial Statements***" on pages 15, 94 and 163, respectively.

STATEMENT OF TAX BENEFITS

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Chartered Accountants,
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To

The Board of Directors,
Power Finance Corporation Limited,
"Urjanidhi ", 1, Barakhamba Lane,
New Delhi – 110 001.

Sub: Statement of possible Tax benefits.

Dear Sirs,

We hereby report that the enclosed annexure states the probable tax benefits that may be available to **Power Finance Corporation Limited** (the "Company") and to the shareholders of the Company under the provision of the Income Tax Act, 1961 and other allied direct tax laws presently prevailing and in force in India.

The contents of this annexure are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of current tax laws in force in India.

Several of these benefits are subject to the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws and their interpretations. Hence, the ability of the Company or its Shareholders to derive tax benefits is subject to fulfilment of such conditions. Additionally, in respect of the Company benefits listed, the business imperatives faced by the Company in the future will also affect the benefits actually claimed.

The benefits discussed in the annexure are not exhaustive. The information being furnished by us is general in nature and it is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the offer.

We do not express any opinion or provide any assurance as to whether the Company or its Shareholders will continue to obtain these benefits in future or the conditions prescribed for availing the benefits have been / would be met with. The revenue authorities / courts will concur with the views expressed herein.

This report is intended solely for informational purposes for the inclusion in the Offer Document in connection with the Proposed Offer for Sale of Equity Shares of "the Company" by the President of India and further issue of equity shares of "the Company" (collectively "the offer") and is not to be used in, referred to or distributed for any other purpose.

For Raj Har Gopal & Co.
Chartered Accountants
Firm Regn. No.: 002074N
G.K. Gupta
Partner
Membership No. 81085

For Mehra Goel & Co.
Chartered Accountants
Firm Regn. No.: 0517N
Geetika Mehra
Partner
Membership No.510525

Place: New Delhi
Date: 17.03.2011

Statement of possible direct tax benefits available to Power Finance Corporation Limited and it's shareholders

1. Special Tax Benefits available to the Company under the Income-tax Act, 1961 ('Act')

Subject to fulfilment of conditions, the Company will be eligible, inter alia, for the following specified deductions in computing its business income:-

1.1 According to section 36(1)(viia)(c) of the Act, deduction in respect of any provision for bad and doubtful debts made by the Company will be allowed for an amount not exceeding 5% of the total income (computed before making any deduction under this clause and Chapter VIA).

1.2 According to section 36(1)(viii) of the Act, the Company being a government company engaged in the business of providing long term finance for the development of power sector, will be eligible for deduction up to 20% of the profits derived from the aforesaid business. However the aggregate amount of the reserve as carried in the books cannot exceed twice the amount of paid up share capital and general reserves. The amount withdrawn from such a Special Reserve Account will be chargeable to income tax in the year of withdrawal, in accordance with the provisions of Section 41(4A) of the Act.

1.3 **Depreciation on leased assets**

Depreciation allowance is available to the Company on certain plant & machinery and equipments at the rates specified under the IT Rules, leased out to the borrowers under financial leasing agreements.

2. Special Tax Benefits available to the Company's Shareholders

Nil.

3. General Tax Benefits available to the Company under the Income-tax Act, 1961 ('Act')

Subject to fulfilment of conditions, the Company will be eligible, inter alia, for the following specified deductions in computing its business income:-

3.1 **Dividend Income**: Under Section 10(34) of the Act, income by way of dividend referred to in Section 115-O received by the Company on its investments in shares of another Domestic company is exempt from income tax in the hands of the Company.

3.2 Income received in respect of units of a mutual fund specified under Section 10(23D) of the Act (other than income arising from transfer of units in such mutual fund) shall be exempt from tax under section 10(35) of the Act.

However, it is pertinent to note that section 14A of the Act provides that no deduction shall be allowed in respect of any expenditure incurred in relation to such exempt income."

3.3 **Exemption of Long Term Capital Gain u/s 10(38)**

3.3.1 According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

3.3.2 Under section 54 EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under section 10 (38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from their date of acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

3.4 **Tax on Short Term capital Gain u/s 111A**

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax ("STT") shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

3.5 **Tax on Long Term capital Gain u/s 112**

According to the provisions of Section 112 (1) of the Act, long term capital gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being listed securities etc., exceeds ten percent of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.

3.6 As per section 70 read with section 74, short term capital loss arising during a year is allowed to be set-off against short term as well as long term capital gain arising in that year. Balance loss if any is allowed to should be carried forward and available for set-off against subsequent year's short term or long term capital gains for subsequent 8 assessment years.

3.7 As per section 70 read with section 74 long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss if any is allowed to be carried forward and available for set-off against subsequent year's long term capital gains for subsequent 8 assessment years.

3.8 According to Section 43D income by way of interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income Tax Rules, 1962, will be chargeable to tax only in the year of receipt or credit to the Company's Profit and Loss Account, whichever is earlier.

4. General Tax Benefits available to resident shareholders

4.1 **Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act read with Section 115-O of the Act.

4.2 **Computation of capital gains**

4.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

4.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

4.3 **Exemption of capital gain from income tax**

4.3.1 According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

4.3.2 Under section 54 EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under section 10 (38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from their date of acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC of the Act has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80 C of the Act.

4.3.3 As per provisions of section 54F of the Act and subject to conditions specified therein, any long-term capital gains (not being residential house) which are not exempt under section 10 (38) of the Act, arising to shareholder who is an individual or Hindu Undivided Family are exempt from capital gains tax if the entire sales considerations is utilised, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer. If part of such net sales consideration is invested within the prescribed period in a residential house, then such gains would be chargeable to tax on a proportionate basis. Provided that, the said shareholder should not own more than one residential house at the time of such transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above), then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

4.3.4 As per the provisions of section 111A of the Act, short-term capital gain on sale of equity shares where the transaction of sale is chargeable to securities transaction tax ("STT") shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

4.3.5 According to the provisions of Section 112 (1) of the Act, long term capital gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being listed securities etc., exceeds ten percent of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.

4.4 **Deduction u/s 36(1)(xv)**

Deduction shall be allowed of an amount equal to the securities transaction tax paid by the assessee in respect of the taxable securities transactions entered into in the course of his business during the previous year, if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

5. General Tax Benefits available to Non Resident Indian shareholders

5.1 **Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

5.2 **Computation of capital gains**

5.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

5.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by Non Residents. Computation of capital gains arising on transfer of shares in case of Non Residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

5.2.3 In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

5.3 **Exemption of capital gain from income tax**

5.3.1 According to section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.

5.3.2 Under section 54 EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under section 10 (38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from their date of acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC of the Act has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80 C of the Act.

5.3.3 As per provisions of section 54F of the Act and subject to conditions specified therein, any long-term capital gains (not being residential house) which are not exempt under section 10 (38) of the Act, arising to shareholder who is an individual or Hindu Undivided Family are exempt from capital gains tax if the entire sales considerations is utilised, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer. If part of such net sales consideration is invested within the prescribed period in a residential house, then such gains would be chargeable to tax on a proportionate basis. Provided that, the said shareholder should not own more than one residential house at the time of such transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above), then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

5.3.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

5.3.5 According to the provisions of Section 112 (1) of the Act, long term capital gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being listed securities etc., exceeds ten percent of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.

5.4 **Deduction u/s 36(1)(xv)**

Deduction shall be allowed of an amount equal to the securities transaction tax paid by the assessee in respect of the taxable securities transactions entered into in the course of his business during the previous year, if the income arising from such taxable securities transactions is included in the income computed under the head “Profits and gains of business or profession”.

5.5 As per the provisions of section 115D read with Section 115E of the Act and subject to conditions specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on transfer of the company's shares, will be subject to tax at the rate of 10% (plus applicable surcharge on tax and education cess on tax and surcharge) without indexation benefit.

5.6 As per provision of section 115F long term capital gains on transfer of specified foreign exchange asset shall be exempt from tax in the proportion of the net consideration from such transfer being invested in specified asset or saving certificates with in 6 month of the date of transfer subject to certain conditions specified in the section.

5.7 As per the provisions of Section 115G of the Act, non-resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions chapter XVII-B of the Act.

5.8 Under Section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the assessing officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

5.9 As per the provisions of Section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of chapter XII-A for any assessment year by furnishing the return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

6. Benefits available to other Non Residents

6.1 **Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

6.2 **Computation of capital gains**

6.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

6.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by Non Residents. Computation of capital gains arising on transfer of shares in case of Non Residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

6.2.3 In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

6.3 **Exemption of capital gain from income tax**

6.3.1 According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

6.3.2 Under section 54 EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under section 10 (38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from their date of acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC of the Act has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80 C of the Act.

6.3.3 As per provisions of section 54F of the Act and subject to conditions specified therein, any long-term capital gains (not being residential house) which are not exempt under section 10 (38) of the Act, arising to shareholder who is an individual or Hindu Undivided Family are exempt from capital gains tax if the entire sales considerations is utilised, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer. If part of such net sales consideration is invested within the prescribed period in a residential house, then such gains would be chargeable to tax on a proportionate basis. Provided that, the said shareholder should not own more than one residential house at the time of such transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above), then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

6.3.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

6.3.5 According to the provisions of Section 112 (1) of the Act, long term capital gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being listed securities etc., exceeds ten percent of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.

6.4 **Deduction u/s 36(1)(xv)**

Deduction shall be allowed of an amount equal to the securities transaction tax paid by the assessee in respect of the taxable securities transactions entered into in the course of his business during the previous year, if the income arising from such taxable securities transactions is included in the income computed under the head “Profits and gains of business or profession”.

7. Benefits available to Foreign Institutional Investors (‘FIIs’)

7.1 **Dividends exempt under section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the Act.

7.2 **Exemption of capital gain from income tax**

7.2.1 According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

7.2.2 Under section 54 EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under section 10 (38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from their date of acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

7.3 **Taxability of capital gains**

7.3.1 As per the provisions of section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains other than referred to in Section 111A	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to an FII.

7.3.2. According to Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

7.4 **Deduction u/s 36(1)(xv)**

Deduction shall be allowed of an amount equal to the securities transaction tax paid by the assessee in respect of the taxable securities transactions entered into in the course of his business during the previous year, if the income arising from such taxable securities transactions is included in the income computed under the head “Profits and gains of business or profession”.

8. Tax Treaty benefits

A Non-resident /Non-resident Indian Shareholder / Foreign Institutional Investor has an option to be governed by the provisions of Section 90 (2) of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial

9. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

10. Benefits available under the Wealth-tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

Note:

The tax benefits listed below are the possible tax benefits available under the current direct tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives it faces in the future, which the Company may or may not choose to fulfil. This Statement is intended to provide the tax benefits to the Company and its shareholders in a general and summary manner and does not purport to be a complete analysis or listing of all the provisions of potential tax consequences of the subscription, purchase, ownership or disposal etc. of equity shares. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

SECTION IV – ABOUT THE COMPANY

INDUSTRY OVERVIEW

The information in this section has been extracted from publicly available documents prepared by various sources, including officially prepared materials from the Government of India ("GoI") and its various ministries and from various multilateral institutions. This information has not been prepared or independently verified by us, the Selling Shareholder, the BRLMs or the Syndicate Members, and should not be relied on as if it had been so prepared or verified. Unless otherwise indicated, the data presented exclude captive capacity and generation. For the avoidance of doubt, the information on the websites referred to herein or any website directly or indirectly linked to these websites does not form part of the Draft Red Herring Prospectus.

OVERVIEW OF THE INDIAN ECONOMY

India is the fifth largest economy in the world after the European Union, United States of America, China and Japan in purchasing power parity terms, with an estimated Gross Domestic Product ("GDP") (purchasing power parity) of U.S.$ 4.05 trillion in 2010 (*Source: CIA World Factbook 2010*). India rebounded from the global financial crisis, largely because of cautious banking policies and a relatively low dependence on exports for growth. India recorded one of the largest global GDP gains of 2010, experiencing growth of 8.3% (*Source: CIA World Factbook 2010*). By way of comparison, the below table illustrates the GDP growth in 2010 for certain other countries:

Country	GDP Growth in 2010 (%)*
Singapore	14.6
China	10.3
India	**8.3**
Brazil	7.5
Japan	3.0
United States	2.8
United Kingdom	1.6
*adjusted for inflation	

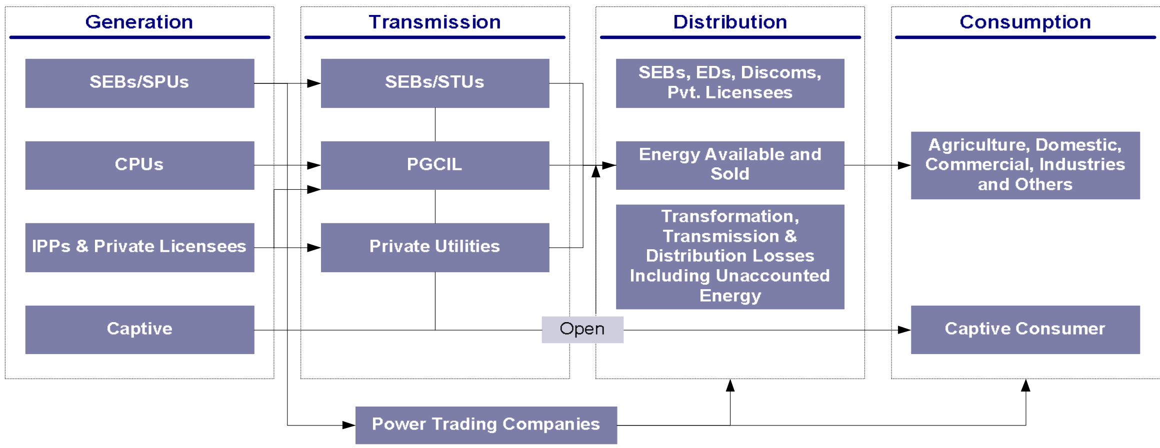
(Source: CIA World Factbook 2010)

The Indian economy witnessed robust recovery in growth in the last quarter of fiscal 2010. The Industrial Outlook Survey of the RBI indicated further improvement in several parameters of the business environment for the three months ended September 30, 2010. The Professional Forecasters' Survey conducted by the RBI in June 2010 places the overall (median) GDP growth rate for fiscal 2011 at 8.4%, higher than 8.2% reported in the previous round of the survey. (*Source: Macroeconomic and Monetary Developments: First Quarter Review Fiscal 2011*).

THE INDIAN POWER SECTOR

Structure of the Indian Power Sector

The following diagram depicts the structure of the Indian power industry for generation, transmission, distribution and consumption:



Legend:

IPPs	Independent Power Producers
CPUs	Central Power Utilities
SEBs	State Electricity Boards
STUs	State Transmission Utilities
SPUs	State Power Utilities
PGCIL	Powergrid Corporation of India Limited
EDs	Electricity Departments
Discoms	Distribution Companies

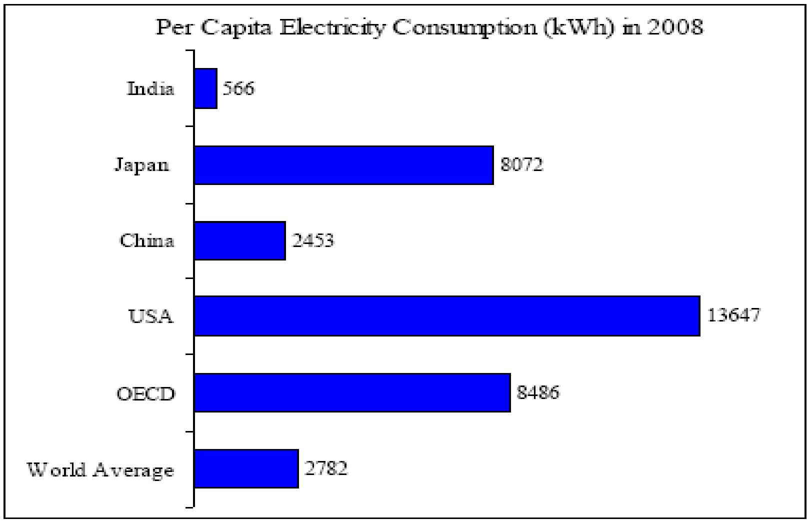
Overview of the Indian power sector

India has continuously experienced shortages in energy and peak power requirements. According to the Central Electricity Authority's ("CEA") monthly review of the power sector ("CEA Monthly Review") published in February 2011, the total energy deficit and peak power deficit for February 2011 was approximately 7.8% and 10.2%, respectively. The shortages in energy and peak power have been primarily due to the sluggish progress in capacity addition. The Indian economy is based on planning through successive five year plans ("Five Year Plans") that set out targets for economic development in various sectors, including the power sector. During the 9th Five Year Plan (1997-2002) ("9^{th} Plan"), capacity addition achieved was 19,015 MW, which was 47.5% of the 40,245 MW targeted under the 9^{th} Plan. During the course of the 10^{th} Five Year Plan (2002 to 2007) ("10^{th} Plan"), capacity addition achieved was 21,180 MW, which was 51.6% of the 41,110 MW targeted under the 10^{th} Plan. (*Source: White Paper on Strategy for 11^{th} Plan, prepared by the CEA and the Confederation of Indian Industry, August 2007 (the "White Paper")*). The current revised capacity target for the 11^{th} Five Year Plan (2007-2012) ("11^{th} Plan") is 78,700 MW. As of February 28, 2011, capacity addition achieved over the 11^{th} Plan has been 48.8% of the target addition or 38,454.40 MW. The total installed power generation capacity in India was 171,926.40 MW as of February 28, 2011. *(Source: CEA Monthly Review (February 2011))*

Power Demand in India

Rapid growth of the economy places a heavy demand on electric power. Reforms in the power sector, to make it efficient and more competitive, have been under way for several years and while there has been some progress, shortage of power and lack of access continues to be a major constraint on economic growth. The persistent shortages of electricity both for peak power and energy indicate the need for improving performance of the power sector in the country (*Source: website of the Planning Commission of India ("Planning Commission")*).

Although power generation capacity has increased substantially in recent years, it has not kept pace with the continued growth of the Indian economy, despite low per capita electricity consumption. As set forth below, per capita consumption of power in India remains relatively low compared to other major economies:



(Source: IEA, Key World Energy Statistics, 2010)

The low per capita consumption of electricity in India compared to the world average presents significant potential for sustainable growth in the demand for electric power in India. The total energy consumption in India is estimated to grow to approximately 1,280 million tonnes of oil equivalent ("Mtoe") by Fiscal 2030. (*Source: World Energy Outlook 2008, IEA*). This implies growth of 3.5% CAGR in India's energy requirement over the next 25-30 years, reflecting the huge potential for investments in the energy sector in India.

Power Supply in India

Historical Capacity Additions

Each successive Five-Year Plan of the GoI has had increased targets for the addition of power generation capacity. The energy deficit in India is a result of insufficient progress in the development of additional energy capacity. In each of the last three Five-Year Plans (the 8th, 9th, and 10th Five-Year Plans, covering fiscal 1992 to fiscal 2007), less than 55.0% of the targeted additional energy capacity level was added. According to the White Paper, India added an average of approximately 20,000 MW to its energy capacity in each of the 9th Plan and 10th Plan periods.

The total capacity addition during the past 25 years between the 6th Five Year Plan and the 10th Plan was approximately 92,000 MW. The latest revised target capacity addition for the 11th Plan is 78,700 MW (48.8% of which had been achieved as of February 28, 2011) (*Source: CEA Monthly Review (February 2011)*), and this is expected to result in significant investments in the power generation sector.

Current Capacity

Out of India's total installed capacity of 171,926.40 MW as on February 28, 2011, the installed capacity of central power sector utilities, state sector entities and private sector companies accounted for approximately 30.7%, 48.0% and 22.0%, respectively. The following table sets forth a summary of India's energy generation capacity as of February 28, 2011in terms of fuel source and ownership:

Sector	Thermal	Nuclear	Hydro	RES*	Total
Central	39,247.23	4,780.00	8,685.40	0.00	52,712.63
State	52,186.73	0.00	27,257.00	3,008.85	82,452.58
Private	19,890.52	0.00	1,425.00	15,445.67	36,761.19
Total	**111,324.48**	**4,780.00**	**37,367.40**	**18,454.52**	171,926.40
*RES = Renewable energy sources					

(Source: CEA Monthly Review (February 2011))

Demand-Supply Imbalance in India

The Indian power sector has historically been beset by energy shortages which have been rising over the years. In fiscal 2010, peak energy deficit was 12.7% and total energy deficit was 10.1%. The demand for electricity has consistently exceeded the supply, and the demand-supply gap has been widening. The following table provides the peak and normative shortages of power in India for the periods indicated:

Period	Peak Demand (MW)	Peak Met (MW)	Peak Deficit/ Surplus (MW)	Peak Deficit/ Surplus (%)	Power Requirement (MU)	Power Availability (MU)	Power Deficit/ Surplus (MU)	Power Deficit/ Surplus (%)
Fiscal 2003	81,492	71,547	(9,945)	(12.2)	545,983	497,890	(48,093)	(8.8)
Fiscal 2004	84,574	75,066	(9,508)	(11.2)	559,264	519,398	(39,866)	(7.1)
Fiscal 2005	87,906	77,652	(10,254)	(11.7)	591,373	548,115	(43,258)	(7.3)
Fiscal 2006	93,255	81,792	(11,463)	(12.3)	631,757	578,819	(52,938)	(8.4)
Fiscal 2007	100,715	86,818	(13,897)	(13.8)	690,587	624,495	(66,092)	(9.6)
Fiscal 2008	108,866	90,793	(18,073)	(16.6)	739,345	666,007	(73,338)	(9.9)
Fiscal 2009	109,809	96,685	(13,124)	(12.0)	774,324	689,021	(85,303)	(11.1)
Fiscal 2010	119,166	104,009	(15,157)	(12.7)	830,594	746,644	(83,950)	(10.1)
April-December 2010	119,437	107,286	(12,151)	(10.2)	638,181	582,225	(55,956)	(8.8)
December 2010	117,409	105,060	(12,349)	(10.5)	71,363	65,529	(5,834)	(8.2)

(Source: CEA Power Scenario at a Glance, January 2011)

The deficits in electric energy and peak power requirements vary across different regions in India. The peak deficit was 16.8 % in the western region of the country, followed by 9.7% in the northern region of the country in February 2011. This can be contrasted to the lowest regional deficit in February 2011 of 4.3% in southern India (*Source: CEA Monthly (February 2011)*). The larger deficit in the former regions is a result of the slow development progress of additional power generation capacity in these areas. The following table outlines the peak and normative power shortages in India for the period April 2010 - February 2011 across the regions of India:

April 2010 - February 2011

Region	Energy (MU)	Deficit %	Peak	Deficit%
	Requirement		Demand (MW)	
Northern	19,181	-6.3	33,717	-9.7
Western	22,979	-13.3	40,502	-16.8
Southern	19,521	-4.0	31,680	-4.3
Eastern	7,054	-4.5	12,972	-5.9
North Eastern	766	-5.5	1,665	-6.8
All India	**69,501**	**-7.8**	**120,536**	**-10.2**

**Provisional*
(Source: CEA Monthly Review (February 2011))

The total Indian power deficit of 10.1% in fiscal 2010 can be compared to power deficits of 11.1% and 9.9% in fiscal 2009 and fiscal 2008, respectively. Similarly, the total Indian peak deficit of 12.7% can be compared to peak deficits of 12.0% and 16.6% in fiscal 2009 and fiscal 2008 (*Source: website of the MoP*).

Demand Projections

To deliver a sustained economic growth rate of 8.0% through to fiscal 2032, India needs, at the least, to increase its primary energy supply between three and four times and its electricity generation capacity between five and six times based on fiscal 2004 levels. With fiscal 2004 as a baseline, India's commercial energy supply would need to grow from 5.2% to 6.1% per annum while its total primary energy supply would need to grow at 4.3% to 5.1% annually. Further, power generation capacity must increase to around 800,000 MW by fiscal 2032 from the fiscal 2004 capacity levels of around 160,000 MW inclusive of all captive plants. (*Source: Planning Commission, Integrated Energy Policy Report of the Expert Committee on Power, August 2006 (the "IEP report August 2006"*). This represents a need for the substantial augmentation of power generation capacity. Such investment in power generation will require increased investment in power transmission and distribution if the additional power is to be effectively disseminated among potential customers.

The table below lays out the projected additional capacity needed by fiscal 2012, fiscal 2017 and fiscal 2022 under different GDP growth rate scenarios:

	Assumed GDP Growth (%)	Electricity Generation	Peak Demand (GW)	Installed Capacity	Capacity Addition

		required (BU)		(GW)	Required (GW)*
By fiscal	8.0	1,097	158	220	71
2012	9.0	1,167	168	233	84
By fiscal	8.0	1,524	226	306	157
2017	9.0	1,687	250	337	188
By fiscal	8.0	2,118	323	425	276
2022	9.0	2,438	372	488	339
* Based on the existing installed capacity of 149 GW in India.					

(Source: IEP report August 2006)

Future Capacity Additions

11th Plan

The MoP's proposed sector-wise and mode-wise capacity addition for the 11th Plan is as follows:

	Thermal	Nuclear	Hydro	Total
Central	24,800	3,380	8,654	**36,874**
State	23,301	0.00	3,482	**26,783**
Private	11,552	0.00	3,491	**15,043**
Total	**59,693**	**3,380**	**15,627**	**78,700**

(*Source: CEA Monthly Review (February 2011)*)

Additionally, the aim for the 11th Plan is to achieve a capacity addition of 15,000 MW from renewable fuels. *(Source: website of the Ministry of New and Renewable Energy ("MNRE")*

The total fund requirement to achieve the 11th Plan target was estimated as ₹ 10,316.00 billion. This included total estimated funding of ₹ 4,108.96 billion for generation projects (including nuclear projects) of which ₹ 1,237.92 billion was envisaged for the public sector, ₹ 2,020.67 billion for the central sector and ₹ 850.37 billion for the private sector, respectively. This also includes an estimated ₹ 1,400.00 billion for transmission system development (with ₹ 750.00 billion envisaged for the central sector and ₹ 650.00 billion for the public sector, respectively). Total fund requirement for the distribution sector (including rural electrification) during the 11th Plan was estimated at ₹ 2,870.00 billion, which was only for the public sector. *(Source: White Paper)*

12th Five Year Plan (2012-2017) (the "12th Plan")

A tentative capacity addition of approximately 100,000 MW has been envisaged for the 12th Plan. This comprises an estimated 74,000 MW thermal power, 20,000 MW hydro power, 3,400 MW nuclear power and 2,500 MW from lignite, respectively (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August, 2009, organized by the MoP and CEA ("International Conclave August 2009")*).

The total fund requirement to achieve the above targeted capacity addition is estimated at ₹ 11,000.00 billion, with an estimated ₹ 4,950.00 billion being required for generation projects, an estimated ₹ 2,400.00 billion being required for transmission projects and an estimated ₹ 3,710.00 billion being required for distribution projects. (*Source: International Conclave August 2009*).

POWER TRANSMISSION AND DISTRIBUTION

In India, the transmission and distribution system is a three-tier structure comprised of regional grids, State grids and distribution networks. The five regional grids, configured on a geographical contiguity basis, enable transfer of power from a power surplus State to a power deficit State. The regional grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between power plants. These regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be redirected to another region facing power deficits, thereby allowing a more optimal utilization of the national generating capacity.

Most inter-regional and inter-State transmission links are owned and operated by Power Grid Corporation of India Limited though some are jointly owned by the SEBs. State grids and distribution networks are mostly owned and operated by the respective SEBs, STUs, distribution companies, or State governments (through State electricity departments). A direct consequence of the high Aggregate Technical and Commercial ("AT&C")

losses that are experienced by the Indian power sector is the inadequate financial condition of SEBs and SPUs thereby restricting the SEBs from making any meaningful investments in generation and the modernization of the transmission and distribution network.

GOVERNMENT POLICY AND INITIATIVES IN THE INDIAN POWER INDUSTRY

In recent years, in light of persistent power shortages and given the estimated rate of increase in demand for electricity in India, the GoI has taken significant action to restructure the power sector, increase capacity, improve transmission, sub-transmission and distribution, and attract investment to the sector. Some of the various strategies and reforms adopted by the GoI and other initiatives in the power sector in India are summarized below.

Electricity Act, 2003 ("Electricity Act")

The most significant reform package was the introduction of the Electricity Act, which modified the legal framework governing the electricity sector and was designed to alleviate many of the problems facing India's power sector and to attract capital for large scale power projects. The Electricity Act replaced the multiple legislations that previously governed the Indian electricity sector. The most significant reform under the Electricity Act is the move toward a multi-buyer, multi-seller system, as opposed to the previous structure which permitted only a single buyer to purchase power from generators. Furthermore, under the Electricity Act, the regulatory regime is more flexible, has a multi-year approach and allows the Central and State regulatory commissions greater freedom in determining tariffs, without being constrained by rate-of-return regulations.

National Electricity Policy, 2005

The National Electricity Policy was notified in February 2005. This policy aims at accelerated development of the power sector, focusing on the supply of electricity to all areas and protecting interests of consumers and other stakeholders, keeping in view availability of energy resources technology available to exploit these resources, economics of generation using different resources and energy security issues.

National Tariff Policy, 2006

The National Tariff Policy ("NTP") was notified by the GoI on January 6, 2006. Its main objectives are to:

- ensure availability of electricity to consumers at reasonable and competitive rates;
- ensure financial viability of the sector and attract investments;
- promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks; and
- promote competition, efficiency in operations and improvement in quality of supply.

The NTP stipulates that all future power requirements should be procured competitively by distribution licensees except in cases of expansion of pre-existing projects or where there is a public sector controlled or owned developer involved. In these cases, regulators must resort to tariffs set by reference to standards of the Central Electricity Regulatory Commission ("CERC"), provided that expansion of generating capacity by private developers for this purpose will be restricted to a one time addition of not more than 50% of the existing capacity. Under the NTP, even for public sector projects, tariffs for all new generation and transmission projects will be decided on the basis of competitive bidding after a certain time period.

Rural Electrification Initiatives

The MoP introduced the Rajiv Gandhi Grameen Vidhyutikaran Yojana ("RGGVY") in April 2005, for achieving the aim of providing access to electricity to all rural households over a period of four years (*Source: website for the MoP*). Rural Electrification Corporation Limited has been appointed the nodal agency for the RGGVY, and the scheme is 90% funded by Central subsidy and 10% by the States, through their own resources or by seeking financial assistance from financial institutions. The States were responsible for finalizing their own rural electrification plans, which were to be a roadmap for generation, transmission, sub-transmission and distribution of electricity within that State to ensure achievement of the scheme objectives. (*Source: MoP Office Memorandum No 44/19/2004 D(RE), dated March 18, 2005*) As at January 31, 2011, 77.4% of un/de-electrified villages across the participating States had so far been electrified under the RGGVY. (*Source: website for the RGGVY*)

Ultra Mega Power Projects ("UMPPs")

For meeting the growing needs of the economy, generation capacity in India must rise significantly and sustainably over the coming decades. There is therefore a need to develop large capacity projects at the national level to meet the requirements of different States. Development of UMPPs is one step the MoP is taking to meet this objective. Each project is a minimum of 4,000 MW and involves an estimated investment of approximately U.S.$ 4.00 billion. The projects are expected to substantially reduce power shortages in India. The UMPPs will be awarded to developers on a build-own-operate basis and are expected to be built at 16 different locations. (*Source: website of the MoP*) For details, see section titled "***Our Business***" and "***Regulations and Policies***" on pages 94 and 124, respectively.

Independent Transmission Projects

The MoP has initiated a tariff based competitive bidding process for independent transmission projects ("ITPs"), which is a process similar to that followed for UMPPs, for the development of transmission systems through private sector participation. The ITPs aim to evacuate power from generating stations and transmit the power from pooling stations to other grid stations, resulting in system strengthening across India. (*Source: website of the MoP*) For details, see section titled "***Our Business***" and "***Regulations and Policies***" on pages 94 and 124, respectively.

Hydro Power Policy 2008

The Hydro Power Policy, 2008, emphasizes increasing private investment in the development of hydroelectric projects. The policy aims at attracting private funds by encouraging joint ventures with private developers and the use of the IPP model, in addition to promoting power trading and speeding up the availability of statutory clearances. The policy provides guidelines for accelerated development of the hydropower industry in India, particularly in the Himalayan States. (*Source: Hydropower Policy 2008, MoP*)

National Solar Mission

The MNRE has approved a new policy on development of solar energy in India by the Jawaharlal Nehru National Solar Mission. The mission recommends the implementation of an installed capacity of 20,000 MW in three stages by the end of the 13th Five Year Plan (2017-2022). It proposes to establish a single window investor-friendly mechanism, which reduces risk and at the same time, provides an attractive, predictable and sufficiently adequate tariff for the purchase of solar power from the grid. The key driver for promoting solar power would be through a renewable purchase obligation mandated for power utilities, with a specific solar component. (*Source: website of the MNRE*)

Restructured Accelerated Power Development and Reform Program ("R-APDRP")

The MoP launched the R-APDRP in July 2008 to extend and restructure the Accelerated Power Development and Reform Program ("**APDRP**") beyond the 10th Plan and ensure the achievement of better results. R-APDRP was designed to run during the 11th Plan, with projects under the program taken up in two parts. Part-A projects include those for establishment of a reliable system for the collection of accurate base line data and IT application, for energy auditing. Part-B projects include regular distribution strengthening projects, to improve the sub-transmission and distribution system. (*Source: Website of the MoP; Office Memorandum dated December 22, 2008*)

Distribution Reform, Upgrades and Management ("DRUM")

The MoP, acting in conjunction with the United States Agency for International Development, have established the DRUM project in 2004 with the purpose of demonstrating best commercial and technological practices that improve the quality and reliability of "last mile" power distribution in selected urban and rural distribution circles in India. The project's objectives include improved power distribution, better availability and quality of electricity, enhanced commercial orientation and drive and the facilitation of the distribution reform process. (*Source: website of the MoP; Background Note on DRUM*)

Delivery through Decentralized Management ("DDM")

DDM is an MoP sponsored scheme, launched in March 2005, with the objective of showcasing participatory models of excellence in distribution in rural areas. It aims to promote public participation, encourage community management and attract private investment in distribution by establishing distribution franchises and distributed generation projects.

Accelerated Generation and Supply Program ("AG&SP")

This scheme was discontinued at the end of the 10th Plan. It was begun in 1998 with the aim of providing interest subsidies for projects involving renovation, modernization and life extension of old thermal and hydro plants, completion of ongoing generation projects, construction of transmission links, system improvements and grants for various studies. In fiscal 2002, the program was modified to limit it to renovation, modernization and life extension schemes and generation projects only.

Other Initiatives

Merchant Power Plants

Merchant Power Plants ("MPPs") generate electricity for sale at market-driven rates in the open wholesale market. Typically, the MPPs do not have long-term Power Purchase Agreements ("PPAs") and are constructed and owned by private developers. Merchant sales, however, include the sale of power under short-term PPAs and on-spot basis. Many private sector newcomers are starting to adopt the MPP model for their projects to generate higher returns as opposed to selling power through a long term PPA, as the off-take risk is seen to be low in light of significant power shortages in the country. The MPPs can sell power to the power trading companies (such as PTC India Limited and Tata Power Trading Company Limited), the SEBs, distribution companies and industrial and bulk customers.

Captive Power Generation

Another segment of power generation in India is the captive power segment. Captive power refers to power generation from a project established for industrial consumption. Captive power capacity, at 19,509.49 MW, accounted for 11.35% of the 171,926.40 MW of total installed capacity in India. *(Source: CEA Monthly Review (February 2011))* The dependence on captive power has been rising, due to the continuing shortage of power and India's sustained economic growth.

The Electricity Act provided further incentives to captive power generation companies to grow by making them exempt from licensing requirements. This has resulted in an increase in captive power capacity. Reliability of power supply and better economics are other variables pushing industries to develop captive generation plants

Power Trading

Historically, the main suppliers and consumers of bulk power in India have been the various government controlled generation and distribution companies, who usually contracted power on a long-term basis through PPAs with regulated tariffs. However, in order to encourage the entry of merchant power plants and private sector investment in the power sector, the Electricity Act recognized power trading as a separate activity from generation and has facilitated the development of a trading market for electricity in India by allowing open access to transmission networks for normative charges. Power trading involves the exchange of power from suppliers with surplus to those with deficit. Seasonal diversity in generation and demand as well as the concentration of power generation facilities in the resource-rich eastern region of India have created significant opportunities for the trading of power. Regulatory developments include the announcement of rules and provisions for open access and licensing related to inter-State trading in electricity. Several entities have started trading operations or made application for trading licenses. With the help of the reforms, the volume of power traded as well as its traded price has increased rapidly over the last few years.

Indian Energy Exchange

Indian Energy Exchange ("IEX") is India's first nation-wide automated and online electricity trading platform. IEX seeks to catalyze the modernization of electricity trade in India by allowing trading through a technology-enabled platform. On June 9, 2008, IEX received CERC approval to begin operations. IEX is a demutualised exchange set up to enable efficient price discovery and price risk management in the power trading market, offering a broader choice to generators and distribution licensees for sale and purchase of power facilitating trade in smaller quantities, and enabling participants to adjust their portfolio as a function of consumption or generation. The total volume of power traded on IEX amounted to 1,121.37 million units in December 2010. (*Source: Central Electricity Regulatory Commission: Monthly Report ("CERC Monthly Report") (December 2010)*)

Power Exchange India Limited

Power Exchange India Limited ("PXIL") is a fully electronic nation-wide exchange for trading of electricity. It has been promoted by two of India's leading exchanges, National Stock Exchange of India Limited ("NSE") and the National Commodities & Derivatives Exchange Limited. PXIL received regulatory approval to begin operations from the CEA on September 30, 2008, and began its operations on October 22, 2008. The total volume of power traded on PXIL amounted to 138.60 million units in December 2010. (*Source: CERC Monthly Report (December 2010)*).

For more information, see section titled "***Our Business***" and "***Regulations and Policies***" on pages 94 and 124, respectively.

Infrastructure Finance Companies ("IFCs")

IFCs are a new category of infrastructure funding entities introduced by the RBI in February 2010. Non-deposit taking Non Banking Financial Companies ("NBFCs") which satisfy the following conditions are eligible to apply to the RBI and seek IFC status:

- a minimum of 75.0% of assets deployed in infrastructure loans;
- net owned funds of at least ₹ 3,000.0 million;
- minimum credit rating 'A' or equivalent of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accrediting rating agencies; and
- CRAR of 15.0% (with a minimum Tier I capital of 10.0%).

IFCs enjoy benefits including a lower risk weight on their bank borrowings (from a flat 100.0% to as low as 20.0% for AAA-rated borrowers), higher permissible bank borrowing (up to 20.0% of the bank‘s net worth as against 15% for an NBFC that is not an IFC), access to external commercial borrowings (up to 50.0% of owned funds on an automatic basis) and relaxation in their single party and group exposure norms. IFCs are also eligible for issuance of infrastructure bonds. These benefits should enable a highly rated IFC to raise more funds, of longer tenors and at lower costs, and in turn lend more to infrastructure companies.

Other companies that have been awarded IFC status include among others Infrastructure Development Finance Company, Infrastructure Leasing and Financial Services Limited and IFCI Limited.

For more information, see section titled "***Regulations and Policies***" on page 124.

PROVIDERS OF FINANCE TO THE POWER SECTOR IN INDIA

The primary providers of power sector financing in India are power sector specific government companies, financing institutions, public sector banks and other public sector institutions, international development institutions and private banks.

Power Sector Specific Government Companies

Our Company was incorporated in July 1986, with the main objective of financing power projects, transmission and distribution works and the renovation and modernization of power plants.

Besides our Company, the other public sector companies and agencies engaged in financing the power sector are as follows. For details on our Company, see section titled "***Our Business***" on page 94.

Rural Electrification Corporation

The Rural Electrification Corporation Limited ("REC") is a government company, which is registered as an NBFC and has been notified as an IFC. It was established in 1969, under the administrative control of the MoP. Its main objective is to finance and promote rural electrification projects throughout India. It provides financial assistance to SEBs, State government departments and rural electric cooperatives for rural electrification projects. REC also promotes and finances rural electricity cooperatives, administers funds and grants from the GoI and other sources for financing rural electrification, provides consultancy services and project implementation in related fields, finances and executes small, mini and micro generation projects, and develops other energy sources. REC's equity shares are listed on the Stock Exchanges.

PTC India Financial Services Limited

PTC India Financial Services Limited is promoted by PTC India Limited and registered as an NBFC. It was established in 1999, with the objective of making principal investments in, and providing financing solutions for, companies with projects across the energy value chain, including projects for power generation, equipment supply and fuel source projects. PTC India Financial Services Limited provides both equity and debt financing, including short-term and long-term debt, as well as structured debt financing.

Indian Renewable Energy Development Agency

The Indian Renewable Energy Development Agency ("IREDA") is a wholly-owned government company, which is registered as an NBFC and has been notified as an IFC. It was established in 1987, under the administrative control of the Ministry of Non-Conventional Energy Sources, GoI, with the objective of promoting, developing and extending financial assistance for renewable energy and energy efficiency, and energy conservation projects.

Private Financial Institutions

Financial institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund based and non-fund based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees, and therefore compete in the Indian power finance sector. The primary long-term lending institutions include Infrastructure Development Finance Company Limited, India Infrastructure Finance Company Limited, IFCI Limited, Industrial Investment Bank of India Limited and Small Industries Development Bank of India.

State Level Financial Institutions

State financial corporations operate at the State level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. At the State level, there are also State industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises. Examples include Delhi Financial Corporation, Delhi State Industrial Development Corporation Limited, Economic Development Corporation of Goa, Daman and Diu Limited, Goa Industrial Development Corporation, Western Maharashtra Development Corporation Limited, Madhya Pradesh State Industrial Development Corporation Limited and Orissa Industrial Infrastructure Development Corporation. (*Source: website for the Council of State Industrial Development and Investment Corporations of India*)

Public Sector Banks and other Public Sector Institutions

Public sector banks are believed to make up the largest category of banks in the Indian banking system. The primary public sector banks operating in the power sector include the Industrial Development Bank of India, State Bank of India, Punjab National Bank and the Bank of Baroda. Other public sector entities also provide financing to the power sector. These include organizations such as the Life Insurance Corporation of India and India Infrastructure Finance Company Limited.

International Development Financial Institutions

International development financial institutions are supportive of power sector reform and of more general economic reforms aimed at mobilizing investment and increasing energy efficiency. The primary international development financial institutions involved in power sector lending in India include several international banking institutions such as Japan Bank for International Cooperation, KfW, the World Bank, the Asian Development Bank ("ADB") and the International Finance Corporation.

In the early 1990s, the World Bank decided to finance mainly projects in states that "demonstrate a commitment to implement a comprehensive reform of their power sector, privatize distribution, and facilitate private participation in generation and environment reforms". Recent loans from the World Bank have gone to support the restructuring of SEBs. In general, the loans are for rehabilitation and capacity increase of the transmission and distribution systems, and for improvements in metering the power systems in Indian States that have agreed to reform their power sector.

The overall strategy of the ADB for the power sector is to support restructuring, especially the promotion of competition and private sector participation. Like the World Bank, the ADB also provides loans for restructuring the power sector in the States and improving transmission and distribution.

OUR BUSINESS

*Unless otherwise stated, financial information included in this section (i) for fiscal 2006, 2007 and 2008 have been derived from our restated standalone financial statements for fiscal 2006, 2007 and 2008 and (ii) for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010 have been derived from our restated consolidated financial statements for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010. For further information, see section titled "**Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation –Financial Information**" on page 10 and "**Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of Financial Information**" on page 311.*

In this section, unless the context otherwise requires, a reference to the "Company" is a reference to Power Finance Corporation Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Power Finance Corporation Limited and its subsidiary, joint ventures and associate company, as applicable in the relevant fiscal period, on a consolidated basis.

Overview

We are a leading financial institution in India focused on the power sector. We were established as an integral part of, and continue to play a strategic role in, the GoI's initiatives for the development of the power sector in India. We work closely with GoI instrumentalities, State governments and power sector utilities, other power sector intermediaries and private sector clients for the development and implementation of policies and structural and procedural reforms for the power sector in India. In addition, we are involved in various GoI programs for the power sector, including acting as the nodal agency for the UMPP program and the R-APDRP and as a bid process coordinator for the ITP scheme.

We provide a comprehensive range of financial products and related advisory and other services from project conceptualization to the post-commissioning stage for our clients in the power sector, including for generation (conventional and renewable), transmission and distribution projects as well as for related renovation and modernization projects. We provide various fund based financial assistance, including project finance, short-term loans, buyer's line of credit and debt refinancing schemes, as well as non-fund based assistance including default payment guarantees and letters of comfort. We also provide various fee-based technical advisory and consultancy services for power sector projects.

We have well established relationships with the GoI and State governments, regulatory authorities, major power sector organizations, Central and State power utilities, as well as private sector power project developers. We have also strategically expanded our focus areas to include projects that represent forward and backward linkages to the core power sector projects, including procurement of capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development. We also intend to fund power trading initiatives.

Our primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. We currently enjoy the highest credit ratings of "AAA" and "LAAA" for our long-term domestic borrowings and "P1+" and "A1+" for our short-term borrowings from CRISIL (a subsidiary of Standard & Poor's) and ICRA (an affiliate of Moody's), respectively. International credit rating agencies Moody's, Fitch and Standard & Poor's have granted us long-term foreign currency issuer ratings of "Baa3", "BBB-" and "BBB-", respectively, which are at par with the sovereign ratings for India.

We are a listed government company and a public financial institution under the Companies Act. We are registered with the RBI as a non-deposit taking systemically important NBFC ("NBFC") and were classified as an IFC in July 2010. We believe that our NBFC and IFC classification enables us to effectively capitalize on available financing opportunities in the power sector in India. In addition, as a government-owned NBFC, loans made by us to Central and State entities in the power sector are currently exempt from the RBI's prudential lending (exposure) norms that are applicable to other non-government owned NBFCs. However, we follow prudential lending norms and guidelines approved by the MoP with respect to loans made to Central and State entities in the Indian power sector, while our loans made to the private sector are generally consistent with lending (exposure) norms stipulated by the RBI. We believe our classification as an IFC enhances our ability to raise funds on a cost-competitive basis (including through issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to the bondholders), and increase our lending exposures to individual entities, corporations and groups, compared to other NBFCs that are not IFCs.

We were granted the *Navratna* status by the DPE in 2007, and have received an "Excellent" rating from the GoI in each of the last five fiscal years. We were also awarded the *India Pride Award 2009* in the NBFC category for excellence among public sector undertakings, and the *Dalal Street Investor Journal PSU Award 2010* for being the *Heavy Weight Navratna PSU* and the *Fastest Growing Navratna PSU*, in the non-manufacturing category.

We have an established track record of consistent financial performance and growth:

- Our total loan assets increased from ₹ 355,819.18 million as of March 31, 2006 to ₹ 798,557.56 million as of March 31, 2010, at a CAGR of 22.4%. Our total loan assets further increased to ₹ 921,182.57 million as of December 31, 2010. As of December 31, 2010, our total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹ 1,580,005 million.
- Our total income increased from ₹ 31,353.82 million in fiscal 2006 to ₹ 81,265.75 million in fiscal 2010, at a CAGR of 26.9%, while our profit after tax increased from ₹ 9,966.82 million in fiscal 2006 to ₹ 22,500.89 million in fiscal 2010, at a CAGR of 22.6%. Our total income and profit after tax were ₹ 74,870.43 million and ₹ 19,470.18 million, respectively, in the nine months ended December 31, 2010.
- We had gross NPAs of ₹ 131.63 million, ₹ 131.63 million, ₹ 131.63 million and ₹ 131.63 million as of March 31, 2008, 2009 and 2010 and December 31, 2010, respectively, which represented 0.03%, 0.02%, 0.02% and 0.01% of our total loan assets, respectively, as of such dates.
- Our profit after tax as a percentage of average total assets and as a percentage of average net worth were 2.9% and 19.1%, respectively, in fiscal 2010 and 2.1% and 14.5%, respectively, in the nine months ended December 31, 2010.
- Our net worth as of December 31, 2010 was ₹ 143,595.50 million.
- Our capital adequacy ratio was 18.3% and 17.3% as of March 31, 2010 and as of December 31, 2010, respectively.

Recent Developments

Public issue of infrastructure bonds

Our Company is proposing a public issue of secured, redeemable, non-convertible long term infrastructure bonds aggregating up to ₹ 53,000.00 million. We have filed a shelf prospectus with the RoC on February 21, 2011. The public issue of bonds opened for subscription on February 24, 2011 and is expected to close on March 22, 2011. For further details, see section titled "***Financial Indebtedness***" on page 344.

External commercial borrowing

In February 2011, we availed a JPY denominated foreign currency loan equivalent to US$260.00 million. For further details, see section titled "***Financial Indebtedness***" on page 344. The loan is repayable in two equal installments at the end of the fourth and sixth year from the average date of drawdown. As of February 28, 2011, we have drawn down the entire loan amount. For further details, see section titled "***Financial Indebtedness***" on page 344.

Our Strengths

We believe that the following are our primary strengths:

Comprehensive financial assistance platform focused on the Indian power sector

We provide a comprehensive range of financial products and related advisory and other services from project conceptualization to the post-commissioning stage, to our clients in the power sector, including for generation (conventional and renewable), transmission and distribution projects as well as for related renovation and modernization projects. We provide various fund-based financial products including long-term project finance, short-term loans, buyer's line of credit and debt refinancing schemes, as well as non-fund based assistance including default payment guarantees and letters of comfort. We also provide various fee-based technical advisory and consultancy services for power sector projects.

Strategic role in GoI initiatives and established relationships with power sector participants

We were established as an integral part of, and have played a strategic role in, the GoI's initiatives for the promotion and development of the power sector in India for more than two decades. We have been involved in the development and implementation of various policies and structural and procedural reforms for the power sector in India. We are also involved in various GoI programs for the power sector, including acting as the nodal agency for the UMPP and the R-APDRP and as a bid process coordinator for the ITP scheme.

As a result, we have developed strong relationships with the Central and State governments, various regulatory authorities, significant power sector organizations, Central and State power utilities, private sector project developers, as well as other intermediaries in the power sector. We believe that our wide experience in implementing government policies and programs provide us with industry expertise that enables us to leverage our project risk assessment capabilities to effectively evaluate projects, structure appropriate financing solutions, develop effective loan disbursement and project monitoring methodologies, as well as provide regulatory and related advisory services. We believe we provide value to our clients in various ways, by supporting their operations as well as providing assistance with long-term reform and restructuring programs. We believe that this unique positioning enables us to leverage our power sector expertise, our existing large client base and continuing relationships with government agencies and instrumentalities to be a preferred financing provider for the power sector in India.

Operational flexibility to capitalize on both fundraising and lending opportunities

We are registered with the RBI as an NBFC and have also been classified as an IFC. We believe that our NBFC and IFC classification enables us to be operationally more flexible than some of our competitors and effectively capitalize on available financing opportunities.

As an NBFC, we are governed by regulations and policies that are generally less stringent than those applicable to commercial banks, including with respect to liquidity requirements and the requirement to hold a significant portion of funds in relatively low yield assets, such as government and other approved securities and cash reserves.

In addition, as a government-owned NBFC, loans made by us to Central and State entities in the power sector have been exempted from RBI's prudential lending (exposure) norms applicable to other non-government owned non-deposit taking systemically important NBFCs. Such exemptions, unless further extended by the RBI, are currently applicable until March 31, 2012. In compliance with RBI's directive in this regard, we are in the process of formulating and submitting a roadmap (in consultation with the MoP) to the RBI prior to March 31, 2012, that sets out the manner in which we intend to comply with (including further capitalization) such prudential regulations of RBI. We follow prudential lending norms and guidelines approved by the MoP with respect to loans made to Central and State entities in the Indian power sector, while our loans made to the private sector are generally consistent with lending (exposure) norms stipulated by the RBI.

In July 2010, we were classified as an IFC, which is a distinct category of NBFCs that are primarily engaged in infrastructure financing. We believe our classification as an IFC enables us to increase our lending exposures to individual entities, corporations and groups, compared to other NBFCs that are not IFCs. We believe that these are significant competitive advantages in providing project financing for large, long-gestation power sector projects. For example, an IFC is entitled to lend up to 25.0% of its Owned Funds to a single borrower in the infrastructure sector, compared to 20.0% of Owned Funds by other NBFCs categorized as a Loan Company. As an IFC, we are also eligible to raise, under the automatic route (without the prior approval of the RBI), ECBs up to US$500.00 million each fiscal year, subject to the aggregate outstanding ECBs not exceeding 50.0% of our Owned Funds. As an IFC, we are also required to maintain CRAR of 15.0% (with a minimum Tier I capital of 10.0%). For further information relating to the IFC category of NBFCs and differences with non-IFC classified NBFCs, see section titled "***Regulations and Policies***" on page 124.

Favorable credit rating and access to various cost-competitive sources of funds

Our primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. CRISIL and ICRA have granted us the highest credit ratings of "AAA" and "LAAA", respectively, for our long-term domestic borrowings and "P1+" and "A1+", respectively, for our short-term borrowings. International credit rating agencies Moody's, Fitch and Standard & Poor's have provided us long-term foreign currency issuer ratings of "Baa3", "BBB-" and "BBB-", respectively, which are at par with the sovereign ratings for India.

We believe that our financial strength and our favorable credit ratings enable us to access various cost competitive funding options. Our borrowings reflect various sources, maturities and currencies, and include bonds and term loans, as well as commercial paper. Our primary sources of funds are Rupee-denominated bonds and commercial borrowings raised in India. In addition, as an IFC, we are able to further diversify our borrowings through the issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to bondholders. Further, subject to certain restrictions we are also eligible to raise, under the automatic route (without the prior approval of the RBI), ECBs up to US$500.00 million each fiscal year. We have also accessed various international funding sources including the World Bank, the Asian Development Bank and Kfw. Our cost of funds in fiscal 2008, 2009, 2010 and in the nine months ended December 31, 2010 was 8.0%, 8.7%, 8.1% and 8.4%, respectively, which we believe is competitive. In addition, historically most of our borrowings have been on an unsecured basis.

Comprehensive credit appraisal and risk management policies and procedures

We have developed extensive knowledge and experience in the Indian power sector, and believe we have comprehensive credit appraisal policies and procedures, which enable us to effectively appraise and extend financial assistance to various power sector projects. We follow a systematic institutional and project appraisal process to assess and mitigate project and credit risk. We believe our internal processes and credit review mechanisms reduce the number of defaults on our loans and contribute to our profitability.

We believe that our comprehensive credit appraisal and project monitoring process have resulted in strong collection and recovery. In addition, as of December 31, 2010, 83.7% of our outstanding loans to Central and State sector borrowers provide for an escrow mechanism, which ensures that in case of default in payment of dues to us by such borrowers, the escrow agent is required to make available the default amount to us on demand. We had gross NPAs of ₹ 131.63 million, ₹ 131.63 million, ₹ 131.63 million and ₹ 131.63 million as of March 31, 2008, 2009 and 2010 and December 31, 2010, respectively, which represented 0.03%, 0.02%, 0.02% and 0.01% of our total loan assets, respectively, as of such dates.

Track record of consistent financial performance and growth

We believe that we have an established track record of consistent financial performance and growth, which enable us to capitalize on attractive financing opportunities in the power sector in India. Our total loan assets increased from ₹ 355,819.18 million as of March 31, 2006 to ₹ 798,557.56 million as of March 31, 2010, at a CAGR of 22.4%. Our total loan assets further increased to ₹ 921,182.57 million as of December 31, 2010. As of December 31, 2010, our total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹ 1,580,005 million. In addition, our loan asset portfolio has increasingly become diversified by sector and customer base. As of December 31, 2010, 92.9% of our total loan assets related to public sector borrowers, while 7.1% related to private sector borrowers. As of December 31, 2010, 75.3%, 7.5% and 4.4% of our total loan assets related to power generation projects (excluding corporate loans and loans given for renovation and modernization to power generation companies), transmission projects and distribution projects, respectively. As of December 31, 2010, our top five, ten and 20 borrowers represented 32.4%, 54.1% and 75.2% of our total loan assets.

Similarly, our total income increased from ₹ 31,353.82 million in fiscal 2006 to ₹ 81,265.75 million in fiscal 2010, at a CAGR of 26.9%, while our profit after tax increased from ₹ 9,966.82 million in fiscal 2006 to ₹ 22,500.89 million in fiscal 2010, at a CAGR of 22.6%. Our total income and profit after tax were ₹ 74,870.43 million and ₹ 19,470.18 million, respectively, in the nine months ended December 31, 2010. Our profit after tax as a percentage of average total assets and as a percentage of average net worth were 2.9 % and 19.1%, respectively, in fiscal 2010 and 2.1% and 14.5%, respectively, in the nine months ended December 31, 2010. Net Interest Margin was 4.0% and 4.1% in fiscal 2010 and in the nine months ended December 31, 2010, respectively, while Spread was 2.6% and 2.7% in these respective periods.

Our net worth as of December 31, 2010 was ₹ 143,595.50 million, while our capital adequacy ratio was 18.3% and 17.3% as of March 31 2010 and as of December 31, 2010, respectively.

Experienced and committed management and employee base with in-depth sector expertise

We believe we have an experienced, qualified and committed management and employee base. Many of our employees, particularly senior management, have worked with our Company for significantly long periods. We believe we have an efficient and lean organizational structure relative to the size of our operations and profitability. Our personnel policies are aimed towards recruiting talented employees and facilitating their integration into the Company and encouraging the development of their skills.

Our management has significant experience in the power sector and the financial services industry, which has enabled us to develop a comprehensive and effective project appraisal process, implement a stringent risk management framework, identify specific requirements of power sector projects and offer comprehensive financing solutions and advisory assistance to such projects. The experience of our management together with their strong relationships with government agencies and instrumentalities and other power sector intermediaries have enabled us to successfully identify attractive financing opportunities. We believe that our experienced management team have been key to our success and will enable us to capitalize on future growth opportunities.

Business Strategies

Continue to leverage our industry expertise and relationships to capitalize on the expected growth in the Indian power sector

We intend to continue to leverage our industry experience and relationships to provide comprehensive financing solutions for power sector projects in India. The Indian power sector has historically been characterized by power shortages and relatively low per capita consumption. According to Mid Term Appraisal Report of the Planning Commission, the projected capacity addition at the end of the 11th Plan is expected to be 62,374 MW. Similarly, a tentative capacity addition of approximately 100,000 MW has been envisaged for the 12^{th} Plan. *(Source: International Conclave, August, 2009).* The 11th Plan estimated fund requirements in excess of ₹ 10,316.00 billion for investment in power generation, transmission and distribution projects *(Source: White Paper)* while fund requirements for the 12^{th} Plan are estimated in excess of ₹ 11,000.00 billion *(Source: International Conclave August, 2009).* We intend to continue to leverage our industry expertise and ability to develop, supervise and implement structured financial assistance packages based on specific operational and financial performance standards to assist otherwise financially weak State Power Utilities ("SPUs") and public sector projects to improve their financial position. We intend to continue to contribute to the development and implementation of GoI policies relating to the power sector in India and play an integral role in the supervision of the implementation of reforms by SPUs and government agencies.

Strategically expand our business and service offerings

Consultancy and other fee-based services

We intend to continue to increase our focus on our fee-based technical and consultancy services to SPUs, power distribution licensees, IPPs, public sector undertakings and SERCs. We also intend to continue providing fee-based services for various GoI programs for the power sector in India, including acting as a nodal agency for UMPP and R-APDRP projects and as a bid process coordinator for the ITP scheme.

We believe that institutional and regulatory reforms in the Indian power sector and increased investor interest will lead to consolidation in the power sector. We intend to focus on acquisition advisory services for power sector projects, including the identification of target projects and potential acquirers for acquisitions and consolidation opportunities, and also provide techno-commercial appraisal of target projects.

Debt syndication

We intend to increase our focus on debt syndication activities in the power sector. We have acted as the lead financial institution for several projects, and have carried out syndication activities for various projects including with members of the Power Lenders Club, a group of 21 banks and financial institutions that work together to provide financing for large projects in the Indian power sector. We intend to continue to target debt syndication opportunities as we believe that our technical expertise and industry experience, our project appraisal capabilities and our relationship with commercial banks and other financial institutions enable us to ensure timely financial closure for such projects.

Equity investments

As part of our growth strategy, and subject to receipt of relevant approvals, we are in the process of evaluating potential equity investment opportunities in power sector projects. We aim to leverage our power sector experience and relationships, existing client base, our financial strength and lending capability to invest in power sector projects. In addition, we may consider equity syndication opportunities for power sector projects, which we expect will also increase our fee-based income.

Other initiatives

We are currently in the preliminary stages of evaluating the possibility of establishing or acquiring a bank and are in the process of appointing a consultant in connection with such initiative.

Broaden our loan asset base and borrower profile

Private sector projects

As of March 31, 2008, 2009, 2010 and as of December 31, 2010, 7.5%, 6.8%, 5.2% and 7.1% of our total loan assets related to private sector projects. We intend to continue to provide financial assistance to private sector generation, transmission and distribution projects to further diversify our borrower profile.

Hydro projects and renewable energy

We intend to continue to focus on providing financial assistance to hydro projects to facilitate an optimal mix of thermal and hydro projects in our loan asset portfolio. We have extended loan repayment periods of up to 20 years after moratorium for hydro projects, effectively increasing the loan tenor for such projects.

We believe that the renewable energy space in India provides significant untapped potential. According to the MNRE, as of December 31, 2010, India had an aggregate installed capacity of 18,654.52 MW of renewable energy projects out of an estimated potential of 84,776 MW (Source: Ministry of New and Renewable Energy, Report, December 2010). The GoI has also launched the Jawaharlal Nehru National Solar Mission ("JNNSM"), with a target of 20,000 MW grid connected solar power by fiscal 2022. We have strategically increased our focus on renewable energy projects, including solar, wind, biomass and small hydro projects, to capitalize on the GoI's various renewable energy initiatives. These initiatives include requiring State distribution utilities' to meet certain minimum specified percentage of total power requirements from renewable energy sources and special tariffs for renewable energy projects.

We intend to continue to provide financing for public and private sector renewable energy generation projects. Until December 31, 2010, our total loan assets outstanding with regard to renewable energy projects aggregated ₹ 11,077.60 million was outstanding as on December 31, 2010. As of December 31, 2010, 1.2% of our total loan assets and 1.0% of our total loans sanctioned pending disbursement related to renewable energy projects. In addition, we have been nominated to act as a nodal agency to assist State power utilities in anticipation of the introduction of CDM projects for the renovation and modernization of old thermal and hydro projects.

Forward and backward linkages to core power sector projects

As of December 31, 2010, 75.3%, 7.5% and 4.4% of our loan assets related to power generation (excluding corporate loans and loans given for renovation and modernization to power generation companies) projects, transmission projects and distribution projects, respectively. We have strategically expanded our focus areas to include projects that represent forward and backward linkages to the core power sector projects, including capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development, as well as power trading initiatives.

Capital equipment manufacturers. The significant capacity addition in the Indian power sector requires augmentation of equipment manufacturing capacities for capital equipment for all segments of the power sector: generation, transmission and distribution. We intend to provide financial assistance for manufacturers of equipment used in the power sector, including transmission and distribution equipment and solar and wind energy generation equipment.

Fuel sources and related infrastructure development. The GoI has introduced various reforms for the development of fuel sources for thermal power generation projects, including allocation of coal blocks to public and private sector entities as well as the development of related infrastructure facilities for the transportation of coal and other fuel sources such as natural gas. We intend to provide financing assistance to fuel supply projects and related infrastructure development projects.

Power trading. We intend to continue to strategically focus on power trading initiatives in India. In this connection we have made a strategic investment in PEIL, which is promoted by the NSE and the NCDEX, and operates a national power exchange in India. We have also entered into a joint venture agreement with NTPC, NHPC and TCS to establish NPEL, which will operate a national level electronic power exchange. We intend to fund non-speculative purchases of power through such exchanges by some of our borrowers, particularly public sector power distribution companies.

Continue to develop strategic partnerships and evaluate new business opportunities

We intend to continue to develop partnerships and alliances and evaluate new business opportunities related to the power sector in India. We are equity shareholders in PTC, which is involved in power trading and related activities. We have also invested in NPEL and PEIL to encourage power trading initiatives in India. While PEIL has been operating a national level power trading platform since October 2008, NPEL is yet to commence operation. We have also invested in the Small is Beautiful fund, which is a SEBI-registered venture capital fund that invests in power generation projects, operated by KSK Investment Advisor Private Limited, a private sector power project developer. We have also promoted PECAP with various industry experts to provide advisory services related to equity investments in the power sector in India. We have also jointly promoted EESL with other government companies focused on the Indian power sector to develop energy efficiency products and services and provide consultancy services related to CDM, carbon markets and energy efficiency initiatives. In addition, in October 2010, we have entered into a memorandum of understanding with NPCIL to explore potential financing opportunities for nuclear power generation projects.

Our Products

We provide a comprehensive range of fund based and non-fund based financial products and services from project conceptualization to the post-commissioning stage to our clients in the power sector.

Our fund based financial assistance includes primarily project finance (both Rupee and foreign currency denominated term loans), short-term and mini short-term loans. Our product portfolio also includes equipment lease financing, buyer's line of credit, debt refinancing schemes, bridge loans, transitional loans, loans for asset acquisition, bill discounting and a line of credit for import of coal and other fuel.

We also provide non-fund based assistance including default payment guarantees and letters of comfort.

Fund Based

Our loan assets are presented as adjusted for any provisions for contingencies made in the respective fiscal periods.

The following table sets forth certain information relating to our total loan assets as of the dates indicated:

Particulars	As of March 31,										As of December 31, 2010	
	2006		2007		2008		2009		2010			
	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
Rupee loans	313,050.89	88.0	401,315.83	91.4	487,189.95	94.5	616,143.06	95.6	760,102.77	95.2	881,321.95	95.7
Short-term loans	18,235.10	5.1	19,325.34	4.4	14,946.29	2.9	16,045.41	2.5	29,489.89	3.7	23,338.80	2.5
Foreign currency loans	7,610.45	2.1	7,704.80	1.8	6,471.90	1.3	7,221.00	1.1	4,997.60	0.6	4,197.10	0.5
Others[(1)]	16,922.74	4.8	10,577.88	2.4	7,074.92	1.4	4,880.47	0.8	3,967.30	0.5	12,324.70	1.3
Total	**355,819.18**	**100.0**	**438,923.85**	**100.0**	**515,683.05**	**100.0**	**644,289.94**	**100.0**	**798,557.56**	**100.0**	**921,182.57**	**100.0**

(1) Others include equipment leasing, buyer's line of credit, loans to equipment manufacturers, asset acquisition schemes and debt refinancing schemes. Others also include medium-term Rupee loans.

The following table sets forth certain information relating to our total disbursements in the periods indicated:

Particulars	Fiscal	Nine months ended

	2006		2007		2008		2009		2010			
	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
Term loans[1]	90,521.00	77.5	114,810.00	81.7	134,201.00	82.8	180,572.00	85.8	225,536.00	87.4	189,565.00	85.1
Short-term loans	23,430.00	20.1	23,660.00	16.8	23,160	14.3	28,770	13.7	31,146.00[2]	12.1	32,560.00	14.6
Others[3]	2,858.00	2.4	2,080.00	1.5	4,750.00	2.9	1,201.00	0.5	1,403.00	0.5	570.00	0.3
Total	**116,809.00**	**100.0**	**140,550.00**	**100.0**	**162,111.00**	**100.0**	**210,543.00**	**100.0**	**258,085.00**	**100.0**	**222,695.00**	**100.0**

(1) Term loans include Rupee loans and foreign currency loans and disbursement under the R-APDRP and grants.
(2) Power exchange credit of ₹ 486.00 million in fiscal 2010 has been included under short-term loan.
(3) Others include equipment leasing, buyer's line of credit, loans to equipment manufacturers, asset acquisition schemes and debt refinancing schemes. Others also include medium-term Rupee loans.

Rupee Term Loans

Project finance rupee term loans accounted for 94.5% 95.6%, 95.2% and 95.7% of our total loan assets as of March 31, 2008, 2009, 2010 and as of December 31, 2010, respectively. We generally disburse funds either directly to a supplier of project equipment or services or by way of reimbursement to the borrower against satisfactory proof of eligible expenditure on the relevant project, or through the trust and retention account.

We generally implement security and quasi-security arrangements in relation to our Rupee terms loans. Our Rupee term loan financings are generally secured in the case of Central and State sector clients, including State utilities, either through a charge on the project assets or by a State government guarantee, or both. In addition to such security or guarantee, most of our loans to public sector borrowers provide for an escrow mechanism. For private sector clients, our term loan financings are secured through, among other things, through a first priority *pari passu* charge on the relevant project assets, collaterals such as pledges of shares held by promoters and/or personal/corporate guarantees and trust and retention arrangements. For further information, see section titled "***Our Business- Security Risk***" on page 114.

Interest rates on Rupee term loans are notified to the borrower from time to time. Specific interest rates may be offered to certain borrowers based on the merit of the borrower and the relevant project. Typically, there is an option to select interest rates with reset after every three years or ten years. We believe that our comprehensive credit appraisal and project monitoring process, and our ability to manage the security and repayment profiles of our loan assets have resulted in strong collection and recovery.

In addition, we are in the process of raising secured, redeemable, non-convertible long term infrastructure bonds aggregating up to ₹ 53,000.00 million and have filed a shelf prospectus with the RoC on February 21, 2011. The public issue of bonds opened for subscription on February 24, 2011 and is expected to close on March 22, 2011. For further details, see section titled "***Financial Indebtedness***" on page 344.

Short-term Loans

We provide short-term loan finance to borrowers to meet their immediate fund requirements. Short-term loans accounted for 2.9%, 2.5%, 3.7% and 2.5%, of our total loan assets as of March 31, 2008, 2009, 2010 and as of December 31, 2010, respectively. These loans are Rupee-denominated and primarily relate to purchase of fuel for power plants; purchase of consumables and essential spares; emergency procurement/works for generation plants and transmission and distribution networks in the nature of repair and maintenance works; and purchase of power. We also extend short-term loans against receivables from distribution companies to transmission companies on account of wheeling/transmission charges.

Short-term loan facilities are typically extended for a period of up to one year. However, we have recently started providing short-term loans to SPVs in the public sector to meet their working capital requirements.

Foreign Currency Loans

We sanction foreign currency loans based on the capital expenditure requirements of the relevant project, subject to availability of foreign currency for lending. We provide foreign currency loans to power sector projects for end uses that are permitted under applicable RBI regulations relating to ECBs. Foreign currency loans represented 1.3%, 1.1%, 0.6% and 0.5% of our total loan assets as of March 31, 2008, 2009, 2010 and as of December 31, 2010, respectively.

The interest rates offered for our foreign currency loans are fixed based on six months U.S. Dollar LIBOR or LIBOR in other applicable foreign currency. The fixed rate margin over the relevant LIBOR is generally reset at the end of every five years.

Our foreign currency loans are generally secured by, among other security, a first priority *pari passu* charge on the relevant project assets, collaterals such as pledges of shares held by promoters, and/or personal/corporate guarantees.

In addition, in February 2011 we have availed of a JPY, denominated foreign currency loan equivalent to US$260.00 million. For further details, see section titled "***Financial Indebtedness***" on page 344.

Other Fund Based Financial Assistance

Our product portfolio includes providing a comprehensive range of other fund based financial assistance, including equipment lease financing, buyers' line of credit, loans to equipment manufacturers, asset acquisition schemes, transitional loans and debt refinancing schemes. We also provide medium-term Rupee loans. These other fund based financial assistance (including medium-term loans) represented, in the aggregate, 1.4%, 0.8%,0.5% and 1.3% of our total loan assets as of March 31, 2008, 2009, 2010 and as of December 31, 2010, respectively.

Equipment lease financing. We provide lease financing to fund the purchase of major capital equipment and machinery essential for power sector projects and associated infrastructure projects. Equipment lease financing is extended to various core power sector projects (including to power utilities), renewable energy projects, as well as associated infrastructure development projects. Equipment lease financing may be provided up to the entire cost of the relevant equipment.

Buyers' line of credit. We provide non-revolving Rupee line of credit for power sector projects in connection with purchase of machinery, equipment and other capital goods (including accessories and spare parts) on a deferred payment basis.

Loans to equipment manufacturers. We provide short-term loans (up to one year) and medium-term loans (between one and five years) to manufacturers of equipment or materials that have received firm contracts for power sector projects in India.

Asset acquisition schemes. We provide finance for the acquisition of assets by power sector projects.

Transitional loans. Our product portfolio includes providing finance to state sector power projects, primarily to power generation and transmission companies under restructuring process, to bridge the gap in cash flows during such phase.

Debt refinancing scheme. Under this scheme, we assist borrowers who have borrowed funds from other lending institutions at a higher rate of interest to refinance their loans at a lower interest rate. The refinancing facility is available only for commissioned projects.

Bill discounting scheme. We operate a bill discounting scheme which enables equipment manufacturers to sell their equipment, machinery, turnkey projects and capital goods (including accessories and spares supplied along with the machinery to the extent deemed reasonable) on deferred payment terms to power sector projects.

Corporate loans. We provide financing to existing players in the public and private sector, which enables experienced utilities to leverage the successful operation of commissioned projects to mobilize funds for equity infusion in new projects.

Loans to grid connected solar PV power generation projects. We provide loans to grid connected solar PV power generation projects that have been approved by the MNRE.

Non Fund Based

We also provide non-fund based assistance including default payment guarantees and letters of comfort.

Default Payment Guarantees

We provide default payment guarantees on behalf of project companies to guarantee their payment obligations. Such guarantees enable power sector projects to secure financing from other sources, including borrowings from commercial banks, foreign lenders and debt capital markets. As of December 31, 2010, default payment guarantees issued by us included €0.53 million and U.S.$15.30 million in foreign currency guarantees and ₹ 4,000.00 million Rupee denominated guarantees.

Letters of Comfort

We provide comfort letters against our sanctioned term loans to enable borrowers to establish a letter of credit with their bankers. The letter of comfort is issued only in cases where it is a pre-requisite for engineering, procurement and construction ("EPC") contracts or equipment supply contracts of projects financed by us. The letter of comfort is issued after all other pre-disbursement conditions have been complied with. As of December 31, 2010, we had outstanding letters of comfort aggregating ₹ 52,309.57 million.

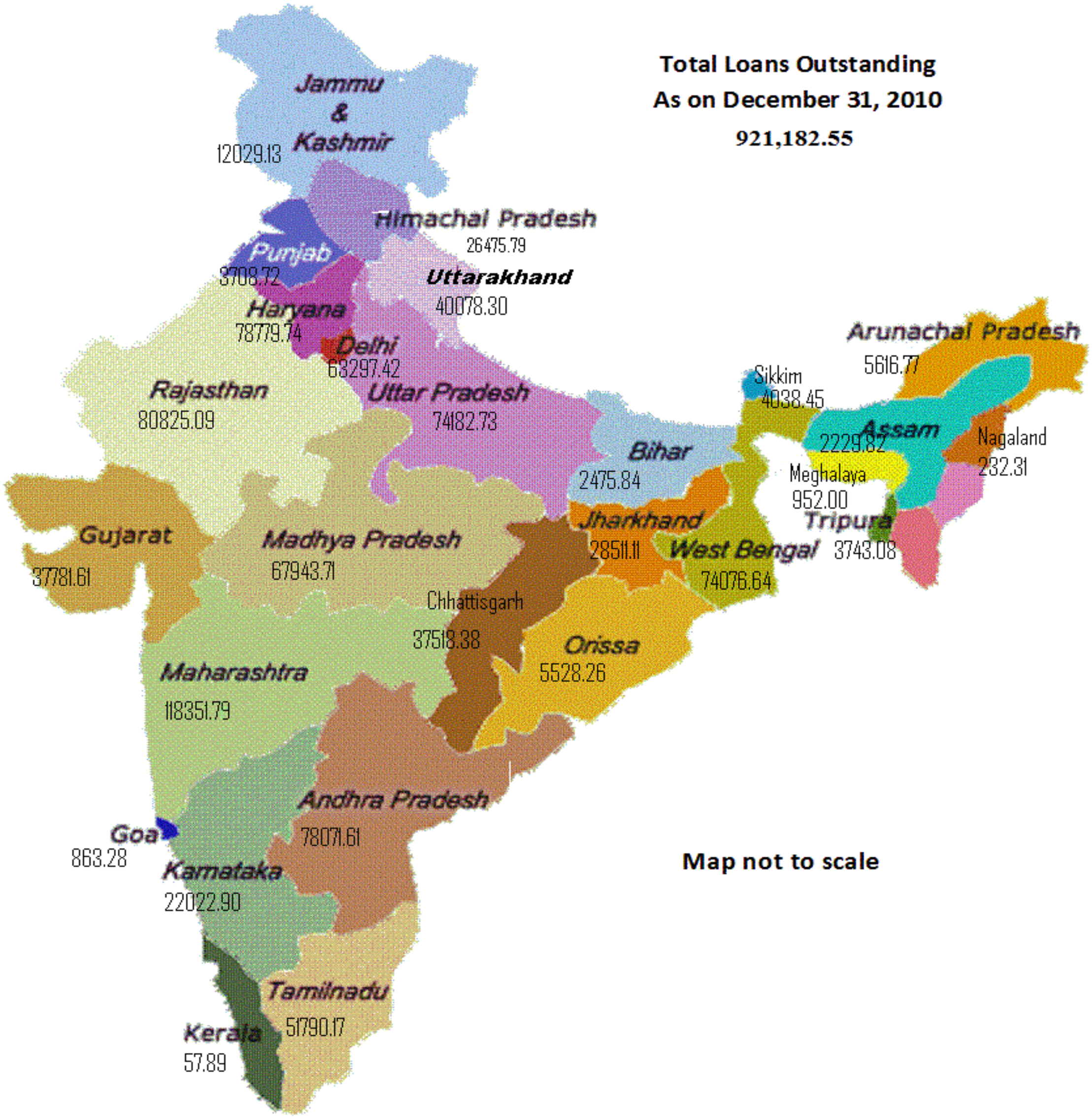
Projects We Fund

Our project financing activities have been focused primarily on thermal and hydro generation projects, including financing of renovation and modernization of existing thermal and hydro electric plants. Transmission and distribution projects financed by us include system improvement and projects involving provision of shunt capacitors and meters. We also focus on the promotion and development of other energy sources, including alternate and renewable fuels. As of December 31, 2010, 75.3%, 7.5%, 4.4% and 3.5% of our loan assets related to power generation (excluding corporate loans and loans given for renovation and modernization to power generation companies) projects, transmission projects, distribution projects and renovation and modernization projects, respectively.

We have strategically expanded our focus areas to include projects that represent forward and backward linkages to the core power sector projects, including procurement of capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development, as well as power trading initiatives.

The following map provides State-wise information relating to our loan assets as of December 31, 2010:

LOAN OUTSTANDING BY STATE AS ON DECEMBER 31, 2010 (Rs. Million)



The following table sets forth certain information relating to our loan assets as of the dates indicated, presented according to the type of project:

Particulars	As of March 31,										As of December 31, 2010	
	2006		2007		2008		2009		2010			
	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
Generation												
- Thermal	136,187.01	38.3	198,170.71	45.2	253,408.72	49.1	346,682.56	53.8	454,203.78	56.9	540,212.26	58.6
- Hydro	94,261.15	26.5	103,664.38	23.6	114,181.73	22.1	140,717.60	21.8	147,471.60	18.5	149,653.97	16.3
- Wind	2,532.70	0.7	2,329.60	0.5	2,116.74	0.4%	1,916.00	0.3	3,005.20	0.4	3,359.07	0.4
- Solar	-	-	-	-	-	-	-	-	70.00	0.0[1]	135.64	0.0[1]
Corporate term loan	-	-	-	-	-	-	5,000.00	0.8	35,000.00	4.4	50,000.00	5.4
Renovation and modernization (generation)												
- Thermal generation	18,730.62	5.3	22,633.08	5.2	23,937.55	4.6	25,634.84	4.0	26,603.05	3.3	27,834.99	3.0
- Hydro generation	3,511.20	1.0	3,367.93	0.8	3674.59	0.7	3,432.04	0.5	3,702.53	0.5	4,124.04	0.5
Transmission	40,323.50	11.3	49,226.31	11.2	60276.37	11.7	64,706.24	10.0	62,289.17	7.8	68,639.14	7.5

Particulars	As of March 31,										As of December 31, 2010	
	2006		2007		2008		2009		2010			
	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
R&M transmission	-	-	39.47	0.0[1]	205.92	0.0[1]	234.67	0.0[1]	273.27	0.0[1]	255.21	0.0[1]
Distribution (Including shunt capacitor and metering)	22,584.80	6.4	25,047.59	5.7	32618.83	6.3	34,094.59	5.3	3,4017.55	4.3	40,719.30	4.4
Short-term loans	18,235.10	5.1	1,9325.10	4.4	14864.59	2.9	16,045.41	2.5	29,489.89	3.7	23,312.97	2.5
Equipment manufacturing loan	78.93	0.0[1]	67.59	0.0[1]	62.60	0.0[1]	50.08	0.0[1]	37.56	0.0[1]	8,298.17	0.9
Others[2]	19,374.16	5.4	15,052.11	3.4	10335.41	2.0	5,775.93	0.9	2,393.95	0.3	4,637.80	0.5
Total	**355,819.18**	**100.0**	**438,923.85**	**100.0**	**515,683.05**	**100.0**	**644,289.94**	**100.0**	**798,557.56**	**100.0**	**921,182.57**	**100.0**

(1) Negligible.
(2) Others include buyer's line of credit, asset acquisition schemes, debt refinancing schemes, medium-term rupee loans computerization, project settlement, pre-investment fund, technical assistance project, studies, long-term working capital loan and interest accrued and due.

The following table sets forth certain information relating to loans disbursed in the periods indicated, presented according to the type of the project:

Particulars	Fiscal										Nine Months Ended December 31, 2010	
	2006		2007		2008		2009		2010			
	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
Generation												
- Thermal	39,765.00	34.0	73,338.00	52.2	82,906.00	51.1	113,056.00	53.7	138,184.00	53.5	109,407.00	49.1
- Hydro	30,654.00	26.2	15,286.00	10.9	18,303.00	11.3	35,755.00	17.0	22,211.00	8.6	11,621.00	5.2
- Solar	-	-	-	-	-	-	-	-	70.00	0.0[1]	67.00	0.0[1]
- Bagasse	-	-	-	-	-	-	-	-	-	-	2,945.00	1.3
Corporate term loan	-	-	-	-	-	-	5,000.00	2.4	30,000.00	11.6	15,000.00	6.7
Renovation and modernization (generation)												
- Thermal generation	2,936.00	2.5	6,275.00	4.5	3,803.00	2.3	5,096.00	2.4	4,231.00	1.6	3,851.00	1.7
- Hydro generation	355.00	0.3	376.00	0.3	899.00	0.6	515.00	0.2	725.00	0.3	727.00	0.3
Transmission (including R&M transmission)	8,715.00	7.5	14,375.00	10.2	19,763.00	12.2	12,960.00	6.2	10,560.00	4.1	17,160.00	7.7
Distribution (including shunt capacitor and metering)	5,350.00	4.6	6,578.00	4.7	11,609.00	7.2	6,104.00	2.9	6,256.00	2.4	10,509.00	4.7
RAPDRP Part-A	-	-	-	-	-	-	3,250.00	1.5	11,247.00	4.4	5.00	0.0[1]
RAPDRP Part-B	-	-	-	-	-	-	-	-	1,964.00	0.8	9,533.00	4.3
RAPDRP Part-A SCADA	-	-	-	-	-	-	-	-	-	-	453.00	0.2
Short-term loans	23,430.00	20.1	23,660.00	16.8	23,160.00	14.3	28,770.00	13.7	31,146.00	12.1	32,560.00	14.6
Equipment manufacturing loan	-	-	-	-	-	-	-	-	-	-	8,270.00	3.7
Others[2]	5,604.00	4.8	662.00	0.5	1,668.00	1.0	37.00	0.0[1]	1,491.00	0.6	587.00	0.3
Total	**116,809.00**	**100.0**	**140,550.00**	**100.0**	**162,111.00**	**100.0**	**210,543.00**	**100.0**	**258,085.00**	**100.0**	**222,695.00**	**100.0**

(1) Negligible.
(2) Other schemes such as computerization, project settlement studies, buyers' line of credit, equipment lease financing, re-bagasse and loans to manufacturers.

The following table sets forth certain information relating to our loan sanctions pending disbursement (net of any sanctions cancelled) as of December 31, 2010, presented according to kind of projects:

Particulars	As of December 31, 2010 (₹ million)
Generation	
-Thermal	1,049,135
-Hydro-electric	101,626

-Wind	4,054
-Solar	1,099
-Bagasse	5,333
Corporate Term Loan	50,029
Renovation and modernization	
- Thermal generation	31,802
- Hydro generation	3,572
Transmission (including R&M transmission)	192,673
Distribution (including shunt capacitor and metering)	54,698
Short-term, medium-term & working capital loans	4,850
R- APDRP	69,709
Others[(1)]	11,425
Total	1,580,005

(1) Other schemes such as computerization, project settlement studies, pre-investment fund, studies, asset acquisition, purchase of power through PXI, loans for promoter's equity, equipment leases and loans to manufacturers.

The following table sets forth information relating to our top ten borrowers (primarily generation companies) in terms of loans outstanding as of December 31, 2010:

Borrower	**Loans outstanding**	**% of total outstanding loans as of December 31, 2010**
	(₹ in million, except percentages)	
Borrower 1	73,567.74	8.0
Borrower 2	62,544.39	6.8
Borrower 3	58,572.77	6.4
Borrower 4	53,395.29	5.8
Borrower 5	50,699.77	5.5
Borrower 6	48,803.04	5.3
Borrower 7	42,290.56	4.6
Borrower 8	42,079.22	4.6
Borrower 9	35,063.44	3.8
Borrower 10	31,120.78	3.4
Total	**498,137.00**	**54.1**

Thermal generation projects. We provide finance for thermal energy generation projects in the public and private sector. Thermal energy generation projects include coal and gas based power plants.

Hydro generation projects. We provide finance for hydro generation projects in the public and private sector. We continue to focus on providing financial assistance to hydro projects to facilitate an optimal mix of thermal and hydro projects in our loan asset portfolio. In this connection, we have extended loan repayment periods of up to 20 years after moratorium for hydro projects, effectively increasing the loan tenor for such projects.

Renewable energy projects. We provide finance to various renewable energy projects, including solar, wind, biomass and small hydro projects. We provide financing for public and private sector renewable energy generation projects.

Renovation, modernization and life-extension scheme. We provide finance for renovation and modernization and life-extension projects of old thermal and hydro power plants.

Transmission projects and schemes. We provide financing assistance to several kinds of power transmission projects, including transmission and sub-transmission schemes, power evacuation lines and transmission links. Transmission projects and schemes funded by us involve transmission of power within various States and from one region to another region in India, assist in distribution of power within the State and also relate to transmission loss reduction schemes. These schemes include construction of new transmission lines, reinforcement of existing transmission lines, new substations, augmentation of transformer capacities of existing substations, replacement of old and obsolete equipment, and bay extensions.

Distribution, capacitor and metering schemes. We have extended financial assistance to various projects and entities that establish and upgrade sub-stations and distribution networks in various distribution circles, including for installment of capacitors and meters to reduce losses and improve revenue generation, and to improve the quality and reliability of power supply to consumers.

Sector-wise Loan Portfolio

We provide financial assistance to Central, State, private and joint sector (i.e., companies that have both State and Central sector participation) projects.

The following table sets forth certain information relating to our total loan assets as of the dates indicated, presented according to sector:

Particulars	As of March 31, 2006		2007		2008		2009		2010		As of December 31, 2010	
	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
Public sector	327,036.78	91.9	402,735.73	91.8	476,786.25	92.5	600,816.58	93.3	756,796.05	94.8	855,383.25	92.9
Private sector	28,782.40	8.1	36,188.12	8.2	38,896.80	7.5	43,473.36	6.7	41,761.51	5.2	65,799.30	7.1
Total	**355,819.18**	**100.0**	**438,923.85**	**100.0**	**515,683.05**	**100.0**	**644,289.94**	**100.0**	**798,557.56**	**100.0**	**921,182.57**	**100.0**

The following table sets forth certain information relating to disbursements made in the periods indicated, presented according to sector:

Particulars	Fiscal 2006		2007		2008		2009		2010		Nine Months Ended December 31, 2010	
	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
Public sector	106,477.00	91.1	130,688.00	93.0	153,492.00	94.7	204,340.00	97.0	247,532.00	95.9	191,527.00	86.0
Private sector	10,332.00	8.9	9,862.00	7.0	8,619.00	5.3	6,203.00	3.0	10,553.00	4.1	31,168.00	14.0
Total	**116,809.00**	**100.0**	**140,550.00**	**100.0**	**162,111.00**	**100.0**	**210,543.00**	**100.0**	**258,085.00**	**100.0**	**222,695.00**	**100.0**

Institutional Development Role and Government Programs

The GoI and various State governments have undertaken various programs and initiatives for the reform and restructuring of the power sector in India to ensure adequate supply of electricity at reasonable rates, to encourage private sector participation and to make the Indian power sector self-sustaining and commercially viable. These institutional and structural and procedural reforms are aimed at achieving operational and commercial efficiency and improved viability of State power utilities; improving delivery of services and achieving cost effectiveness through technical, managerial and administrative restructuring of utilities; creating an environment that will attract private capital, both domestic and foreign, to supplement public sector investment; operating State power utilities in a manner that enables them to generate sufficient returns to meet operational and investment requirements; and achieving energy conservation through integrated resource planning, demand side management and minimizing waste.

We were established as an integral part of, and continue to play a strategic role in, the GoI's initiatives for the development of the power sector in India. We work closely with GoI instrumentalities, State governments and power sector utilities, other power sector intermediaries and private sector clients for the development and implementation of policies and structural and procedural reforms for the power sector in India. In addition, we are involved in various GoI programs for the power sector, including acting as a nodal agency for the UMPP and the R-APDRP and as a bid process coordinator for the ITP scheme.

Ultra Mega Power Projects (UMPP)

The GoI has introduced the UMPP program with the objective of developing large capacity power projects in India. We have been designated to act as a nodal agency by the GoI for the development of UMPPs, each with a minimum capacity of 4,000 MW. These UMPPs involve economies of scale based on large generation capacities based at a single location, utilize super critical technology to reduce emissions, and potentially have lower tariff costs for electricity generated as a result of these factors and a result of the tariff being based on international competitive bidding processes adopted for the selection of developers.

The CEA is the technical partner for the development of these UMPPs while the MoP is involved as a facilitator. As of February 28, 2011, 16 UMPPs have been identified, located in Madhya Pradesh, Gujarat (two), Chhattisgarh, Karnataka, Maharashtra, Andhra Pradesh (three), Jharkhand (two), Tamil Nadu (two) and Orissa (three). As of February 28, 2011, we had incorporated a total of 12 wholly-owned SPVs for the UMPPs. In relation to such SPVs, we in conjunction with the MoP and the CEA will undertake preliminary site investigation activities and obtain appropriate regulatory and other approvals (including for land, water, the environment and for power selling) necessary to conduct the bidding process for these projects. Four of these SPVs have been transferred to successful bidders, as detailed below. The remaining SPVs are proposed to be eventually transferred to successful bidder(s) selected through a tariff based international competitive bidding process in accordance with the guidelines for Determination of the Tariff By Bidding Process for Procurement of Power by distribution licensees, 2005 as amended. The successful bidders are then expected to develop and implement these projects.

We earn revenue from our involvement with UMPPs through: (i) interest income on expenditure incurred by us prior to handing over the relevant SPVs to the successful bidder, which are typically in the form of loans extended by us to these SPVs; and (ii) fee income. In certain cases, we also hold, on behalf of the SPV, any "commitment advances" received by the SPV from the procurer of the project for the purpose of meeting the initial expenses of the SPV. We typically invest any unused portion of the commitment advances as part of our ongoing investment activities and pay the SPV our average rate of return on this amount. In addition, we may earn interest income by extending loans in the future to such projects.

Out of the 12 SPVs, the following four SPVs have been transferred to successful bidders:

Name of SPV	UMPPs	Transferee	Date of Transfer
Coastal Gujarat Power Limited	Mundra, Gujarat	Tata Power Company Limited	April 22, 2007
Sasan Power Limited	Sasan, Madhya Pradesh	Reliance Power Limited	August 7, 2007
Coastal Andhra Power Limited	Krishnapatnam, Andhra Pradesh	Reliance Power Limited	January 29, 2008
Jharkhand Integrated Power Limited	Tilaiya, Jharkhand	Reliance Power Limited	August 7, 2009

We are in the process of conducting site studies and obtaining applicable regulatory and other clearances with respect to the rest of the UMPPs.

Independent Transmission Projects (ITP)

In April 2006, the MoP introduced a tariff based competitive bidding process for ITPs, similar to that followed for UMPPs, for the development of transmission systems through private sector participation. We have been nominated as a bid process coordinator by the MoP for the development of certain ITPs.

Four SPVs, were initially incorporated under ITPs, of which Bokaro-Kodarma Maithon Transmission Company Limited was liquidated in December, 2010 and another SPV namely, East North Interconnection Company Limited has been transferred to the successful bidder on March 31, 2010. As of February 28, 2011, two SPVs, namely, Jabalpur Transmission Company Limited ("JTCL") and Bhopal Dhule Transmission Company Limited ("BDTCL")) are in existence. These SPVs undertake preliminary survey work, identify transmission routes, prepare survey reports, initiate the processes of land acquisition and forest clearances if applicable, and are also responsible for conducting the bid process. We earn revenue from our involvement with ITP projects in a manner similar to the UMPPs.

Request for proposals JTCL and BDTCL were issued on August 30, 2010 and September 15, 2010, respectively, and letters of intent for JTCL and BDTCL were issued to the successful bidder Sterlite Transmission Projects Private Limited on January 19, 2011 and January 31, 2011 respectively. The process of transfer of these SPVs is currently under progress.

Accelerated Power Development and Reform Programs

The GoI introduced the Accelerated Power Development Program ("APDP") in fiscal 2001 as part of the reform of the Indian power sector. During the 10th Plan, the GoI subsequently upgraded the APDP program to the Accelerated Power Development Reform Program ("APDRP") in fiscal 2003. The objectives of this program were to improve the financial viability of state power utilities, reduce aggregate technical and commercial losses ("AT&C") losses, improve customer satisfaction and increase the reliability and quality of the power supply by reducing outages and interruptions, with a focus on urban and industrial areas.

APDRP aimed at reforming the power distribution sector by providing investment and incentives to SEBs and SPUs and distribution companies to strengthen and improve transmission, sub-transmission systems and distribution networks. As of December 31, 2010, we have sanctioned counterpart funding of ₹ 23,204.70 million and disbursed ₹ 16,721.60 million, under APDRP.

In July 2008, APDRP was restructured and the MoP launched the Restructured Accelerated Power Development and Reforms Program ("R-APDRP"), with focus on, amongst others, establishment of base line data, fixation of accountability and reduction of AT&C losses through strengthening and upgrading of transmission, sub transmission and distribution network, and adoption of IT systems during the 11th Plan.

R-APDRP is required to be implemented in three parts. Part-A focuses on establishment of IT enabled baseline data acquisition systems and Supervisory Control and Data Acquisition ("SCADA") systems. Part-B aims at reduction in AT&C loss level to less than 15% on a sustainable basis in five years, by achieving improvements in transmission, sub-transmission and distribution systems.

We were designated to act as the nodal agency to run APDRP as well as R-APDRP, to provide a single window service under the program, in coordination with the agencies involved, such as the MoP, Steering Committee, CEA, NTPC, PGCIL, other statutory bodies (if required) and various consultants to achieve the speedy and timely completion of projects, and therebyassist the utilities in achieving loss reduction targets. We are paid a 'nodal agency fee' for the services rendered in running the R-APDRP. In Part-A of the R-APDRP, the GoI will provide 100% of the loan through budgetary support to initiate the project, which is meant to be converted into a grant if the required base-line data system is established within a stipulated time frame. The loan provided to state power utilities for R-APDRP Part-A projects shall be converted to grant only on satisfactorily completing the projects within three years of sanction and verification of the same by such independent agencies. In Part-B, the GoI will provide funding of up to 25.0% of the project cost in the form of a loan (90% for special category states), 50.0% of which will be converted into a grant in five equal tranches if the project achieves AT&C loss levels of 15.0% on a sustainable basis for a period of five years.

We have appointed a process consultant to assist in running the R-APDRP. We have also empanelled IT consultants ("ITC") and IT Implementing Agencies ("ITIA") and have formulated an RfP for ITC and model RfP for ITIA. Further, we have empanelled SCADA/DMS consultants ("SDC"), SCADA Implementing agencies ("SIA") and have formulated a RfP for SDC and model RfP for SIA. In order to monitor the implementation of R-APDRP, a fully dedicated web-portal has been developed by an IT advisor in consultation with the Company. Third Party Independent Evaluation Agencies for Energy Accounting have been appointed for all States to verify baseline AT&C losses and AT&C losses, while third party independent evaluation agencies for IT are in process of being appointed.

The table below shows the cumulative sanctions and disbursements under R-APDRP as on December 31, 2010:

Particulars	**(₹ million)**
Sanctions	96,160.60
Disbursements	26,452.00

As of February 28, 2011, the R-APDRP has been implemented in approximately 1,400 towns in India. As a majority our loan portfolio is in the State power sector, improvement of the performance and the financial health of the State power sector is expected to enhance the quality of our loan assets. The Part-B distribution strengthening projects under R-APDRP envisages funding of 25.0% of the project cost from the GoI, which we believe will create an opportunity for us to provide the balance funding for the projects.

Accelerated Generation and Supply Program (AG&SP)

In fiscal 1998, the GoI introduced the AG&SP scheme, which provided for interest subsidies for projects involving renovation, modernization and life extension of old thermal and hydro plants, completion of ongoing generation projects, construction of transmission links, system improvements and including grants for various studies. In fiscal 2002, the scheme was modified to restrict it to renovation, modernization and life extension schemes and generation projects.

This was a MoP scheme that was overseen and operated by us. The MoP subsidized our normal lending rates on loans to SPUs. The subsidy is paid in advance directly to us out of the central government budget on the basis of disbursements made during the period. The AG&SP scheme ended in April 2007 and no fresh sanctions have been made since under the scheme.

Distribution Reform, Upgrades and Management (DRUM)

Distribution Reform, Upgrades and Management ("DRUM") is an Indo-US joint initiative developed by the MoP in conjunction with the United States Agency for International Development with a planned funding of US$30.00 million. The objective of DRUM is to demonstrate commercially viable electricity distribution systems that provide reliable power of sufficient quality to consumers and to establish a commercial framework and a replicable methodology to that adopted by Indian financial institutions for the provision of non-recourse financing for DRUM activities and programs.

We have been appointed as a principal financial intermediary and provide management support for this initiative. Our responsibilities include provision of management and implementation support, coordination of all relevant stakeholders, acting as a financial intermediary and banker for supervision of funds (loans and grants) and developing a mechanism for leveraging resources of other financial institutions and banks.

We also provide financial assistance for DRUM projects and, as of December 31, 2010, we had sanctioned an aggregate amount of ₹ 1,645.51 million for three DRUM pilot projects. As of December 31, 2010, disbursements for these three projects aggregated ₹ 1,422.96 million. These projects are currently at various stages of implementation.

Consultancy Services

In addition to our lending activities, we provide various technical consultancy and advisory services for power sector projects. We provide consultancy and other fee-based services to State power utilities, power distribution licensees, IPPs, public sector undertakings and SERCs. We also provide fee-based services for various GoI programs, including acting as a nodal agency for UMPP and R-APDRP projects and as a bid process coordinator for ITP scheme projects. Other consultancy and advisory services include: bid process coordination for power procurement by distribution licensees through tariff based competitive bidding process; renewable and non-conventional energy schemes; coal block joint ventures and selection of developers for coal blocks and linked power projects; project advisory services including selection of an EPC contractor; advisory services relating to policy reform, restructuring and regulatory aspects; and assistance in relation to capacity building and human resource development.

We also intend to focus on acquisition advisory services for power sector projects, including identification of target projects and potential acquirers for acquisitions and consolidation opportunities, and also provide techno-commercial appraisal of target projects.

Resource Mobilization

Our primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. Our borrowings reflect various sources, maturities and currencies, and include bonds and term loans, as well as commercial paper. In addition, historically most of our borrowings have been on an unsecured basis.

The following table sets forth certain information relating to our Rupee-denominated and foreign currency denominated borrowings as at the respective dates indicated:

	As of March 31,										As of December 31, 2010	
	2006		2007		2008		2009		2010			
	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
Rupee	245,128.20	91.0	316,610.72	94.3	384,137.74	94.5	495,706.49	95.0	643,495.47	95.9	726,330.84	95.0
Foreign currency[(1)]	24,120.00	9.0	19,231.10	5.7	22,340.38	5.5	25,894.96	5.0	27,588.63	4.1	38,134.20	5.0
Total	**269,248.20**	**100.0**	**335,841.82**	**100.0**	**406,478.12**	**100.0**	**521,601.45**	**100.0**	**671,084.11**	**100.0**	**764,465.04**	**100.0**

(1) The Rupee equivalents of foreign currency borrowings are based on the bank selling rate at the end of the relevant fiscal period.

Rupee resources

Our primary sources of funds are Rupee-denominated bonds and term loans availed in India.

A significant percentage of our Rupee-denominated borrowings are raised through the issuance of privately placed bonds in India. As of December 31, 2010, we had outstanding borrowings aggregating ₹ 554,538.54 million in the form of bonds and ₹ 171,792.30 million in the form of term loans from Indian banks and financial institutions. In addition, we were recently classified as an IFC, which enables us to further diversify our borrowings through the issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to bondholders.

The following table sets forth certain information relating to our Rupee resources as of the dates indicated:

Particulars	**As of March 31,**					**As of December 31, 2010**
	2006	**2007**	**2008**	**2009**	**2010**	
	(₹ million)					
Non-taxable bonds[1]	2,755.00	2,755.00	2,755.00	1,250.00	500.00	-
Taxable bonds[2]	110,923.14	161,363.66	232,677.74	353,541.49	457,514.25	554,538.54
Term loans from Indian banks and FIs	131,450.06	152,492.06	148,705.00	140,915.00	185,481.22	171,792.30
Interest subsidy from the GoI	12,003.30	12,316.29	10,667.49	9,089.38	6,634.87	5,706.64
Total	**257,131.50**	**328,927.01**	**394,805.23**	**504,795.87**	**650,130.34**	**732,037.48**

(1) Bonds that offer certain tax benefits to the bondholders.
(2) Bonds that do not offer any tax benefits to the bondholders.

Foreign currency resources

We have in the past raised foreign currency funds through syndicated loans, loans from multilateral agencies and other sources such as FCNR(B) loans, which are foreign currency loans for specific end uses (such as infrastructure) and at interest rates linked to LIBOR. The following table sets forth certain information relating to our foreign currency borrowings by source, as at the respective dates indicated:

	As of March 31,					**As of December 31, 2010**
	2006	**2007**	**2008**	**2009**	**2010**	
	(₹ million)					
ADB I and II	2,646.99	2,147.39	1,859.54	1,822.50	1,136.70	644.42
ADB new loan	269.85	488.67	812.50	1,104.92	976.55	965.62
Credit Nationale (now Natexis Banque)	1,130.03	1140.94	1,172.03	1,193.76	1,001.39	918.47
World Bank	34.33	30.01	24.09	26.17	18.67	16.19
KfW – Portion I	601.22	626.48	657.06	684.29	588.08	556.06
KfW – Portion II	309.77	289.66	233.14	221.18	169.08	137.33
Fixed Euro Notes	4,697.26	4,686.36	4,649.76	4,763.16	0.00	0.00
Syndicated loan – IV	4,691.18	4,662.85	0.00	0.00	0.00	0.00
Syndicated loan – V	4,463.03	4,375.83	4,069.46	4,759.98	0.00	0.00
EDC Canada	117.44	126.37	38.60	0.00	0.00	0.00
FCNR(B) Loans(Long-term)	672.90	656.55	1,604.40	2,058.00	1,819.75	1,811.20
FCNR(B) Loans(Short-term)	448.60	-	-	-	-	-
USPP	-	-	7,219.80	9,261.00	8,204.40	8,150.40
Syndicated bank loan VII	-	-	-	-	13,674.00	13,584.00
Syndicated bank loan VIII	-	-	-	-	-	11,350.51
Floating rate notes	4,037.40	-	-	-	-	-
Total	**24,120.00**	**19,231.11**	**22,340.38**	**25,894.96**	**27,588.63**	**38,134.20**

We have recently been classified as an IFC. As an IFC, we are also eligible to raise, under the automatic route (without the prior approval of the RBI), ECB up to US$500.00 million each fiscal year, subject to the aggregate outstanding ECBs not exceeding 50.0% of our Owned Funds. In addition, in February 2011 we have availed of a JPY, denominated foreign currency loan equivalent to US$260.00 million. For further details, see section titled "***Our Business-Recent Developments***" and "***Financial Indebtedness***" on pages 95 and 344, respectively.

Credit Ratings

CRISIL and ICRA have granted us the highest credit ratings of "AAA" and "LAAA", respectively, for our long-term domestic borrowings and "P1+" and "A1+", respectively, for our short-term borrowings. International credit rating agencies Moody's, Fitch and Standard & Poor's have provided us long-term foreign currency issuer ratings of "Baa3", "BBB-" and "BBB-", respectively, which are at par with the sovereign ratings for India.

Risk Management

We believe we have developed comprehensive risk management policies and procedures. We place particular importance to actively managing and controlling our risk exposures. These processes include a detailed appraisal methodology, identification of risks and suitable structuring of credit risk mitigation measures.

We have set up a Risk Management Committee to monitor various risks, examine risk management policies and practices and initiate action for mitigation of risks relating to our operations.

We have also developed an Integrated Enterprise-Wide Risk Management Policy ("IRM Policy"). The Risk Management Committee has also set up a Risk Management Compliance Committee and a separate unit called the Corporate Risk Assurance ("CRA") unit to monitor certain risks identified by us.

As a financial institution, we are primarily exposed to the following types of risk: credit risk, security risk, liquidity risk, interest rate risk, foreign currency risk and operational risk, described in further detail below.

Credit Risk

Credit risk involves the risk of loss arising from the diminution in credit quality of a borrower and the risk that the borrower will default on contractual repayments under a loan or an advance. We follow a systematic institutional and project appraisal process to assess and mitigate credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. We use a wide range of quantitative as well as qualitative parameters as a part of the appraisal process to make a sound assessment of the extent of underlying credit risk in a project. We evaluate the credit quality of the borrowers by assigning risk weightings (scores) on the basis of the various financial and non-financial parameters. Our lending policies evaluate borrowers' eligibility criteria with an emphasis on financial and operational strength, capability and competence. For further information, see section titled "***Our Business-Project and Entity Appraisal Process***" on page 117.

Although we encourage certain schemes through differential lending rates, the eligibility criteria and our funding decision is guided by the merit of the project and no funds are pre-allocated. In addition, we have adopted our own prudential norms that provide guidance on aspects of our financial operations including asset classification, provisioning, income recognition, asset concentration and investment limits.

Our lending policies are set out in our Operational Policy Statement, which is reviewed from time to time to align it with market requirements. In addition, we place emphasis on funding projects with short lead times as well as on-going projects.

We lend to projects that satisfy the following criteria:

- Soundness from both a technical and a financial perspective with a financial or economic rate of return of not less than 12.0%, other than in certain specific instances, such as projects involving environmental upgrading, meter installation, load dispatch, computerization and communication, research and development and non-conventional energy projects;
- Feasibility and technical soundness and provision of optimal cost solutions for the selected alternative;
- Compatibility with integrated power development and expansion plans of the relevant State, or region and of India as a whole;
- Compliance with environmental guidelines, standards and conditions;
- Receipt of relevant regulatory, environmental and other approvals and clearances; and
- Receipt of all inputs required for the implementation and operation of the relevant project and preparation of detailed procurement and implementation plans.

We evaluate the credit quality of all borrowers by assigning ratings on the basis of various financial and non-financial parameters. In addition, we assign an integrated rating (which is a combination of entity rating and project rating) for private sector generation projects. The interest rates, requirement of collateral securities and exposure limits are calculated on the basis of such integrated ratings.

The amount of funding that we currently grant to various projects, as a percentage of project costs, is set out below:

Projects	Central and Statet Sector Projects (%)	Private Sector Projects (%)
Medium and large hydro generation	80.0	25.0(1)
Thermal generation projects	80.0	20.0(1)
Transmission	90.0	50.0
Captive and co-generation plants	80.0	50.0
Renovation, modernization and updating of generation and transmission	80.0	50.0
Urban distribution system	90.0	50.0
Research and development	90.0	50.0
Mini, micro and small hydro	80.0	50.0
Capacitors, energy meters, computerization and load dispatch	90.0	50.0
Non-conventional energy source	80.0	50.0
Environmental upgrading	80.0	50.0
Studies, consultancy and training	100.0	50.0
Infrastructure projects with forward and backward linkage to power projects	80.0	20.0(1)
Renovation and modernization of transmission and distribution	90.0	50.0

(1) In certain cases where we act as a lead institution, and/or based on integrated ratings assigned to the project we may consider additional financing/exposure subject to a maximum limit of 50.0% of the project cost.

We are subject to a number of credit risks; for additional information on our credit risk, see the section titled "***Risk Factors - Volatility in interest rates affects our lending operations and may result in a decline in our net interest income and net interest margin and adversely affect our return on assets and profitability.***" on page 19.

Monitoring of Loans

The success of a business that provides credit and loan products depends on the effective and timely monitoring and supervision of loans granted. The maximum repayment period for various kinds of projects are set forth below:

Projects/ Schemes	Maximum Repayment Period (years)
Hydro generation projects	20
Thermal generation projects	15
Studies, consultancy, training, research and development, survey and investigation, communication and computerization, installation of energy meters for energy audit and billing	5
All other projects and schemes	15

We have developed a comprehensive project monitoring system following the grant of sanctions that monitors and tracks project implementation status and identifies risks where intervention is required to minimize the time and cost overruns and consequent slippages in disbursements. A separate Project Monitoring Unit has been set up to undertake monitoring through quarterly progress monitoring reports and site visits. Status/exception reports are prepared and submitted to our Board on a quarterly basis.

For private sector projects, we typically engage the lender's engineer and lender's financial advisors; these are independent agencies who act on behalf of various lenders/consortium members and provide them with periodic reports and information concerning the physical and financial progress status of specific projects based on periodic site visits, visits to borrowers' headquarters, and inspection and review of any relevant documents. Our Project Monitoring Unit reviews the reports submitted by the lenders' engineers and prepares an exception report which is submitted to our senior management and the Board periodically.

Recovery Mechanism

Our recovery mechanism is characterized by the following features that are intended to ensure timely and efficient recovery from our borrowers: long standing and well established relationship with the borrowers; intensive follow-up; rebate for timely payments; and suspension of further disbursement and sanctions in case of default. The rebate for timely payments is provided to State sector and Central sector borrowers.

In case of default by a borrower, we invoke the security and quasi-security arrangements that have been created in relation to our loans, as detailed under the section titled "***Our Business-Security Risk***" below. We also try to incentivize payments by our borrowers by offering them a rebate for timely payment. In fiscal 2010 and in the nine months ended December 31, 2010, the total rebate we have offered our public sector borrowers was ₹ 1,273.58 million and ₹ 1,159.04 million, respectively.

The following table sets forth certain information relating to amounts overdue (loan installments overdue, together with interest payable thereon) as of the dates indicated as a percentage of our total loan assets as of such dates:

Particulars	**As of March 31,**					**As of December 31, 2010**
	2006	**2007**	**2008**	**2009**	**2010**	
	(₹ million, except percentages)					
Amounts overdue[(1)]	1,964.00	2,521.50	3,147.30	2,746.50	608.7	3,056.70
Total Loan Assets	355,819.18	438,923.85	515,683.05	644,289.94	798,557.56	921,182.57
% of Total Loan Assets	0.6%	0.6%	0.6%	0.4%	0.1%	0.3%

(1) Amounts overdue do not include the amount recoverable on behalf of the GoI and payable to the GoI on outstanding AG&SP loans

Non-Performing Assets

The following table sets forth Information relating to our NPAs relating to our loan assets as of the dates indicated, by sector:

Borrower type	**As of March 31,**										**As of December 31, 2010**	
	2006		**2007**		**2008**		**2009**		**2010**			
	₹ million	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**
Public sector	317.33	34.9	258.77	61.2	42.45	32.2	42.45	32.2	42.45	32.2	42.45	32.2.
Private sector	592.60	65.1	164.32	38.8	89.18	67.8	89.18	67.8	89.18	67.8	89.18	67.8
Total	**909.93**	**100.0**	**423.09**	**100.0**	**131.63**	**100.0**	**131.63**	**100.0**	**131.63**	**100.0**	**131.63**	**100.00**

As of March 31, 2008, 2009 and 2010 and December 31, 2010, we had gross NPAs of ₹ 131.63 million, ₹ 131.63 million, ₹ 131.63 million and ₹ 131.63 million as of March 31, 2008, 2009 and 2010 and December 31, 2010, respectively, which represented 0.03%, 0.02%, 0.02% and 0.01% of our total loan assets, respectively, as of such dates.

Security Risk

We seek to put in place a number of different security and quasi-security arrangements in relation to the loans that we extend. In relation to financial assistance extended to public sector entities and projects, we obtain either/or (i) a priority claim over the surplus revenue from State power utilities over any loan granted by the relevant State government to other entities; (ii) an irrevocable guarantee from the relevant State governments; (iii) security in the form a charge over the relevant project assets; and (iv) a negative lien from some of our borrowers with respect to certain of the projects that we have financed.

For loans to Central and State sector borrowers that do not satisfy certain criteria in terms of credit rating and debt service coverage ratios, we use an escrow arrangement as a credit enhancement mechanism pursuant to an escrow agreement (the "Escrow Agreement"). The Escrow Agreement is typically a tripartite agreement entered into by our Company, the borrower and the bank designated as escrow agent. Under the terms of the Escrow Agreement, the borrower is required to deposit all of its receivables (from certain centres) into the designated escrow account and the borrower is specifically prohibited from opening any other account for the purpose of collection of revenues without our written consent. In the event of a default in payment by the borrower, upon a demand by us, the escrow agent is authorized to pay the amount owed to us from the monies deposited in the escrow account. In addition, the escrow agent is required to submit monthly bank statements of the escrow account to us. As of December 31, 2010, 83.7% of our outstanding loans to state sector power utilities involve such an escrow mechanism.

In the case of private sector power projects, security is normally obtained through either/or (i) a first priority *pari passu* charge on assets; and (ii) through a trust and retention arrangement in relation to all of the cash flows of the project pursuant to a Trust and Retention Account Agreement ("TRA Agreement"). The TRA Agreement is entered into amongst us, the borrower and a bank designated as the account bank. Under the terms of the TRA Agreement, the cash flows of the project are controlled by the account bank which must deal with these strictly in accordance with the terms of the TRA Agreement. The TRA Agreement specifies the conditions that must be satisfied, on a periodic basis, before funds from the trust account can be used to meet the relevant expense and the manner in which such payments will be made, including payments by way of debt service to us throughout the life of our loan. The account bank should not permit any withdrawal of funds in excess of the approved limits without prior approval of the Company. The TRA Agreement continues to operate until all of the obligations have been indefeasibly and irrevocably paid by the borrower. The trust and retention account is a no lien account. The TRA Agreement also specifies the payment waterfall that would apply upon the occurrence of an event of default or a potential event of default in relation to our loan and which gives priority to the secured lenders.

Eligibility of private sector borrowers is assessed on the basis of various factors such as past performance of the promoters, their experience, capacity to bring in equity and project soundness. In certain cases, collateral securities such as pledges of equity shares held by the promoters and personal or corporate guarantees are also required.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect our financial condition. The primary interest rate-related risks we face are from timing difference in the maturity of our fixed rate assets and liabilities, e.g., if in an increasing interest rate environment, our fixed rate liabilities mature prior to our fixed rate assets and therefore require us to incur additional liabilities at a higher interest rate, and re-pricing risk, e.g., where there is an adverse mismatch between the re-pricing terms of our loan assets and our loan liabilities.

Interest rates are dynamic and dependent on various internal and external factors including cost of borrowing, liquidity in the market, competitors' rates, movement of benchmarks such as AAA bond / GSEC yields and RBI policy changes. The interest rate risk is managed by analysis of interest rate sensitivity gap statements, evaluation of earning at risk on change of interest and creation of assets and liabilities with a mix of fixed and floating interest rates.

We review our lending rates periodically based on prevailing market conditions, borrowing cost, yield, spread, competitors' rates, sanctions and disbursements. Our incremental Rupee lending interest rates are normally made with either three year or ten year interest reset clause. In order to manage pre-payments risk, our current policy is to require a pre-payment premium to be paid by the borrower in case of pre-payment. The interest rate reset dates typically occur at the option of the borrower at three or ten year intervals.

We have historically, and will in the future, implement interest rate risk management through the contractual terms of our loans, including pricing terms, maturities and pre-payment and re-pricing provisions. In addition, all loan sanction documents specifically entitle us to vary the interest rate on the undisbursed portion of any loan.

For further details of our interest rate hedging arrangements, see section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations- Foreign Exchange and Hedging Transactions***" on page 318.

For additional information on our interest rate risk, see "***Risk Factors - Volatility in interest rates affects our lending operations and may result in a decline in our net interest income and net interest margin and adversely affect our return on assets and profitability***" on page 19.

Liquidity Risk

Liquidity risk is the risk of our potential inability to meet our liabilities as they become due. We face liquidity risks, which could require us to raise funds or liquidate assets on unfavorable terms. We manage our liquidity risk through a mix of strategies, including through forward-looking resource mobilization based on projected disbursements and maturing obligations.

We have established an effective asset liability management system and formed an Asset Liability Management Committee ("ALCO"). The ALCO monitors risks related to liquidity and interest rates and also monitors the implementation of decisions taken in the ALCO meetings. Liquidity risk is monitored through liquidity gap analysis. The asset liability management framework includes periodic analysis of the long-term liquidity profile of asset receipts and debt service obligations. Such analysis is made every month in yearly tranches for the next ten years, and is used for critical decisions regarding the time, volume and maturity profile of the borrowings, creation of new assets and mix of assets and liabilities in terms of time period (short, medium and long-term).

In order to ensure that we have sufficient funds to meet our commitments, our Operational Policy Statement requires us to maintain satisfactory levels of liquidity to ensure availability of funds at any time covering up to three months' liquidity requirements. Currently surplus funds are invested by way of short-term deposits with banks and mutual funds. We have an active policy of managing the maturities of our assets and liabilities. The following table represents the maturity profile of our assets and liabilities as at December 31, 2010:

The following table represents the maturity profile of certain items of assets and liabilities as at December 31, 2010:

Particulars	Fiscal					Beyond fiscal 2015	Total
	2011	2012	2013	2014	2015		
	(₹ million)						
Rupee Loan assets	27,515.52	81,471.77	76,323.77	81,465.52	79,758.28	5,70,451.92	9,16,986.78
Foreign Currency Loan assets	262.58	821.87	554.85	552.27	549.27	1,454.95	4,195.79
Investments	0.00	0.00	0.00	0.00	0.30	412.94	413.24
Rupee Bonds	9,211.00	54,340.80	97,539.00	26,079.00	27,097.00	3,40,271.74	5,54,538.54
Rupee Long term Loan Liabilities	5,000.00	35,135.00	0.00	56,395.00	4,500.00	61,050.00	1,62,080.00
Rupee Short term Loan Liabilities	9,712.30	0.00	0.00	0.00	0.00	0.00	9,712.30
Foreign Currency Loan Liabilities	2.45	783.06	1,966.42	179.92	17,547.51	17,654.85	38,134.20

Foreign Currency Risk

Foreign currency exchange risk involves exchange rate movements among currencies that may adversely impact the value of foreign currency-denominated assets, liabilities and off-balance sheet arrangements. We have foreign currency borrowings that could expose us to foreign currency exchange rate risk and we expect to increase our foreign currency-denominated borrowings in the future.

We have developed a Currency Risk Management Policy to manage risks associated with foreign currency borrowing. We manage foreign currency risk by lending in foreign currency and through derivative products (such as currency forwards, options, principal swaps, interest rate swaps and forward rate agreements) offered by banks, who are authorized dealers. Our Currency Risk Management Policy lays down the appropriate systems and controls to identify, measure, monitor, report and manage the currency risks, including interest rate risk. Some of the important features of the Currency Risk Management Policy include benchmarks, hedging ratios, open position limits, exposure limits as regards empanelled banks. In addition, forex exposures are evaluated on a loan-to-loan basis, and the exposure is managed in accordance with the various parameters defined in the Currency Risk Management Policy. Every quarter, the details of foreign currency exposure, open position and hedging are submitted to the Risk Management Committee, the Audit Committee and the Board.

We mitigate exchange and interest rate risks in foreign currency liabilities by lending in foreign currency and entering into hedging transactions such as currency forwards, principal only swaps, options, forward rate agreements and interest rate swaps. As at December 31, 2010, we had foreign currency borrowings outstanding of U.S.$541.68 million, JPY 21,477.05 million and €26.66 million (aggregate equivalent to ₹ 38,134.20 million, or 5.0% of our total borrowings as of such date). As of December 31, 2010, we had lent in foreign currency to cover approximately 11.0% of our foreign currency principal exposure. As of December 31, 2010, U.S.$160.00 million has been hedged through interest rate swaps. Foreign currency liabilities not hedged by a derivative instrument or otherwise as of December 31, 2010 was U.S.$452.05 million, € 26.66 million and JPY 21,231.04 million. In addition, we have recently borrowed U.S.$260.00 million equivalent in JPY in February 2011 through ECBs and have obtained a waiver from the RBI from its requirement to hedge our foreign currency exposure for these ECBs.

For additional information on our foreign currency risk, see section titled "***Risk Factor - Volatility in foreign exchange and un-hedged foreign currency could adversely affect our financial conditions and results of operations and trading prices of our Equity Shares.***" on page 33.

Operational Risk

Operational risks are risks arising from inadequate or failed internal processes, people and systems or from external events. We have established systems and procedures to reduce operational risk as outlined below:

Operational controls in project finance activities. Our Operational Policy Statement, operational guidelines and manuals provide a detailed description of the systems and procedures to be followed in the course of appraisal, approval, disbursement and recovery of a loan. Various checks and control measures have been built-in for timely review of the operating activities and monitoring of any gaps in the same. A significant proportion of the activities are subject to regular monitoring and auditing, including loan sanctions, disbursements and recovery. In addition to this, many important activities are monitored on a periodic basis.

Operational controls in treasury activities. Our Operational Policy Statement and manual for deployment of surplus funds provide a description of operations to be followed, with suitable exposure and counterparty limits. Compliance with our guidelines is monitored through internal control and a well-developed audit system including external and internal audits.

Legal risk. Legal risk arises from the uncertainty of the enforceability of contracts relating to the obligations of our borrowers. This could be on account of delay in the process of enforcement or difficulty in the applicability of the contractual obligations. We seek to minimize the legal risk through legal documentation that is drafted to protect our interests to the maximum extent possible.

Project and Entity Appraisal Process

Our lending policies are set out in our Operational Policy Statement. We use a wide range of quantitative as well as qualitative parameters as a part of the appraisal process to make a sound assessment of the extent of underlying credit risk in a project. We evaluate the credit quality of the borrowers by assigning risk weightings (scores) on the basis of the various financial and non-financial parameters. Our lending policies evaluate borrowers' eligibility criteria with an emphasis on financial and operational strength, capability and competence.

Project Appraisal

We follow a separate project appraisal process for private and state/central sector entities, which primarily involves technical and financial feasibility of the project.

Private sector projects. The appraisal process for the private sector involves two-stages. Initially a preliminary appraisal is carried out to decide the level of preparedness of the project a detailed appraisal is carried out. In the second stage a detailed appraisal is carried out for shortlisted projects on the basis of the findings of the preliminary appraisal.

Public sector projects. A detailed appraisal is directly carried out for state/central sector projects and the project is analyzed on various parameters, such as whether it is techno economically sound, compatible with integrated power development and expansion plans of the state, has the requisite clearances in place and is compliant with environmental standards and guidelines.

Detailed project appraisal involves technical and financial appraisal covering the following:

- Project purpose, scope and location;
- Need and justification supported by relevant studies;
- Review of the technology;
- Forward and backward linkages (including fuel supply and transportation, water availability, power evacuation and sale of power) and their status;
- Review of the contractual arrangements for implementation of the project such as the EPC contract, power purchase agreement, fuel supply agreements, fuel transportation agreement and bulk power transmission agreement;
- Present status of the project in terms of both physical and financial preparedness;

- Regulatory compliance, statutory and non statutory clearances;
- Power evacuation arrangements;
- Arrangement for operation and maintenance ("O&M") of the plant;
- Implementation plan;
- Reasonability of cost, financing plan and phasing of expenditure;
- Anticipated tangible and intangible benefits;
- Identification of various risks and their mitigation; and
- Financial modelling/ projections, determination of project viability and sensitivity analysis.

After a detailed analysis, various conditions in the form of a pre-commitment, pre-disbursement and other conditions are stipulated to ensure tie-up of funds (debt and equity), all physical inputs and contracts are in place, compliance of conditions precedent in the agreements/contracts/statutory and non-statutory clearances related to the project.

As part of project appraisal, we evaluate the project and assign scores based on a range of quantitative and qualitative parameters. Quantitative parameters include first full-year cost of generation, levelized tariff and average DSCR. Qualitative parameters include power off-take structure and payment security mechanism; long-term fuel supply and transportation agreements and their commercial terms; construction contracts, methodology of award and the commercial terms and experience of the O&M contractor. For Central/State sector projects, security is generally in the form of government guarantees, or a first charge on the existing and/or future assets and/or an escrow account mechanism. Private sector projects are generally secured either by a charge on assets, assignment of project contracts, first charge on all letters of credit, TRA, DSRA, other reserves and the other bank accounts that are maintained by the project, and collaterals in the form of a pledge of shares, DSRA or corporate or personal guarantees from the promoters.

Following the sanction of a loan to a public sector project, we would typically undertake activities such as completion of the necessary documentation for the sanction, disbursements and project review and monitoring, which involves progress reports and site visits. All activities following the issue of a sanction letter for a private sector project where we are the lead arranger, are carried out by the Consortium Lending Group and include appointing the lender's legal counsel, engineer and financial advisor, completing the necessary documentation for the sanction, disbursements (through the TRA mechanism) and project review and monitoring, which involves progress reports, lender's engineer's report and site visits.

Entity Appraisal

We follow a systematic entity appraisal process developed separately for private and public sector entities.

Public sector appraisal. We provide financial assistance to public sector borrowers based on entity appraisal and project appraisal. As part of entity appraisal, we evaluate the entity with reference to a set of qualitative and quantitative factors covering financial and operational efficiency, progress made towards implementing the GoI's reform program in the State power sector and development of the regulatory framework. We categorize State power utilities into four categories, from A+ through to C, based on pre-determined parameters including operational and financial performance of the utilities. These categories enable us to determine credit exposure limits and the pricing of loans to be given to the SPUs. All new successor SPUs formed as a result of unbundling of SEBs are assigned the category of the erstwhile entity for up to 30 months from commencement of commercial operations of the successor entity. We usually enter into loan transfer agreements with such SPUs for the transfer of loans granted to the erstwhile SEBs. For loans that were originally guaranteed by the relevant State Government, such State Governments continue as guarantors. SPUs that are incorporated to develop new projects are categorized based on the strength of their respective promoters. The categorization methodology enables us to identify the relative strength and weakness of each entity. These categories are used to determine credit exposure limits, security requirements and pricing of loans given to the SPUs.

Private sector appraisal. We use a range of quantitative as well as qualitative parameters in our entity appraisal process to assess the promoters of the borrower regarding their capability to contribute equity towards the project and their overall creditworthiness. The evaluation methodology involves business and financial flexibility analysis of the promoters. Based on the analysis the promoters are graded depending upon their performance against pre-determined benchmarks. Promoters who are not gradable through this methodology are assigned notional scores in accordance with certain pre-determined criteria. These scores determine the overall grading of the promoters referred to as entity rating in our appraisal process. Such entity rating enables us to identify the requirement of upfront equity to mitigate equity infusion related risk. The entity rating is combined with a project rating to arrive at an integrated rating which is used to determine pricing of the loan, the amount of the loan to be extended and the requirement of collateral securities and other covenants. We carry out quarterly monitoring and review of certain SPUs and issue a quarterly performance report, focusing on key operational and financial performance parameters, reform status, and areas of concern and improvement. We believe these reports enable such utilities and stakeholders to take mid-term corrective measures for improvement of performance.

Business Diversification Initiatives

We expect to continue to play a key role in promoting coordinated and accelerated growth of the power sector in India, and intend to strategically expand our business and service offerings.

Renewable energy and CDM initiatives

We believe that the renewable energy space in India provides significant untapped potential. According to the MNRE, as of December 31, 2010, India had an aggregate installed capacity of 18,654.52 MW of renewable energy projects out of an estimated potential of 84,776 MW (Source: Ministry of New and Renewable Energy, Report, December 2010). The GoI has also launched the JNNSM, with a target of 20,000 MW grid connected solar power by fiscal 2022.

We have strategically increased our focus on renewable energy projects, including solar, wind, biomass and small hydro projects, to capitalize on the GoI's various renewable energy initiatives. These initiatives include certain minimum specified percentage of State distribution utilities' total power requirements required to be met from renewable energy sources and special tariffs for renewable energy projects.

We have formed a distinct "Renewable Energy and Clean Development Mechanism" group to focus on financing opportunities in renewable energy projects and promote renewable energy initiatives.

We continue to provide financing for public and private sector renewable energy generation projects. Until December 31, 2010, our total loan assets outstanding with regard to renewable energy projects aggregated ₹ 11,077.60 million was outstanding as on December 31, 2010. As of December 31, 2010, 1.2% of our total loan assets and 1.0% of our total loans sanctioned pending disbursement (net of any sanctions cancelled) related to renewable energy projects.

In addition, we have been nominated by the MoP to act as a nodal agency to assist State power utilities in anticipation of the introduction of CDM projects for the renovation and modernization of old thermal and hydro projects. The ADB has sanctioned (through us) a grant of US$1.00 million under the technical assistance program to achieve the above objective.

We have also jointly promoted Energy Efficiency Services Limited ("EESL") with other government companies focused on the Indian power sector to develop energy efficiency products and services and provide consultancy services related to CDM, carbon markets and energy efficiency initiatives.

Forward and backward linkages

We have strategically expanded our focus areas to include projects that represent forward and backward linkages to the core power sector projects, including capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development, as well as power trading initiatives. The Facilitation Group has been set up to focus on financing opportunities for capital equipment manufacturers and the development fuel sources and related infrastructure.

Capital equipment manufacturers. We believe that the significant capacity addition in the Indian power sector requires augmentation of equipment manufacturing capacities for capital equipment for all segments of the power sector: generation, transmission and distribution. We continue to provide financial assistance for manufacturers of equipment used in the power sector, including transmission and distribution equipment and solar and wind energy generation equipment.

Fuel sources and related infrastructure development. The GoI has introduced various reforms for the development of fuel sources for thermal power generation projects, including allocation of coal blocks to public and private sector entities as well as the development of related infrastructure facilities for the transportation of coal and other fuel sources such as natural gas. We intend to provide financing assistance to fuel supply projects and related infrastructure development projects such as electrification infrastructure as well as development of rail and port infrastructure integral to the development of the power sector in India.

Power trading. We continue to strategically focus on power trading initiatives in India. In this connection we have made a strategic investment in PEIL, which is promoted by the NSE and the NCDEX, and operates a national power exchange in India. We have also entered into a joint venture agreement with NTPC, NHPC and TCS to establish NPEL, which will operate a nationwide electronic power exchange. We intend to fund non-speculative purchases of power through such exchanges by some of our borrowers.

Debt Syndication

We intend to increase our focus on debt syndication activities in the power sector. We have acted as the lead financial institution for several projects, and have carried out syndication activities for various projects including with members of the Power Lenders Club, a group of 21 banks and financial institutions that work together to provide financing for large projects in the power sector. We continue to target debt syndication opportunities as we believe that our technical expertise and industry experience, our project appraisal capabilities and our relationship with commercial banks and other financial institutions enable us to ensure timely financial closure for such projects. We have set up the Consortium Lending Group in August 2005 to focus on private sector borrowers and debt syndication activities.

Equity Investments

As part of our growth strategy, and subject to receipt of relevant approvals, we are in the process of evaluating potential equity investment opportunities in power sector projects. We aim to leverage our power sector experience and relationships, existing client base, our financial strength and lending capability to invest in power sector projects. In addition, we may consider equity syndication opportunities for power sector projects, which we expect will also increase our fee-based income. We have recently established an Equity Investment Group to facilitate and develop this relatively new business area. We are also in the process of appointing a consultant to assist in working out a suitable policy framework for equity investment, which is currently subject to clearance by the MoP. As of the date of this Draft Red Herring Prospectus, we have not made any direct equity investments in any power projects.

Acquisition Advisory Services

We believe that institutional and regulatory reforms in the Indian power sector and increased investor interest will lead to consolidation in the power sector in order to ensure synergies and economies of scale. In addition, we believe that the increasing supply-demand gap in the power sector has driven the procurement of power from the private sector through competitive bidding. Further, high demand for efficiency and economies in generation are expected to lower the cost of tariff. Open access and power trading are likely to increase competition in the sector in the future.

We have therefore set up an Acquisition Advisory Services unit to focus on acquisition advisory services for power sector projects, including the identification of target projects and potential acquirers for acquisitions and consolidation opportunities, and also provide techno-commercial appraisal of target projects.

Other Initiatives

Nuclear power initiatives. We have also signed an MoU with Nuclear Power Corporation of India Limited in October 2010 to explore the possibility of facilitating capacity addition in the nuclear power generation sector during the 12th Plan and beyond.

Commercial banking operations. We are currently in the preliminary stages of evaluating the possibility of establishing or acquiring a bank and are in the process of appointing a consultant in connection with such initiative.

Joint Ventures and Associates

PTC India Limited

We have jointly promoted Power Trading Corporation of India ("PTC") with PGCIL, NTPC and NHPC, pursuant to a shareholders agreement dated April 8, 1999, as amended by an agreement dated November 29, 2002. We have invested ₹ 120.00 million in PTC, and currently hold a 4.07% equity interest in PTC. PTC provides power trading solutions in India in addition to power trading.

National Power Exchange Limited

We entered into a joint venture agreement with NTPC, NHPC and TCS on September 3, 2008, to establish a national level electronic power exchange. NPEL was incorporated as a public limited company on December 11, 2008. We currently hold a 16.66% equity interest in NPEL. NPEL has not yet commenced operations.

Power Exchange India Limited

We have made a strategic investment in PEIL, which is promoted by the NSE and the National Commodity and Derivatives Exchange Limited ("NCDEX"). We entered into a share subscription and shareholders agreement with NSE and NCDEX on February 24, 2009.PEIL commenced operations in October 2008 and operates a national power exchange. Our investment in PEIL was ₹ 17.5 million as of December 31, 2010. We currently hold a 4.4% equity interest in PEIL.

Small is Beautiful Fund

The Small is Beautiful fund is a SEBI-registered venture capital fund managed by KSK Investment Advisor Private Limited, a private sector power developer. The Small is Beautiful fund takes up equity exposure in power generation projects. As of December 31, 2010, our outstanding investment in this fund was ₹ 98.28 million.

Power Equity Capital Advisors Private Limited

Power Equity Capital Advisors Private Limited ("PECAP") was incorporated on Mach 25, 2008 as an advisory company to provide advisory services related to equity investments in the Indian power sector. We are currently the largest shareholder in PECAP with a shareholding of 30.0% and the remaining equity interest is held by certain individuals that are established power sector experts. We intend to acquire 100.0% equity share holding of PECAP from its other shareholders.

Energy Efficiency Services Limited

On November 19, 2009 we entered a joint venture agreement with PGCIL, NTPC and REC, to incorporate EESL as one of the principal implementation arms of the National Mission on Enhanced Energy Efficiency, one of the eight National Missions announced by the GoI as part of the national action plan on climate change. On December 10, 2009 EESL was incorporated as a public limited company. EESL intends to focus on energy efficiency and climate change initiatives. We currently hold 25.0% equity interest in EESL. For further information, see section titled "***History and Certain Corporate Matters***" on page 134.

Corporate Governance

We believe in the adoption of corporate governance standards that are credible, consistent, coherent and inspiring. Our philosophy of corporate governance encompasses the characteristics of adequate disclosures, focused approach, absolute compliance with the laws, a professional board and ultimately the target of maximizing the shareholder value, besides catering to the interests of the creditors, employees, the environment and the society at large. We intend to comply with the principles of corporate governance set out in the Equity Listing Agreement with the Stock Exchanges. We have created a code of conduct for our Board and senior management personnel, which is a comprehensive code applicable to all Directors and members of senior management as well as a code for the prevention of insider trading.

Competition

As a leading financial institution in India focused on the power sector, we believe that our experience in implementing government policies and programs, industry expertise and relationships and large client base enables us to be a preferred financing provider for the power sector in India. Our primary competitors include other public sector financial institutions focused on the power sector such as REC; infrastructure finance companies such as IDFC, IIFCL, IL&FS and IFCI that provide both fund and fee-based services\; public sector banks and private banks (including foreign banks); multilateral development institutions; insurance companies that either lend to the power sector directly or work in conjunction with other financial services firms to lend to the infrastructure sector; as well as private equity firms that focus on private equity, buyouts and mezzanine financing for the power sector. For further information, see sections titled "***Industry Overview***" on page 83 and "***Risks Factor - The power sector financing industry is becoming increasingly competitive and our growth will depend on our ability to compete effectively and maintain a low effective cost of funds***" on page 25.

Regulations

For details see section titled "***Regulations and Policies***" on page 124.

Employees

We have an experienced, qualified and committed management and employee base. As of December 31, 2010, we had 344 employees, including 231 were executives. In addition, we employ contract labourers from time to time. Many of our employees, particularly senior management, have worked with our Company for significantly long periods. We believe we have an efficient and lean organizational structure relative to the size of our operations and profitability. Our Company has a registered trade union under the Trade Unions Act, 1926.

We were awarded Dalal Street's "First DSIJ Award 2009" in the "Highest Profit Per Employee" category. We have also been awarded the Global HR Excellence Award 2010 for "Learning and Human Capital Development" by the Asia Pacific HRM Congress. We were also awarded the Global HR Excellence Award 2011 in "Institutional Building" at the World HR Conference. We believe we have relatively low employee turnover.

Training and Employee Development

We emphasize the need to continuously upgrade the competencies of our employees and equip them with latest developments in the sector and industry practices. We operate within a knowledge intensive environment and are committed to enhancing the professional skills and knowledge of our employees. We have in place a systematic training plan where training needs are assessed and professional skills are imparted at all levels of employment through customized training initiatives. Our employees have in depth exposure to the various fields of the power sector including critical areas such as project appraisal, project financing, international finance and domestic resource mobilization.

In our role as a development financial institution, we have also been supporting SPUs through a variety of capacity building measures. One such initiative is in the area of need-based training and capacity development of the SPU employees to build up their institutional and managerial capacities in keeping with the increased commercial orientation of these entities.

Corporate Social Responsibility

We have established and participated in several initiatives aimed at contributing to society at large, including construction of houses for flood affected people, construction of schools, and providing renewable energy sources to areas where conventional electricity sources are not available. Our CSR initiatives are aimed at integrating our business values and operations with our social responsibilities. In fiscal 2010 and in the nine months ended December 31, 2010, we incurred ₹ 10.75 million and ₹ 87.84 million, respectively, on our CSR initiatives.

Certifications

We were awarded the ISO 9001:2008 certification with effect from January 7, 2010, valid until January 6, 2013, with respect to our operations.

Insurance

We maintain insurance for our physical assets, such as our office and residential properties against standard fire and special perils (including earthquake), amounting to ₹ 1,080.00 million. However, the amount of our insurance coverage may be less than the replacement cost of such property and may not be sufficient to cover all financial losses that we may suffer should a risk materialize. See "*Risk Factors - Our insurance may not be adequate to protect us against all potential losses to which we may be subject*". In addition, we maintain policies for providing adequate coverage to our employees in case of accident and death as well as directors and officers insurance for our key personnel.

Information Technology

All major business processes such as project appraisal, financial and loan accounting management, pay-roll and HR have been computerized with on-line transactional applications with a centralized data base. Network security systems to secure IT infrastructure/ data have been in place using firewalls, intrusion detection and prevention system, anti-virus and content filtering systems. We are in the process of implementing an ERP system primarily for financial accounting and risk management to manage our operations.

Properties

Our registered office is located at 'Urjanidhi', 1, Barakhamba Lane, Connaught Place, New Delhi. We had entered into a memorandum of agreement dated February 5, 2002 with the President of India in relation to our registered office premises, pursuant to which we were required to execute a perpetual lease upon completion of construction of the building where our registered office is situated. We are currently awaiting execution of the same, as a result of which we presently do not have leasehold rights over the land which the registered office is situated. For details, see section titled "***Risk Factor - We are in the process of executing a perpetual lease deed for our registered office premises and consequently do not have leasehold rights to the premises at present***" on page 34. In addition to the above, we also have two regional offices in Mumbai and Chennai. Our Mumbai office has been taken on a lease and license basis by an agreement dated January 11, 2011 for a limited period of 11 months commencing from January 6, 2011. Our Chennai office is rented, under a leasedated February 16, 2011 for a period of three years. In addition to the above mentioned leasehold office properties we also own two residential properties in New Delhi.

REGULATIONS AND POLICIES

*Our Company is a systemically important, non-deposit taking, NBFC. Our Company is notified as a PFI under Section 4A of the Companies Act. We have also been classified as an IFC by the RBI in July 2010. The business activities of NBFCs, IFCs and public financial institutions are regulated by various RBI regulations and certain provisions of the RBI Act. The following is an overview of the important laws, regulations and policies that are relevant to our business. The description of laws, regulations and policies set out below are not exhaustive, and are only intended to provide general information to Bidders and is neither designed, nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. For details of government approvals obtained by us, see section titled "**Government and Other Approvals**" on page 366.*

I. Regulations pertaining to NBFCs

The Reserve Bank of India Act, 1934 ("RBI Act")

The RBI is entrusted with the responsibility of regulating and supervising activities of NBFCs by the power vested in it under Chapter IIIB of the RBI Act. The RBI Act defines an NBFC under Section 45-I (f) as:

"*(i) a financial institution which is a company;*
(ii) a non-banking institution which is a company and which has, as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;
(iii) such other non-banking institution or class of such institutions, as the Bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify."

Section 45-I(c) of the RBI Act defines a "financial institution" as a non-banking institution carrying on as its business or part of its business, amongst other activities, the financing, whether by making loans or advances or otherwise, of any activity, other than its own. Also, section 45-I(e) of the RBI Act defines a non-banking institution as a company, corporation or cooperative society.

With effect from January 9, 1997, NBFCs are not permitted to commence or carry on the business of a non-banking financial institution without obtaining a Certificate of Registration ("**CoR**") from the RBI. The RBI, pursuant to a press release dated April 8, 1999, has clarified that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern evidenced from the last audited balance sheet of the company to decide its principal business. A company is categorized as an NBFC if its financial assets are more than 50% of its total assets (netted off by intangible assets), and income from its financial assets is more than 50% of the gross income. Both these tests are required to be satisfied to classify the principal business of a company as that of an NBFC.

Additionally, all NBFCs are required to submit to the RBI a certificate from their statutory auditors every year to the effect that they continue to engage in the business of a non-banking financial institution thereby requiring them to hold a CoR. In case an NBFC does not accept or hold deposits from the public ("**NBFC-ND**"), it is required to obtain a CoR without authorization to accept public deposits.

Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998

The RBI, by its notification dated January 31, 1998 notified the NBFC Prudential Norms (Reserve Bank), Directions, 1998 ("**NBFC Prudential Norms**"). Further, the RBI by its notification dated January 13, 2000 exempted government companies, conforming to Section 617 of the Companies Act, from the applicability of certain provisions of the RBI Act relating to maintenance of liquid assets, creation of reserve funds and directions relating to acceptance of public deposits and the NBFC Prudential Norms.

Pursuant to the circular dated December 12, 2006, ("**NBFC 2006**"), the RBI classified all non-deposit taking NBFCs with an asset size of ₹ 1,000 million or more including our Company as non-deposit taking systemically important NBFCs ("**NBFC-ND-SI**") and proposed to bring all deposit taking and systemically important government owned NBFCs under the provisions of the NBFC Prudential Norms. Accordingly such government owned NBFCs were required to prepare a roadmap for compliance with various elements of the regulatory framework governing NBFCs, in consultation with the GoI, and submit the same to the RBI, by March 31, 2007.

Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ("Non-Deposit Accepting or Holding Prudential Norms 2007")

The RBI by notification dated February 22, 2007 notified the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ("**Non-Deposit Accepting or Holding Prudential Norms 2007**"), which contain detailed directions on prudential norms for a NBFC-ND. Para 1(3)(iv) of the **Non-Deposit Accepting or Holding Prudential Norms 2007**, exempts government companies, conforming to Section 617 of the Companies Act and not accepting/ holding public deposit from applicability of Non-Deposit Accepting or Holding Prudential Norms 2007, except to such extent as specified therein.

In March 2007, our Company initiated discussion with the MoP that our Company should be exempted from the applicability of NBFC Prudential Norms. This was taken up by the MoP with the RBI through a series of communication commencing from April 2007, wherein MoP requested the RBI to keep our Company outside the purview of the NBFC Prudential Norms.

In December 2007, the RBI directed our Company to submit a road map for compliance with the NBFC prudential norms. The MoP, through its letter dated June 24, 2008, forwarded the roadmap prepared by our Company in relation to compliance with NBFC 2006 to the RBI wherein our Company agreed to follow exposure norms for private sector utilities with immediate effect.

Thereafter, the RBI by its letter dated July 31, 2009, directed our Company to comply with the RBI prescribed prudential norms on exposure norms in respect of all new transactions entered into by our Company. Subsequently through various letters to RBI and MoP, our Company requested for extension of exemption from exposure norms in respect of government sector utilities. Thereafter, upon receipt of recommendations from MoP and MoF, the RBI pursuant to its letter dated March 18, 2010 ("**Exemption Letter**"), granted extension of the exemption to our Company from the applicability of the prescribed prudential exposure norms in respect of lending to Central and State government entities in the power sector until March 31, 2012. Under the Exemption Letter, our Company was required to submit a roadmap to RBI for achieving adherence to the prudential regulations prescribed by RBI, including further capitalisation. Further, the RBI advised that State Government guaranteed loans of our Company, which have not remained in default may be assigned a risk weight of 20%. However, if the loans guaranteed by the State Governments have remained in default for a period of more than 90 days, a risk weight of 100% should be assigned.

II. Classification of Infrastructure Finance Companies

Pursuant to the RBI circular dated February 12, 2010, a fourth category of NBFC known as IFC was introduced. Prior to the inclusion of IFCs, three categories of NBFCs existed, namely, asset finance companies, loan companies and investment companies. An IFC is defined as an NBFC-ND that fulfils the following criteria:

(i) a minimum of 75 per cent of its total assets should be deployed in infrastructure loans, as defined in Para 2(viii) of the Non-Deposit Accepting or Holding Prudential Norms 2007;

(ii) net owned funds of ₹ 3,000 million or above;

(iii) minimum credit rating 'A' or equivalent of CRISIL, FITCH, CARE, ICRA, or equivalent rating by any other accrediting rating agencies; and

(iv) CRAR of 15% (with a minimum tier I capital of 10%)

IFCs may exceed the concentration of credit norms applicable to NBFC-ND- SI under Para 18 of the Non-Deposit Accepting or Holding Prudential Norms, 2007, as under:

(i) in lending to

(a) any single borrower by 10% of its owned fund i.e., total of 25% of its owned fund; and
(b) any single group of borrowers by 15% of its owned fund i.e., total of 40% of its owned fund;

(ii) in lending and investing in (loans/investments taken together) by

(a) 5% of its owned fund to a single party i.e., total of 30% of its owned funds; and
(b) 10% of its owned fund to a single group of parties i.e., total of 50% of its owned funds.

IFCs are eligible to avail, under the automatic route (without prior approval of RBI), ECBs up to US$ 500 million each fiscal year subject to maximum of 50% of their owned funds, from recognised lenders under the automatic route. For further details of the applicable ECB provisions, see section titled "***Regulations and Policies - Regulations applicable to External Commercial Borrowings***" on page 126.

Laws relating to issuance of infrastructure bonds

The GoI has, pursuant to notification dated July 9, 2010 ("**Notification**") issued by it, specified certain bonds as "long-term infrastructure bonds" ("**Infrastructure Bonds**") for the purposes of Section 80CCF of the IT Act. As per the Notification, the Infrastructure Bonds can be issued by the following: (i) Industrial Finance Corporation of India; (ii) Life Insurance Corporation of India; (iii) Infrastructure Development Finance Company Limited; and (iv) an NBFC classified as an IFC by the RBI, during the financial year 2010-11. The volume of issuance during the financial year shall be restricted to 25% of the incremental infrastructure investments made by the issuer during the financial year 2009-10 and 'investment' for the purposes of the aforesaid limit shall include loans, bonds, other forms of debt, quasi-equity, preference equity and equity. The Infrastructure Bonds shall have a tenure of a minimum period of 10 years with a minimum lock-in period of 5 years, after which investors may exit either through the secondary market or through a buyback facility specified by the issuer in the issue document at the time of issue. The Infrastructure Bond shall also be allowed to be pledge or lien or hypothecation for obtaining loans from scheduled commercial banks, after the lock-in period.

The yield of the Infrastructure Bond shall not exceed the yield on government securities of corresponding residual maturity, as reported by the fixed income money market and derivatives association of India as on the last working day of the month immediately preceding the month of the issue of the Infrastructure Bonds. The proceeds of the Infrastructure Bonds shall be utilised towards 'infrastructure lending' as defined in the guidelines issued by the RBI.

III. Regulations applicable to Foreign Investment

FEMA and FDI Regulations

Foreign investment in India is governed primarily by the provisions of the FEMA and the rules, regulations and notifications thereunder, read with the presently applicable Consolidated FDI Policy (effective from October 1, 2010) as issued by the Department of Industrial Policy and Promotion, ("**DIPP**") from time to time.

The RBI, in exercise of its powers under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended ("**FEMA Regulations**") to prohibit, restrict or regulate, transfer by or issue of security to a person resident outside India.

For further information on the restrictions on foreign ownership of Indian securities, see section titled "***Restriction on Foreign Ownership of Indian Securities***" on page 413.

IV. Regulations applicable to External Commercial Borrowings

The current policy of the RBI directly relating to External Commercial Borrowing ("**ECB**") is consolidated in the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, as amended from time to time ("**ECB Guidelines**"). The ECB Guidelines state that ECB refers to commercial loans in the form of bank loans, buyers' credit, suppliers' credit and securitized instruments (e.g., floating rate notes and fixed rate bonds) availed from non-resident lenders with a minimum average maturity of 3 years. Funds received by an Indian company from the issue of preference shares, whether non-convertible, optionally convertible or partially convertible, or the issue of debentures that are not mandatorily and compulsorily convertible into equity shares, are considered debt, and, accordingly, all norms applicable to

ECB (including those relating to eligible borrowers, recognised lenders, amount and maturity and end-use stipulations) apply to such issues.

ECB can be accessed under two routes, viz. (i) automatic route, and (ii) approval route. The ECB Guidelines are subject to amendment from time to time.

Pursuant to A.P. (DIR Series) Circular No. 51 dated May 11, 2010 issued by the RBI, NBFCs categorized as IFCs by the RBI have been permitted to avail of external ECB including their outstanding ECBs, up to to maximum of US$ 500 million each fiscal year, not exceeding 50% of their owned funds, under the automatic route subject to such NBFC's compliance with RBI prescribed prudential norms. However, ECBs availed by IFCs above 50% of their owned funds would require the approval of RBI and will, therefore, be considered under the approval route.

Automatic route

Under the automatic route the recognised lenders are as follows, viz., internationally recognized sources such as (i) international banks, (ii) international capital markets, (iii) multilateral financial institutions / regional financial institutions and Government-owned development financial institutions, (iv) export credit agencies, (v) suppliers of equipments, (vi) foreign collaborators and (vii) foreign equity holders (other than erstwhile 'Overseas Corporate Bodies'). A foreign equity holder to be eligible as a recognized lender would require a minimum holding of paid-up equity in the borrower company as follows: (a) for ECB up to USD 5 million - minimum paid-up equity of 25% held directly by the lender, and (b) for ECB more than USD 5 million - minimum paid up equity of 25% held directly by the lender and debt-equity ratio not exceeding 4:1 (i.e., the proposed ECB not exceeding four times the direct foreign equity holding).

Further, the maximum amount of ECB which can be raised by a corporate entity other than those in the hotel, hospital and software sectors is USD 500 million or its equivalent during a financial year and the maturities of such ECBs are as follows: (i) ECB up to USD 20 million or its equivalent in a financial year with minimum average maturity of three years; (ii) ECB above USD 20 million or equivalent and up to USD 500 million or its equivalent with a minimum average maturity of five years.

All-in-cost includes rate of interest, other fees and expenses in foreign currency except commitment fee, pre-payment fee, and fees payable in Indian Rupees. The payment of withholding tax in Indian Rupees is excluded for calculating the all-in-cost ceilings. The all-in-cost ceilings for ECB are reviewed from time to time and at present, the all-in-cost ceilings over six month LIBOR (for the respective currency of borrowing or applicable benchmark) for an average maturity period of 3 years and up to 5 years is 300 basis points and for more than 5 years is 500 basis points.

Issuance of guarantee, standby letter of credit, letter of undertaking or letter of comfort by banks, financial institutions and NBFCs from India, relating to ECB, is not permitted.

The choice of security to be provided to the lender/ supplier is left to the borrower. However, creation of charge over immoveable assets and financial securities, such as shares, in favour of the overseas lender is subject to compliance with certain notifications under FEMA. AD Category - I banks may convey their 'no objection' under FEMA for creation of charge on immovable assets, financial securities and issues of corporate or personal guarantees in favour of overseas lenders / security trustees, to secure the ECB to be raised by the borrower.

Borrowers may enter into loan agreements complying with the ECB Guidelines with a recognised lender for raising ECB under the automatic route. The borrower must obtain a loan registration number from the RBI before drawing down the ECB. Further, prepayment of ECB up to USD 500 million may be allowed by authorized dealer banks without prior approval of the RBI, subject to compliance with the stipulated minimum average maturity period as applicable to the loan.

Approval route

After obtaining prior approval of the RBI, IFCs can avail ECB beyond 50% of their owned funds or beyond US$ 500 million in a fiscal year and subject to compliance with the following conditions: i) compliance with the norms prescribed in the DNBS Circular dated February 12, 2010 ii) hedging of the currency risk in full.

Further, after obtaining prior approval of the RBI, NBFCs can also avail ECB with minimum average maturity of 5 years from multilateral financial institutions, reputable regional financial institutions, official export credit agencies and international banks to finance import of infrastructure equipment for leasing to infrastructure projects.

V. Legislative framework for recovery of debts

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the "Securitisation Act")

The Securitisation Act provides the powers of "seize and desist" to banks and financial institutions including PFIs, and grants certain special rights to them to enforce their security interests. Further, the Securitisation Act provides that a "secured creditor" may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets.

All mortgages and charges on immovable properties in favour of banks and financial institutions are enforceable without the intervention of the courts. The Securitisation Act also provides for the establishment of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions. A bank or financial institution may sell a standard asset only if the borrower has consortium or multiple banking arrangements, at least 75% of such debt by value of the total loans to and 60% of creditors by number of the borrower are classified as non-performing and at least 75% by value of the banks and financial institutions in the consortium or multiple banking arrangements and 60% of creditors by number agree to the sale. The banks or financial institutions selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Furthermore, banks or financial institutions may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks or financial institutions may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. While each bank or financial institution is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for the purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer.

Recovery of Debts Due to Banks and Financial Institutions Act, 1993

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("**Debts Recovery Act**") provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or PFI or to a consortium of banks and PFIs. Under the Debts Recovery Act, the procedures for recoveries of debt have been simplified and time frames been fixed for speedy disposal of cases.

VI. Laws relating to Employment

Labour Laws

Our Company is required to comply with various labour laws, including the Industrial Disputes Act, 1947, Payment of Gratuity Act, 1972, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Minimum Wages Act, 1948 which have been discussed below:

The Employees (Provident Fund and Miscellaneous Provisions) Act, 1952, **as amended** ("**EPF Act**")- applies to factories employing over 20 employees and such other establishments and industrial undertakings as notified by the GoI from time to time. It requires all such establishments to be registered with the State provident fund commissioner, and requires such employers and their employees to contribute in equal proportion to the employees' provident fund the prescribed percentage of basic wages and dearness and other allowances payable to employees. The EPF Act also requires the employer to maintain registers and submit a monthly return to the State provident fund commissioner.

***The Payment of Gratuity Act, 1972,* as amended *("Gratuity Act")*-** establishes a scheme for the payment of gratuity to employees engaged in every factory, mine, oil field, plantation, port and railway company, every shop or establishment in which ten or more persons are employed or were employed on any day of the preceding twelve months and in such other establishments in which ten or more employees are employed or were employed on any day of the preceding twelve months, as notified by the Central Government from time to time. Penalties are prescribed for non-compliance with statutory provisions.

Under the Gratuity Act, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed ₹ 1 million.

***The Minimum Wages Act, 1948, as amended ("Minimum Wages Act")*-** provides for minimum wages in certain employments. The Central and the State Governments stipulate minimum wages, calculated based on the basic requirement of food, clothing and housing required by an average Indian adult.

***The Industrial Disputes Act, 1947,* as amended *("ID Act")*-** provides the procedure for investigation and settlement of industrial disputes. When a dispute exists or is apprehended, the appropriate Government may refer the dispute to a labour court, tribunal or arbitrator, to prevent the occurrence or continuance of the dispute, or a strike or lock-out while a proceeding is pending. The labour courts and tribunals may grant appropriate relief including ordering modification of contracts of employment or reinstatement of workmen. The Industrial Disputes (Amendment) Bill 2010 passed by the Rajya Sabha on August 3, 2010, proposes to, among other things, provide direct access for workmen to labour courts or tribunals in case of individual disputes, expand the scope of qualifications of presiding officers of labour courts or tribunals, constitute grievance settlement machineries in any establishment having 20 or more workmen.

VII. Laws relating to Intellectual Property

In India, trademarks enjoy protection both statutory and under common law. The Trademarks Act, 1999 ("**Trademarks Act**") and the Copyright Act, 1957 amongst others govern the law in relation to intellectual property, including brand names, trade names and service marks and research works. The Trademark Act governs the statutory protection of trademarks in India. The Trademarks Act governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of 10 years, and can be renewed in accordance with the specified procedure.

VIII. Competition Act, 2002 (the "Competition Act")

The Competition Act aims to prevent anti-competitive practices that cause or are likely to cause an appreciable adverse effect on competition in the relevant market in India. The Competition Act regulates anti-competitive agreements, abuse of dominant position and combinations. The Competition Act, although enacted in 2002, is being brought into force in a phased manner. Provisions relating to anti-competitive agreements and abuse of dominant position were brought into force with effect from May 20, 2009 and thereafter the Competition Commission of India ("**Competition Commission**") became operational from May 20, 2009. Further, the GoI has issued certain notifications which are yet to be published in the official gazette pursuant to which Section 5 and Section 6 (dealing with combinations, mergers and acquisitions) will become effective from June 1, 2011.

Under the Competition Act, the Competition Commission has powers to pass directions / impose penalties in cases of anti-competitive agreements, abuse of dominant position and combinations. In the event of failure to comply with the orders or directions of the Competition Commission, without reasonable cause, such person is punishable with a fine extending to ₹ 0.1 million for each day of such non-compliance, subject to a maximum of ₹ 100.0 million. If there is a continuing non-compliance the person may be punishable with imprisonment for a term extending up to three years or with a fine which may extend up to ₹ 250.0 million or with both. In case of offences committed by companies, the persons responsible for the conduct of the business of the company will be liable under the Competition Act, except when the offence was committed without their knowledge and they had exercised due diligence to prevent it. Where the contravention committed by the company took place with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such person is liable to be punished. The Competition Act also provides that the Competition Commission has the jurisdiction to inquire into and pass orders in relation to an anticompetitive agreement, abuse of dominant position or a combination, which even though entered into, arising or taking place outside India or signed between one or more non-Indian parties, but causes an appreciable adverse effect in the relevant market in India. The Lok Sabha has passed a bill to transfer the pending monopolies and restrictive trade practices cases under the Consumer Protection Act, 1986 to the Competition Appellate Tribunal. Once this bill is notified the Competition Appellate Tribunal will take up the pending cases of unfair trade practices under the Consumer Protection Act, 1986. This bill will replace the ordinance which was introduced on October 14, 2009 to make the Monopolies and Restrictive Trade Practice Commission non functional.

IX. Other regulations

In addition to the above, our Company is required to comply with the provisions of the Companies Act, and FEMA and other applicable statutes imposed by the Centre or the State for its day-to-day operations.

X. Other government initiatives applicable to our Company

*Restructured Accelerated Power Development and Reform Programme (“**R-APDRP**”)*

The GoI introduced the Accelerated Power Development Program ("APDP") in fiscal 2001 as part of the reform of the Indian power sector. During the 10th Plan, the GoI subsequently upgraded the APDP program to the Accelerated Power Development Reform Program ("**APDRP**") in fiscal 2003. In July 2008, APDRP was restructured and the MoP launched the Restructured Accelerated Power Development and Reforms Program ("**R-APDRP**")

The R-APDRP is a GoI initiative launched for implementation during the XI five-year plan. The focus of the programme is the actual demonstrable performance in terms of sustained loss reduction, establishment of reliable and automated systems for collection of accurate and reliable baseline data, and adoption of information technology (“**IT**”) in the areas of energy accounting and implementation of regular distribution strengthening project. The programme envisaged objective performance evaluation of utilities in terms of aggregated technical and commercial losses ("**AT&C**") losses.

Our Company was designated as the nodal agency for operationalising and implementing the R-APDRP under the overall guidance of MoP, GoI, pursuant to MoP Order dated August 6, 2008. Our Company acts as a single window service and co-ordinates with the main stakeholders involved such as MoP, GoI, APDRP steering committee, CEA, financial institutions, utilities and various consultants. The funds under R-APDRP are provided to the state power utilities/ distribution companies, through our Company.

The R-APDRP proposes to cover urban areas – towns and cities with a population of more than 30,000 (10,000 in case of special category states comprised of all North East States, Sikkim, Uttarakhand, Himachal Pradesh and Jammu and Kashmir). Additionally, in certain high-load density rural areas, separation of agricultural feeders from domestic and industrial feeders and separation of high voltage distribution system (“**HVDS**”) (11kV) will be conducted.

Projects under R-APDRP will be taken up in two parts, i.e., Part A and Part B. Part A will cover projects for establishment of baseline data and IT applications for energy accounting/ auditing and consumer services which *inter-alia* include geographic information system mapping, metering of distribution transformers and feeders, and automatic data logging for all distribution transformers and feeders and supervisory control and data acquisition, asset mapping of the entire distribution network at and below the 11kV transformers, management information system, redressal of consumer grievance, and establishment of IT enabled consumer service centers etc. Establishment of supervisory control and data acquisition ("**SCADA**") systems is also envisaged under Part-A of the scheme for towns having population greater than 400,000 as per 2001 census and also having annual energy input greater than 350 million units. Further, the base line data and required system shall be verified by third party independent evaluating agencies (“**TPIEA**”) appointed by the MoP. Part B will cover system improvement, regular distribution strengthening projects and augmentation which *inter-alia* includes renovation, modernization and strengthening of 11 kV level substations, transformers/ transformer centers, load bifurcation, feeder separation, load balancing, HVDS (11kV), and aerial bunched conductoring in dense areas.

In order to ascertain the eligibility criteria for assistance under R-APDRP, the States/ utilities are required to sign a quadripartite agreement and commit the following:

(a) Constitute the State Electricity Regulatory Commission;
(b) Commit a time frame for introduction of measures for better accountability at all levels in the project area;
(c) Achieve the below mentioned target of AT&C loss reduction at the entire utility level every year starting one year after the year in which first project of Part A is completed:

  (i) Utilities having AT&C loss above 30% are to reduce AT&C losses by 3% per year; and
  (ii) Utilities having AT&C loss below 30% are to reduce AT&C losses by 1.5% per year.

(d) Devise a suitable incentive scheme for staff linking to achievements of 15% AT&C loss in the project area;
(e) Initially, the utilities need to provide data for three billing cycles to establish baseline data which would then be considered for conversion of loan into grant;
(f) The following are prerequisites to compute initial loss levels and start Part B schemes:

  (i) all input points to be identified and metered with downloadable meters for energy inflow accounting in scheme area;
  (ii) all outgoing feeders to be metered in substation with downloadable meters;
  (iii) scheme area to be ring fenced i.e., export and import meters for energy accounting to be ensured; and
  (iv) arrangement to be for measuring total energy flow in the rural load portion of the project area by ring fencing, if the rural load feeder is not segregated.

(g) Subsequently, the utilities are to submit the previous year's (as of March 31) AT&C loss figures of the identified project area as verified by an independent agency appointed by MoP, and our Company by June 30 annually.

Utilities shall prepare detailed project reports ("**DPRs**") in two parts i.e., Part A and Part B, for each project area and forwarding the DPRs to our Company indicating the order of priority of the projects. Utilities may appoint IT consultants through bidding from an open bidding process from the panel of IT and SCADA/ DMS consultants prepared by our Company for preparing DPRs of Part A projects and for handholding utilities from concept to commissioning of these projects. These DPRs will be validated and appraised techno-commercially by our Company and will then be submitted to the APDRP Steering Committee for approval. Similarly, IT implementing agencies and SCADA implementation agencies/ SCADA implementation agencies shall be empanelled agencies by our Company and MoP after observing codal formalities. Utilities shall appoint IT implementing agencies/ SCADA implementing agencies from the panel through bidding process for turnkey implementation of respective IT/ SCADA projects. Further, the MoP shall appoint third party independent evaluation agencies-energy accounting ("**TPIEA-EA**") through our Company for verifying base figure of AT&C loss of the project area, establishment of base line data system, and annual AT&C loss figures of project areas and state power utilities/ distribution companies. Similarly, our Company / MoP shall appoint TPIEA-IT for verification of implementation of Part A IT and SCADA projects.

The GoI loan is granted and disbursed through our Company in line with its disbursement policy. The funding mechanism is as follows:

Initially, GoI will provide 100% loan for approved projects under Part-A of the scheme including information technology applications on terms decided by the MoF. The loan along with the accrued interest shall be converted into a grant after establishment of the required baseline data system and verification by a TPIEA. The aforesaid system is to be achieved within a period of 3 years from the date of the sanctioning of the project, failing which the concerned utility will have to bear the loan and interest repayment.

Further, GoI will provide 25% for approved projects under Part-B of the scheme (90% for special category states), the balance loan shall be raised from financial institutions namely our Company, Rural Electrification Corporation Limited, multi-lateral institutions and/ or own resources, the terms of which shall be of the financial institutions. Up to 50% (90% for special category states) of the loan provided shall be converted into a grant progressively on achievement of AT&C loss reduction targets. Such conversion shall take place annually based on the AT&C loss figures of the project area as on March 31, verified by the TPIEA.

*Ultra Mega Power Projects ("**UMPPs**")*

The development of UMPPs has been identified as a thrust area by the MoP. The UMPPs have a generation capacity of approximately 4,000 MW each. These projects are proposed to meet the power needs of a number of States / distribution companies and are being developed on a Build, Own, and Operate ("**BOO**") basis. The identification of the project developer for these projects is being done through and international competitive bidding process under "Guidelines for determination of tariff by bidding process for procurement of power by distribution licensees", issued by MoP.

Some of the salient features of an UMPP are as follows:

(i) use of super critical technology with a view to achieve high levels of fuel efficiency resulting in saving of fuel and lower green-house gas emissions;
(ii) flexibility in unit size subject to adoption of specified minimum supercritical parameters; and
(iii) integrated power project with dedicated captive coal blocks for pithead projects;

Our Company has been identified as the nodal agency by the MoP, for implementation of this initiative under which our Company sets up special purpose vehicles ("**SPVs**"), in form of its wholly owned subsidiaries, to act as authorised representatives of the procurers (distribution companies of the power procuring states). Such SPVs undertakes, amongst others, the following key activities:

- Preparation of project report, preparation of rapid environment impact assessment report;
- Undertaking international competitive bidding, document preparation and evaluation;
- Acquisition of land for the project;
- Obtaining coal blocks for pit-head projects;
- Getting clearance regarding allocation of water by the State governments for pithead locations;
- Approval for use of sea water from Maritime Board/ other government agencies for coastal locations;
- Obtain clearance from the State Pollution Control Board, initiate forest clearance etc. as are required for the project and for the coal mines, followed by environment and forest clearances from the Central Government;
- Tie up the off-take/ sale of power;
- Finalise request for qualification ("**RfQ**")/ request for proposals ("**RfP**") documents in consultation with States / bidders; and
- Carry out RfQ/ RfP process and award of project pursuant to which such SPV are transferred to successful bidders.

For selection of a developer for the UMPPs, a two stage selection process has been adopted as per the provisions of the competitive bidding guidelines. The first stage of bidding involves the RfQ containing qualifying criteria for selection of bidders. The response to RfQ documents, submitted by the bidders are evaluated to identify those bidders who will be eligible to participate in the second stage of the process. The second stage of the bidding process involves RfP, wherein bids are invited from the bidders so qualified. After evaluation of the bids received from the bidders, the successful bidder is identified on the basis of the lowest levellised tariff.

For details pertaining to the SPVs established under the UMPP initiative, see section titled ***"History and Certain Corporate Matters"*** on page 134.

*Independent Transmission Projects ("**ITPs**")*

In April 2006, the MoP initiated a tariff based competitive bidding process for ITPs, for the development of transmission systems through private sector participation. The objective of this initiative is to develop transmission capacities in India and to bring in the potential investors after developing such projects to a stage having preliminary survey work, identification of route, preparation of survey report, initiation of process of land acquisition, initiation of process of seeking forest clearance, if required, and to conduct bidding process.

PFC Consulting Limited, a wholly owned subsidiary of our Company has been nominated as a 'bid process coordinator' by MoP, for the development of ITPs entrusted to PFCCL.

For further details on the SPVs under the ITP program, see section titled "***History and Certain Corporate Matters"*** on page 134.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on July 16, 1986 under the Companies Act as a public limited company, registered with the RoC, National Territory of Delhi and Haryana and received the certificate for commencement of business on December 31, 1987. Our Company was incorporated as a financial institution to finance, facilitate and promote India's power sector development and was notified as a public financial institution under Section 4A of the Companies Act in August 31, 1990.

For further information on our business including description of our activities, services, market of each segment, our growth, technology, market, managerial competence and our standing with reference to our prominent competitors, see section titled "***Our Business***" and "***Industry Overview***" on pages 94 and 83, respectively.

Our Company is not operating under any injunction or restraining order.

Infrastructure Finance Company

On July 28, 2010, our Company was classified as an Infrastructure Finance Company ("**IFC**"). As an IFC we are able to raise funds on a cost competitive basis. For further details, see sections titled "***Our Business***" and "***Regulations and Policies***" on pages 94 and 124, respectively.

Navratna Company

On June 22, 2007, our Company was notified as a Navratna company by the GoI. As a Navratna company, we are eligible for enhanced delegation of powers to our Board, including (a) the power to incur capital expenditure without governmental approval upto a specified limit; (b) ceiling on equity investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad to be 15% of the net worth of our Company in a single project limited to ₹ 10,000 million and the overall ceiling on such investments in all projects put together to be 30% of the net worth of our Company; (c) power to enter into mergers and acquisitions subject to certain conditions; and (d) the Board has the power to further delegate the powers relating to human resource management (appointments, transfers, postings, etc,) of executives below Board level to sub-committees of the Board or to executives of our Company as may be decided by the Board.

Changes in registered office

At the time of incorporation, the registered office of our Company was situated at Room No. 627, Shram Shakti Bhawan, Rafi Marg, New Delhi 110 001, India. On March 25, 1988, the registered office of our Company was shifted to Chandralok, 36, Janpath, New Delhi 110 001, India. Subsequently, on September 23, 2006, the registered office of our Company was shifted to "Urjanidhi", 1 Barakhamba Lane, Connaught Place, New Delhi – 110 001 for ensuring administrative and operational efficiency.

Major events

In addition to the events described above, the following table illustrates the major events in the history of our Company since its incorporation.

Calendar Year	Event
1986	Incorporation of our Company.
1987	Certificate of commencement of business received.
1988	Commencement of lending activities; Evolution of broad operational policies identifying priority areas for providing financial assistance; and Formulation of short term, medium term and long-term strategies for operations.
1989	Provided first guarantee to Mitsui and Company, Japan for payment of principal, for Rupees equivalent to Japanese Yen 27.39 billion for supplier credit made available to Uttar Pradesh State Electricity Board for setting up of 1,000 MW Anpara B Thermal Power Project.
1990	Declared as a public financial institution under section 4A of Companies Act.
1991	Conferred with a license to deal in foreign exchange in the power sector.
1992	Project on Energy Management Consultation and Training made operational with the objective to bring about improvement in the efficiency of the energy supply component of the power sector with the help of USAID.
1993	First MoU with GoI in relation to operational targets and rated excellent on the basis of all round performance for the same.

Calendar Year	Event
1994	Company declared maiden dividend to the GoI.
1996	Started funding private power projects.
1998	• Registered as an NBFC; • Declared a Mini Ratna (Category I); and • Promoted PTC India Limited as joint venture with NTPC Limited and Powergrid Corporation of India Limited.
1999	Launched consultancy services in order to provide consultancy services to both state owned and private power utilities for the power and financial sectors.
2003	Appointed by the MoP as a nodal agency to fund the India Power Fund scheme to catalyze the process of fresh equity investment in the power sector.
2004	Project appraisal system certified as ISO 9001.
2005	Entered into MoU with LIC and ten leading public sector banks for consortium financing of power projects.
2006	Set up seven subsidiary companies for developing UMPPs; and Our disbursement crossed ₹ 100,000 million.
2007	• Incorporation of 4 new subsidiaries 2 for developing UMPPs and 2 for developing ITPs; • Listing of our Equity Shares on the Stock Exchanges. • Declared as a Navratna PSU.
2008	• Appointed as nodal agency for APDRP; • Three of our SPVs/subsidiaries namely Coastal Gujarat Power Limited for Mundra UMPP in Gujarat, Sasan Power Limited for Sasan UMPP in Madhya Pradesh and Coastal Andhra Power Limited for Krishnapatnam UMPP in Andhra Pradesh were transferred to the successful bidders; • Launch of R-APDRP programe; and • Incorporation of a new subsidiary namely PFC Consulting Limited for undertaking consultancy assignment in the power sector.
2009	• PFCCL appointed as the bid process coordinator for ITPs; • Jharkhand Integrated Power Limited SPV/subsidiary established for Tilaiya UMPP in Jharkhand transferred to the successful bidder; and • Our Company featured in the list of top 500 Global Financial Brands 2009.
2010	Received ISO 9001:2008 certification; and Registered with the RBI as an Infrastructure Finance Company.
2011	Launch of public issue of long term infrastructure bonds.

Awards and Recognitions

Our Company has been entering into annual memorandum of understanding with the MoP (**"MoP MoU"**) since 1993-94 and has been consistently rated in the highest category of "Excellent" since then (except being rated "Very Good" in 2004-05).

Our Company has received the following awards in the recent past:

- "Global HR Excellence Award" in the category of "Institution Building Award" during the World HR Congress 2011 on February 11, 2011;
- "Heavy Weight Navaratna Award" (Non Manufacturing) and the "Fastest Growing among Navaratna" during the 2nd PSU Awards 2010;
- "3rd KPMG- Infrastructure Today Award 2010" in the category of "Most Admired Central Entity in power Sector";
- "India Power Award 2010" for the "Integrated Development of Power and Associated Sector" organized by Council of Power Utilities on November 11, 2010;
- "ICT for India Award" for excellence in performance for R-APDRP during the "Digital Inclusion Day" organized jointly by SKOCH Consultancy and Department of Information and Technology, Government of India, on September 22, 2010;
- "Asia Pacific HRM award" for leading HR Practices in " Learning & Human Capital Development" during the Asia Pacific HRM Congress at Bangalore on September 3, 2010;
- "India's Pride Award 2010" in the category of "Financial Catalyst of the year" organized by Dainik Bhaskar;
- Gold award for excellence in "PSU's in Non Banking Financial Institution 2009" by India Pride awards with DNA;
- "India Power Award 2009" in the category of "Innovative Financing" by the Council of Power Utility on

November 17, 2009;

- Dalal Street's "First DSIJ Award 2009" in the category "PSU having the highest profit per employee";
- "KPMG – Infrastructure Today Award 2008" for "Most Admired Government Enabler – Power" Category;
- "India Power Award 2008" for PFC's role and association as implementation agency with "Distribution Upgrades and Management (DRUM)" programme of Government of India; and
- Ranked 2nd on the basis of "Total Income" in FIs/NBFCs/Financial Sector category in Dun & Bradstreet's "India's Top 500 Companies 2007"

Our Main Objects

Our main objects, as contained in Clause III A of our Memorandum of Association, are as herein under mentioned:

- *To finance power projects, in particular thermal and hydroelectric projects;*
- *To finance power transmission and distribution works;*
- *To finance renovation and modernization of power plants aimed at improving availability and performance of such plants;*
- *To finance system improvement and energy conservation schemes;*
- *To finance maintenance and repair of capital equipment including facilities for repair of such equipment, training of engineers and operating and other personnel employed in generation, transmission and distribution of power;*
- *To finance survey and investigation of power projects;*
- *To finance studies, schemes, experiments and research activities associated with various aspects of technology in power development and supply;*
- *To finance promotion and development of other energy sources including alternate and renewable energy sources;*
- *To promote, organize or carry on consultancy services in the related activities of the Company;*
- *To finance manufacturing of capital equipment required in the power sector; and*
- *To finance and to provide assistance for those activities having a forward and backward linkage, for the power projects, including but not limited to, such as development of coal and other mining activities for use as a fuel in power project, development of other fuel supply arrangements for power sector, electrification of railway lines, laying of railway lines, roads, bridges, ports and harbours, and to meet such other enabling infrastructure facilities that may be required.*

Changes in our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association pursuant to resolutions of our shareholders:

Date of Amendment	Details
January 18, 1991	*Increase in authorized share capital of our Company from ₹10,000 million to ₹20,000 million.*
October 30, 2001	*Alteration in the objects clause of the Memorandum of Association by insertion of Clause 10 and Clause 11 immediately after existing Clause 9. The Clauses read as follows: 10. To finance manufacturing of capital equipment required in power sector. 11. To finance and to provide assistance for those activities having a forward and backward linkage, for the power projects, including but not limited to, such as development of coal and other mining activities for use as a fuel in power project, development of other fuel supply arrangements for power sector, electrification of railway lines, laying of railway lines, roads, bridges, ports and harbours and to meet such other enabling infrastructure facilities that may be required.*
September 26, 2002	*Amendment in Clause V of the Memorandum of Association altering the authorised capital of our Company to ₹20,000 million divided into 2,000,000,000 shares of ₹10 each on account of sub-division of face value of equity shares from ₹1,000 each to ₹10 each.*
September 13, 2006	*Amendment in Clause 3 of the objects incidental or ancillary to the attainment of the main objects clause. The words "with the previous consent of the President of India" were deleted in the clause and the amended clause reads as follows: To borrow, for purposes of the Company, foreign currency or to obtain foreign lines of credit including commercial loans from any bank or financial institution or Government/Authority in India or abroad.*

Listing

The Equity Shares of our Company were listed on BSE and NSE on February 23, 2007 pursuant to our IPO. The total numbers of shareholders of our Company as on March 11, 2011 were 147,838.

Holding Company

We do not have a holding company.

Our Subsidiaries

(A) PFC Consulting Limited ("PFCCL")

PFCCL is a wholly owned subsidiary of our Company. PFCCL was incorporated on March 25, 2008 under the Companies Act with an authorized share capital of ₹ 500,000 each divided into 50,000 equity shares of ₹10 each. The registered office of PFCCL is located at First Floor, "Urjanidhi", 1, Barakhamba Lane, Connaught Place, New Delhi 110 001. PFCCL has been incorporated to carry on, promote and organize consultancy services related to the power sector. Presently, the consultancy services being undertaken by PFCCL comprise of assignments from State Power Utilities, Licensees/IPPs, State Government, PSUs and SERCs. As on date of this Draft Red Herring Prospectus, our Company (including its nominees) holds 100% of the issued and paid up equity capital of PFCCL.

Further, there are no accumulated profits of PFCCL which are not accounted for by our Company.

(B) Subsidiaries incorporated under the programmes of Government of India

(I) *Subsidiaries incorporated under the Ultra Mega Power Project Program*

The GoI has appointed our Company as the nodal agency to facilitate the development and construction of potential UMPP's in India, i.e. 4,000 MW mega super thermal power projects. So far, 16 such UMPPs have been identified, and are proposed to be located in the States of Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu.

Accordingly, 12 SPVs in the form of wholly owned subsidiaries had been incorporated to undertake preliminary site investigation activities necessary for preparation of project information reports, and obtain applicable linkages, clearances and approvals required for conducting a tariff based competitive bidding process for selection of developers for the UMPP's. All such SPVs/ subsidiaries have been incorporated under the Companies Act with an authorized share capital of ₹ 500,000 each divided into 50,000 equity shares of ₹ 10 each. The registered office of all such SPVs/ subsidiaries is located at First Floor, "Urjanidhi", 1, Barakhamba Lane, Connaught Place, New Delhi 110 001. Eventually, these SPVs are to be transferred to the successful bidder(s) selected through tariff based international competitive bidding process.

Out of the aforesaid 12 SPVs, four SPVs namely Coastal Gujarat Power Limited for Mundra UMPP in Gujarat, Sasan Power Limited for Sasan UMPP in Madhya Pradesh, Coastal Andhra Power Limited for Krishnapatnam UMPP in Andhra Pradesh and Jharkhand Integrated Power Limited for Tilaiya UMPP in Jharkhand have been transferred to the successful bidders.

The dates of incorporation of the remaining eight subsidiaries are mentioned herein below.

S. No.	Name of the SPV/ Subsidiary	Date of Incorporation
1.	Chhattisgarh Surguja Power Limited (formerly known as Akaltara Power Limited)	February 10, 2006
2.	Coastal Karnataka Power Limited	February 10, 2006
3.	Coastal Maharashtra Mega Power Limited	March 1, 2006
4.	Orissa Integrated Power Limited	August 24, 2006
5.	Coastal Tamil Nadu Power Limited	January 9, 2007
6.	Sakhigopal Integrated Power Company Limited	May 21, 2008
7.	Ghogarpalli Integrated Power Company Limited	May 22, 2008
8.	Tatiya Andhra Mega Power Limited	April 17, 2009

Our Company, (including through its nominees), holds 100% of the issued and paid up equity share capital of the aforesaid eight SPVs/ subsidiaries.

(II) *Subsidiaries incorporated under the Independent Transmission Projects Program*

The MoP, has initiated the tariff based competitive bidding process for the development of transmission systems through private sector participation. For further details on ITPs, see sections titled ***"Our Business"*** and "***Regulations and Policies***" on pages 94 and 124 respectively.

Our Subsidiary, PFCCL has been nominated by MoP as a bid process co-ordinator for selection of developers for ITP by MoP. Consequently, 4 SPV's were incorporated in the form of wholly owned subsidiaries, for among other things, to undertake preliminary survey work, identification of route, preparation of survey report, initiation of process of land acquisition, initiation of process of seeking forest clearance, as and where required and for conducting the bid process. All such SPVs/ subsidiaries were been incorporated under the Companies Act with an authorized share capital of ₹ 500,000 each divided into 50,000 equity shares of ₹ 10 each. The registered office of all such SPVs/ subsidiaries is located at First Floor, "Urjanidhi", 1, Barakhamba Lane, Connaught Place, New Delhi - 110 001.

One Such SPV/subsidiary namely Bokaro-Kodarma Maithon Transmission Company Limited was liquidated on December, 2010 and another SPV namely, East North Interconnection Company Limited has been transferred to the successful bidder on March 31, 2010.

The details of the remaining two SPV's/ subsidiaries are as under:

S. No.	Name of the SPV/ Subsidiary	Date of Incorporation
1.	Jabalpur Transmission Company Limited	September 8, 2009
2.	Bhopal Dhule Transmission Company Limited	September 8, 2009

PFCCL, (including through its nominees), holds 100% of the issued and paid up equity share capital of such SPVs/ subsidiaries.

The securities of PFCCL and the aforesaid SPVs/ subsidiaries incorporated under the UMPP and ITP schemes are not listed on any stock exchange in India or overseas. Further none of such SPVs/ subsidiaries are either a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985,as amended, or are subject to a winding-up order.

Further, in accordance with paragraph 11 of Accounting Standard 21, the financial statements of the subsidiaries incorporated under the UMPP and ITP initiatives (except PFCCL) are not consolidated with our Company.

Joint Ventures, Associate Companies and Investments

As on date of this Draft Red Herring Prospectus, the following are the details of our joint ventures, associate companies and investments:

Joint Ventures

We have entered into two joint venture arrangements, pursuant to which the following joint venture companies have been incorporated:

(A) National Power Exchange Limited ("NPEL")

On September 3, 2008, our Company entered into a joint venture agreement with National Thermal Power Corporation Limited (**"NTPC"**), NHPC Limited ("**NHPC**") and Tata Consultancy Services Limited ("**TCS**") for incorporation of NPEL (**"NPEL JVA"**) to operate a power exchange at a national level and to facilitate, promote, assist, regulate and manage dealings in power. Consequently, NPEL was incorporated as a public limited company under the Companies Act, on December 11, 2008, with an authorized capital of ₹ 500 million. The registered office of NPEL is located at Scope Complex, 7, Institutional Area, Lodhi Road, New Delhi – 110 003, India. As on December 31, 2010, our Company holds 833,000 equity shares aggregating to 16.66% of the total issued and paid up equity capital of NPEL.

The key terms of the NPEL JVA are set forth below:

Share capital and subscription: In case the authorized share capital of NPEL is increased beyond ₹ 500 million, all parties to the NPEL JVA including our Company will not be under an obligation to subscribe to such increased authorized capital. Subscription to such increased authorized share capital shall be done through a supplemental agreement which will form part of the NPEL JVA. The equity shareholding of NPEL shall at all times be as follows:

1. 50% of the paid up share capital of NPEL shall always be held by government entities including NTPC, NHPC and our Company.

2. The remaining 50% of the paid up share capital of NPEL shall be held by non-government entities/ private entities including TCS.

However, no shareholder, at any point of time, will hold more than 25% of the paid-up share capital of NPEL.

Board of directors: The total strength of the board of directors is required to be between 3 and 15 directors. As long as our Company holds at least 10% of the paid-up equity share capital of NPEL, our Company will have the right to nominate a non-executive director on the board of directors of NPEL and shall also determine the period for which such director will hold office. We currently have one nominee director on the Board of NPEL.

Reserved matters: Except with the affirmative vote of the majority of directors, including the affirmative vote of at least one director nominated by each party to the NPEL JVA, neither can the board of directors of NPEL, a committee thereof, its chief executive officer, nor can any other person acting on behalf of NPEL take any action with respect to among other things the following matters:

(a) The annual revenue budget of NPEL;
(b) Winding up of NPEL;
(c) Any matter relating to the transfer, sale, lease, exchange, mortgage and/or disposal otherwise of the whole or substantially the whole, of the undertaking of NPEL or part thereof;
(d) Increase or alter the authorized or issued share capital of NPEL;
(e) Change in the name of NPEL;
(f) Entering into any profit sharing, or any share option or other similar schemes for the benefit of the officers and other employees of NPEL; and
(g) Any matter relating to the promotion of new company(ies) including formation of subsidiary company(ies), entering into partnership and/or arrangement of sharing profits, taking or otherwise acquiring and holding shares in any other company.

Non-compete: NPEL shall not compete with the business activities of any other party, without the prior consent of the concerned party. No party shall, either directly or indirectly, compete with the business activities of NPEL, without the prior written consent of all other parties. Further, no party shall, either directly or indirectly, subscribe to such number of shares of any organization/ entity, competing with the business of NPEL, which shall entitle such party to exercise control over such organization/ entity. Moreover, in such an eventuality, the relevant party shall relinquish its rights to nominate director on the board of NPEL.

Further, our Company and TCS shall not be trading members of the power exchange to be set up by NPEL.

Transfer of shares: Unless otherwise mutually agreed, none of the parties will transfer or otherwise encumber its shareholding in NPEL for a period of five years ("**Lock in Period**") from the date of commencement of trading operations on power exchange or the date when NPEL issues shares to the public at large through an initial public offering, whichever is earlier. After the Lock-in Period, if any party intends to transfer any equity shares to a third party, the selling party shall first offer such equity shares to other parties in proportion to their shareholding, at book or fair value, whichever is higher. If the non-selling parties do not accept the offer, the selling party will be entitled to transfer the offered equity shares to the proposed transferee on terms no more favourable and at a price not higher than that offered to the non-selling party.

Termination of rights: If any party ceases to hold at least 10% of the paid-up share capital of NPEL, all rights of such party under the agreement will terminate. In the event of any promoter ceases to be a promoter by mutual consent, the non exiting parties will have an obligation to purchase and/or to name a purchaser of all the shares and any financial interest of the exiting party, at a fair value determined by an independent chartered accountant. In the event of termination of the NPEL JVA due to breach by any party, the defaulting party shall offer the shares held by it to the non-defaulting parties in proportion to their respective shareholdings at a price equivalent to 80% of the fair value of such shares.

(B) Energy Efficiency Services Limited ("EESL")

We have entered into a joint venture agreement with National Thermal Power Corporation (**"NTPC"**), Power Grid Corporation of India Limited (**"PGCIL"**) and Rural Electrification Corporation Limited (**"REC"**) on November 19, 2009 for incorporation of Energy Efficiency Services Limited (the "**EESL JVA**") as an implementation arm of the National Mission of Enhanced Energy Efficiency, which is a part of the National Action Plan on Climate Change.

EESL was incorporated as a public limited company on December 10, 2009 under the Companies Act with the registered office located at 4th Floor, Sewa Bhawan, R. K. Puram, New Delhi. EESL is authorized to engage in the business of carrying on and promoting the implementation of energy efficiency projects in India and abroad. The authorized share capital of EESL is ₹ 1,900 million divided into 190 million equity shares of ₹ 10 each and the paid up share capital of EESL is ₹ 25 million (divided into 2.5 million equity shares of ₹ 10 each). As on December 31, 2010 our Company holds 625,000 equity shares in EESL, aggregating to 25% of the total issued and paid up share capital of the EESL

The key terms of the EESL JVA are set forth below:

Share capital and subscription: We are required to maintain our shareholding in EESL by subscribing to any future issue of equity shares of EESL, in proportion to our current share holding. However, no shareholder, at any point of time, can hold more than 40% of the paid-up equity share capital of EESL. In the event of non-subscription of equity by any of the parties to EESL JVA, the share capital contribution of such non-subscribing party will be paid by the remaining parties in proportion to their then existing shareholding.

Board of directors: The total strength of the board of directors is required to be between 4 and 15 directors. As long as any shareholder holds at least 10% of the paid-up equity share capital of EESL, such shareholder will have the right to nominate a director on the board of directors of EESL and shall also determine the period for which its respective nominees will hold office. Nomination of the non-executive chairman, to be appointed for a period of two years, is required be rotated amongst our Company, NTPC, PGCIL and REC with NTPC nominating the first chairman. Further, the MoP will have the right to nominate two part-time directors on the board of EESL. Currently, we have one nominee director on the Board of EESL.

Reserved matters: Except with the affirmative vote of the majority of directors including the affirmative vote of at least one director nominated by each party to the EESL JVA, neither can the board of directors of EESL, a committee thereof, its chief executive officer, nor can any other person acting on behalf of EESL, take any action with respect to among other things the following matters:

(a) The annual revenue budget of EESL;
(b) Winding up of EESL;
(c) Any matter relating to the transfer, sale, lease, exchange, mortgage and/or disposal otherwise of the whole or substantially the whole, of the undertaking of EESL or part thereof;
(d) Increase or alter the authorized or issued share capital of EESL;
(e) Induction of new investors;
(f) Change in the name of EESL;
(g) Entering into any profit sharing, or any share option or other similar schemes for the benefit of the officers and other employees of EESL; and
(h) Any matter relating to the promotion of new company(ies) including formation of subsidiary company(ies), entering into partnership and/or arrangement of sharing profits, taking or otherwise acquiring and holding shares in any other company.

Transfer of shares: Unless otherwise mutually agreed, none of the parties will transfer or otherwise encumber its shareholding in EESL for a period of five years from the date of incorporation. After the lock-in period if any party intends to transfer any equity shares to a third party, the selling party is required to first offer such equity shares to the remaining parties in proportion to their shareholding, at book or fair value, whichever is higher. If the non-selling parties do not accept the offer, the selling party will be entitled to transfer the offered equity shares to the proposed transferee on terms no more favourable and at no higher price than those offered to the non-selling party.

Termination of rights: If any party ceases to hold at least 10% of the paid-up share capital of EESL, all rights of such party under the agreement will terminate. In the event of termination of the EESL JVA by mutual consent, the non exiting parties will have an obligation to purchase and/or to name a purchaser of all the shares and any financial interest of the exiting party, at a fair value determined by an independent chartered accountant. In the event of termination of the EESL JVA due to breach by any party, the defaulting party shall offer the shares held by it to the non-defaulting parties in proportion to their respective shareholdings at a price equivalent to 80% of the fair value of such shares

Competition: EESL will not take up any renovation and modernization business in power plants in India and the SAARC countries.

Associate Companies

Power Equity Capital Advisors Private Limited ("PECAP")

PECAP was incorporated on March 25, 2008 under the Companies Act to provide advisory services pertaining to equity investments in the Indian power sector. Our Company holds 15,000 equity shares in PECAP aggregating to 30% of the total issued and paid up equity share capital of PECAP. The registered office of PECAP is situated at First Floor, "Urjanidhi", 1, Barakhamba Lane, Connaught Place, New Delhi, 110 001.

The key rights of our Company in PECAP, as set out in the articles of association of PECAP, are set forth below:

Share capital and subscription: In case of fresh issuance of shares, the board of directors of PECAP shall have the power to issue such shares either to the existing shareholders in proportion to their existing shareholding or to new shareholders at a price decided by three-fourth majority of the board of directors. Further, at present our Company is not permitted to hold more than 30% of the paid-up share capital of PECAP.

Transfer of shares: No party can sell, transfer, assign, hypothecate, mortgage or other wise encumber its shareholdings in PECAP without the consent of the board of directors. Transfer of shares between parties and its affiliates is permissible with the approval of the board of directors of PECAP.

Reserved matters: Except with the consent of our Company, the board of directors of PECAP can not take any action with respect to among other things the following matters:

(a) annual revenue budget of PECAP;
(b) any matter relating to the sale, lease, exchange, mortgage and/ or disposal otherwise of the whole or substantially whole of the undertaking of PECAP of part thereof;
(c) the arrangements involving foreign collaboration proposed to be entered into by PECAP;
(d) any matter relating to (i) promotion of new company/company (ies) (ii) entering into partnership and/or arrangement of sharing profits (iii) formation of subsidiary company (ies) and (iv) taking or otherwise acquiring and holding shares in any other company;
(e) Appointment of persons (i) to any post upto two levels below the level of director on the board of directors (ii) who have attained the age of 60 years; and
(f) Any other matter in the opinion of the chairman to be of such importance as to be reserved for the approval of our Company.

Our Company shall have the power to modify any proposal or decision of the directors pertaining to the aforesaid matters.

Board of directors: The total strength of the board of directors is required to be between 2 and 12 directors. Our Company has the right to nominate two directors on the board of directors. The chairman of the board of PECAP shall always be the director nominated by our Company. Currently, we two nominee directors on the Board of PECAP.

Investments

(A) PTC India Limited (formerly known as Power Trading Corporation of India Limited) ("PTC")

PTC was incorporated as a joint venture company on April 16, 1999, under the Companies Act, and received its certificate of commencement of business on July 15, 1999. PTC is engaged in the business of purchasing, selling, importing, exporting and trading all forms of electricity, power and ancillary activities.

Pursuant to a promoters' agreement dated April 8, 1999, PTC was promoted by PGCIL, NTPC and our Company. Consequently, through a supplementary agreement dated November 29, 2002 (together with the original agreement referred to as ("**Promoters Agreement"**) NHPC also became a promoter of PTC. The key terms of the Promoters Agreement are as follows:

Share capital and subscription: The initial authorized share capital of PTC is ₹ 7,500 million divided into 750 million equity shares of ₹ 10 each of which our Company is entitled to hold 8% and is also entitled to subscribe to additional shares offered by PTC. Our Company presently holds 12,000,000 shares in PTC aggregating to 4.07% of the total issued and paid up capital.

The Promoters Agreement is irrevocable until the entire authorised capital of PTC of ₹ 7,500 million is fully paid-up unless all parties mutually agree to terminate it. Further, if a party fails to subscribe to its agreed proportion then it is liable to pay interest @ 18% p.a. for the period until the payment is made.

Board of directors: As long as our Company holds 8% of the equity shares of PTC, our Company has the right to nominate one part-time director on the board of directors of PTC. However despite our shareholding in PTC being below 8%, we have one director on the Board of PTC. The chairman and managing director of PTC is required to be appointed upon the consent of the chairman and managing director of PGCIL, NTPC, NHPC and our Company. Currently, we have one nominee director on the Board of PTC.

Transfer of shares: No party can sell, transfer, assign, mortgage or otherwise encumber its shareholdings in PTC for initial period of 12 years from the date of incorporation of the PTC. After the lock-in period if a party intends to transfer any equity shares to a third party, the selling party is required to first offer such equity shares to the remaining parties in proportion to their shareholding. If the non-selling parties do not accept the offer, the selling party will be entitled to transfer the offered equity shares to the third party on terms no more favourable and at no higher price than those offered to the non-selling party.

(B) Power Exchange India Limited ("PEIL")

Power Exchange India Limited is a joint venture company promoted by National Stock Exchange Limited (**"NSE"**) and National Commodity & Derivatives Exchange Limited (**"NCDEX"**) for setting up, operationalising and managing a national level power exchange in India ("**Power Exchange**").

For ensuring a wider representation of the power sector, in line with the regulatory intent and directions and recognising the need for additional capital infusions, our Company was invited by NSE and NCDEX to invest in PEIL.

Consequently, our Company entered into a share subscription and shareholders agreement (**"Agreement"**) with NSE and NCDEX on February 24, 2009 for subscribing to the equity shares of PEIL. Pursuant to which our Company presently holds 1,750,000 equity shares aggregating to 4.37% of the total issued and paid up share capital of the PEIL.

The key terms of the Agreement are set forth below:

Share capital and subscription: Under the Agreement, our Company is required to maintain an equity shareholding of 7% of the total issued and paid up share capital of PEIL.

Board of directors: The total strength of the board of directors shall not exceed 12 directors. Our Company shall have the right to nominate a director on the board only if it holds 10% or more shares in PEIL. Presently, our Company holds less than 10% shareholding in the PEIL, and therefore our Company does not have any nominee director on the board of PEIL.

Transfer of shares: Unless otherwise mutually agreed, none of the parties can transfer or otherwise encumber its shareholding in PEIL for a period of three years from the date of first day of trading operation on the power exchange or till the date PEIL undertakes an initial public offering, whichever is earlier. Neither party can, without obtaining prior written consent of the other parties, sell or transfer all or any part of its shares in PEIL to any other person or any shareholder. If any shareholder other than NSE and NCDEX intends to transfer any equity shares to a third party prior to the initial public offering, such shares shall be first offered to NSE and NCDEX at the fair market value. If NSE and NCDEX decline to purchase the offered shares, the selling party shall offer the shares to the other shareholders of PEIL pro rata to the shares held by them to the extent of a maximum shareholding of 7% of the total issued and paid-up capital of PEIL. Upon refusal of such shareholder the selling party is free to sell the offered shares to a third party, who is not a competitor of PEIL.

If any time prior to initial public offering, NSE and NCDEX decide to sell their shares at a value more than the par value of ₹ 10 per share, the remaining shareholders shall also be entitled to sell their shares on pro rata basis to the shares offered, on the same terms and conditions, subject to the terms and conditions of the Agreement.

Our Company cannot in any manner or form, create any encumbrances on the shares held in PEIL during the subsistence of the Agreement, without the prior express written consent of PEIL.

Events of default: In the event of default committed by any party as listed in the Agreement and failure to remedy such default in the prescribed time or till reference for arbitration is made, such defaulting party will not receive any dividend, interest or any other payment or returns on its shares.

Non-compete and exclusivity: Until the time PEIL undertakes an initial public offering, the shareholders other than NSE and NCDEX can not directly or through any affiliate hold equity or make any other form of investment of any kind, in the same business as that of PEIL or similar to that of a Power Exchange without prior written approval of PEIL.

***(C) Small is Beautiful Fund* (“SIB Fund”)**

Our Company invested in SIB Fund pursuant to contribution agreement dated March 24, 2004 (**“Contribution Agreement”**) entered between KSK Trust Private Limited, KSK Energy Ventures Limited and our Company. As on December 31, 2010 our Company holds 9,827,883 units of SIB Fund. The net asset value per unit of SIB Fund as on December 31, 2010 was ₹ 9.88. SIB Fund is engaged in making equity and equity related investments, amongst others, in project companies operating in the business of power generation and other allied projects in Indian power sector with an intent to invest in power projects less than 100 MW, based on renewable sources or for captive consumption.

Other Material Agreements

Memorandum of Understanding with the Ministry of Power, Government of India

We enter into an annual memorandum of understanding with the MoP (“**MoP MoU**”), which provides for the exercise of enhanced autonomy by delegation of financial powers to our Company. The MoP MoU for the year 2010-2011 provides that MoP would provide required assistance in getting resolved issues requiring inter ministerial consultations in relation to mobilization of cheaper financial resources which may include raising of tax free bonds/SLR bonds/taxable bonds/infrastructure bonds/bonds u/s 54EC of IT Act, loans from banks/institution and ECB/Direct World Bank/ Asian Development Bank loans.

Under the terms of MoP MoU for the year 2010 - 2011we are among other things required to undertake the following activities:

1. Work as a catalyst to bring institutional improvement in streamlining the functions of its borrowers in the areas of financial, technical and managerial to ensure optimum utilization of available resources;
2. Devise ultra mega power projects, and play a lead role in setting up shell companies in the name of projects for implementation of transmission and hydro power projects to be developed through competitive bidding route; and
3. Provide financial resources and to encourage flow of investments to power and associated sectors.

Further, our Board of Directors are required to review the performance under each target on a monthly basis and our Board of Directors and MoP are required to review our performance under each target on a quarterly basis.

The MoP MoU 2010- 2011 is in force and operational beyond 2010-2011 until it is modified by the signing of the subsequent memorandum of understanding with the MoP.

Memorandum of Understanding with the Nuclear Power Corporation of India Limited

Our Company has entered into a memorandum of understanding dated October 28, 2010, with the Nuclear Power Corporation of India Limited ("**NPCIL**") ("**NPCIL MoU**"), to examine the feasibility of providing debt financing and other services by our Company to NPCIL for setting up of nuclear power projects. Our Company may (i) facilitate loan towards equity requirements in respect of new nuclear power projects against security of commissioned project subject to detailed due diligence within the prevailing policy frame work; (ii) consider direct equity stake in the nuclear power projects of NPCIL within the policy framework. Further our Company may provide consultancy services, through our subsidiary PFC Consulting Limited, at various stages of projects undertaken by NPCIL starting with site identification and related clearances etc.

The NPCIL MoU is valid up to March 31, 2013 unless extended by mutual consent. The parties have an option to terminate the NPCIL MoU after giving one month notice in writing to the other party.

Collaborations

Our Company has not entered into any collaboration with any third party as per paragraph (VIII) (B) (1) (c) of Part A, Schedule VIII of the SEBI Regulations.

Strategic and Financial Partners

Our Company has two joint ventures namely National Power Exchange limited and Energy Efficiency Services Limited. For details of the agreements pertaining to such joint ventures, see section titled **"*History and Certain Corporate Matters - Joint Ventures***" on page 138.

Other than the aforesaid joint venture agreements, our Company has not entered into any arrangements/ agreements with any strategic partners.

Further, apart from our various arrangements with our lenders, which we undertake in the ordinary course of our business, our Company does not have any financial partners.

OUR MANAGEMENT

Board of Directors

Under the Articles of Association, our Company is required to have not less than 3 directors and not more than 12 directors. We currently have 10 Directors on our Board, of which 5 are Independent Directors.

The following table sets forth details regarding our Board as of the date of this Draft Red Herring Prospectus.

S. No.	Name, designation, father's name, DIN and occupation	Age (years)	Address	Other directorships
1.	**Mr. Satnam Singh** *Chairman and Managing Director* S/o Mr. Daulat Ram *DIN:* 00009074 *Occupation:* Service	53	B-2/2378, Vasant Kunj, New Delhi - 110 070, India.	• PFC Consulting Limited.
2.	**Mr. Mukesh Kumar Goel** *Director (Commercial) and Whole Time Director* S/o Mr. Madho Ram Goel *DIN:* 00239813 *Occupation:* Service	54	278D, Pocket-2, Mayur Vihar, Phase One, Delhi - 110 091, India.	• PTC India Limited; • Orissa Integrated Power Limited; • Sakhigopal Integrated Power Company Limited; • Ghogarpalli Integrated Power Company Limited; • PFC Consulting Limited; • Tatiya Andhra Mega Power Limited; and • PTC India Financial Services Limited.
3.	**Mr. Rajeev Sharma** *Director (Projects) and Whole Time Director* S/o Mr. B.D. Sharma *DIN:* 00973413 *Occupation*: Service	50	594, Pocket-E, Mayur Vihar II, Delhi - 110 091, India.	• Chattisgarh Sarguja Power Limited; • Coastal Karnataka Power Limited; and • Energy Efficiency Services Limited.
4.	**Mr. Radhakrishnan Nagarajan** *Director (Finance) and Whole Time Director* S/o Late Mr. S. Radhakrishnan *DIN*: 00701892 *Occupation*: Service	53	Flat No. 3C, Pocket A - 10, Kohinoor Apartments, Kalkaji Extension, New Delhi - 110 019, India.	• The Coastal Tamil Nadu Power Limited; • The Coastal Maharashtra Mega Power Limited; • PFC Consulting Limited; • National Power Exchange Limited; and • Bokaro Kodarma Power Transmission Limited.
5.	**Mr. Devender Singh** *Government Nominee Director* S/o Mr. Karan Singh Panwar *DIN:* 01792131	48	E-244, Naraina Vihar, New Delhi - 110 028, India.	• Rural Electrification Corporation Limited; and • Energy Efficiency Services Limited.

S. No.	Name, designation, father's name, DIN and occupation	Age (years)	Address	Other directorships
	Occupation: Service			
6.	**Mr. Ravindra Harshadrai Dholakia** *Independent Director* S/o Mr. H.L. Dholakia *DIN* : 00069396 *Occupation*: Professor	57	313, Indian Institute of Management (IIM), Vastrapur, Ahmedabad - 380 015, Gujarat, India.	• Nil
7.	**Mr. P. Murali Mohana Rao** *Independent Director* S/o Mr. P. Viswanatham *DIN:* 01909611 *Occupation:* Service	53	Plot No.61, Avanthi Nagar, Basheerbagh, Hyderabad - 500 029, Andhra Pradesh, India.	• Hyderabad Securities and Enterprises Limited.
8.	**Mr. Suresh Chand Gupta** *Independent Director* S/o Late Mr. O.P. Gupta *DIN:* 00541198 *Occupation*: Service	57	20, Shri Ram Road, Civil Lines, Delhi - 110 054, India.	• UCO Bank; • UAE Exchange and Financial Services Limited; and • Union KBC Asset Management Co. Private Limited.
9.	**Mr. Ajit Prasad** *Independent Director* S/o Mr. Madan Mohan Prasad *DIN:* 03302219 *Occupation*: Professor	53	A-640, Sarita Vihar, New Delhi - 110 044, India.	• Nil
10.	**Mr. Krishna Mohan Sahni** *Independent Director* S/o Late Mr. A.D. Sawhney *DIN:* 02103128 *Occupation*: Retired Government officer	64	C-1/17, Humayun Road, New Delhi - 110 003, India.	• Omnibus Industrial Development Corporation.

All the Directors of our Company are Indian nationals and none of our Directors are related to each other.

Understanding with major shareholders pursuant to which Director(s) were appointed

All our Directors are appointed by the President of India acting through the MoP, who is our major shareholder presently holding 89.78% of the paid-up equity share capital of our Company. Besides this, there are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the Directors were selected as a Director or member of the senior management.

Brief Biographies of our Directors

The details of the Directors as described below including their educational qualifications as well as the professional experience are based on undertakings provided our Directors.

Mr. Satnam Singh, 53 years, is the Chairman and Managing Director of our Company since August 1, 2008. He joined the Board as director (Finance and Financial Operations) on February 1, 2005. Mr. Singh heads our Company and provides strategic direction and guidance to all activities of our Company. Mr. Singh holds a Bachelor's degree in Commerce from Guru Nanak Dev University, Amritsar and a Master's degree in Finance and Marketing from the University Business School, Chandigarh. Mr. Singh has about 31 years of varied experience in the power and financial sector. He had extensive exposure to power generation companies such as NTPC Limited and Nathpa Jhakri Power Corporation Limited (renamed Satluj Jal Vidyut Nigam Limited and subsequently as SJVN Limited) prior to joining our Company. He was involved in the IPO of our Company in 2007. He played a role in our Company's transition from a 'Mini-Ratna' to a 'Navratna' company. He is also playing a role in actively pursuing the GoI's initiative of UMPPs to accelerate capacity addition and R-APDRP programme to reduce the AT&C losses in the power sector. Recently, he has been nominated to be a part of a high level panel approved by the Prime Minister of India on "Financial Position of Distribution Utilities" to suggest measures to improve the viability of the power distribution sector. He is also the member of a High Level Committee on Financing Infrastructure constituted under the chairmanship of Dr. Rakesh Mohan. He has been conferred with various awards namely "Power Today Person of the Year, 2010", "Distinguished Fellowship Award", "Bharat Siromani Award 2009" and "Achiever Excellence Award".

Mr. Mukesh Kumar Goel, 54 years**,** is the Director (Commercial) and is in-charge of commercial division. He joined the Board on July 27, 2007. He holds a Bachelor's degree in Technology (Electrical) from Kanpur University. Mr. Goel has experience of over 30 years. Prior to joining our Company on November 22, 1988, he worked with NHPC Limited. He has been involved in introducing reforms in SPUs, steering restructured accelerated power development and reform programmes of the GoI and overseeing the human resource functioning, information technology and legal activities of our Company.

Mr. Rajeev Sharma, 50 years**,** is the Director (Projects) and is responsible for all functions of projects division including technical appraisal of the projects financed by our Company. He joined the Board on March 9, 2009. He holds a Bachelors degree in Technology (Electrical) from GB Pant University, Pantnagar, a post graduate diploma (Electronics and Communication) and a Masters degree in Engineering (System Engineering and Operations Research) from the Indian Institute of Technology, Roorkee. He also holds a Masters degree in Business Administration from Faculty of Management Studies, Delhi University. Mr. Sharma has over 25 years of experience in the power sector. Prior to joining our Company in August 2005, he served in various positions in CEA, MoP and Powergrid Corporation of India Limited. As an executive director of our Company, he was director (in-charge) for development of the Krishnapatnam UMPP and responsible for implementation of R-APDRP in India. In addition, he also looked after the southern States for project appraisal and functions of human resources and administration of our Company.

Mr. Radhakrishnan Nagarajan, 53 years, is the Director (Finance) and is responsible for all functions of the finance division. He joined the Board on July 31, 2009. He holds a Bachelor's degree in Commerce and is a qualified Chartered Accountant, Cost Accountant and a certified associate of the Indian Institute of Bankers. Mr. Nagarajan has more than 29 years of experience having worked in Andhra Bank and in our Company in various positions. He joined our Company in 1995 and has been holding the post of executive director (Finance) since January 2008 during which he was overseeing various business activities relating to IPO, resource mobilization, banking, treasury, disbursement, recovery, internal audit, power exchange, asset liability and risk management.

Mr. Devender Singh, 48 years**,** is a government nominee Director of the GoI and is presently the joint secretary to the MoP. He joined the Board on March 5, 2009. Mr. Singh is a 1987 batch IAS officer of the Haryana cadre. He holds a Bachelor's degree in Electronics and Communication from the Delhi College of Engineering, Delhi and a Master's degree in Business Administration from the Indian Institute of Management (IIM), Ahmedabad. Mr. Singh has had an experience of working in various government departments such as in the capacity of managing director of Haryana Dairy Development Cooperative Federation Limited and Haryana Agriculture Supply and Marketing Federation, Chandigarh and also as director of the department of Industries and Mines, deputy commissioner of Gurgaon and deputy commissioner of Karnal.

Mr. Ravindra Harshadrai Dholakia, 57 years**,** is an Independent Director. He joined the Board on December 22, 2009. Mr. Dholakia was a post Doctoral Fellow in the University of Toronto and holds a PhD degree from M.S. University of Baroda. He is a Professor of Economics and Public Systems at IIM, Ahmedabad and has been on the faculty of IIM-Ahmedabad since 1985. He has over 30 years of experience in teaching economics to different groups such as students, executives, policymakers and senior government officers. He was a member of the 6^{th} Central Pay Commission in India and has written several monographs, books, research papers published in journals of national and international repute.

Mr. P. Murali Mohana Rao, 53 years**,** is an Independent Director. He joined the Board on December 22, 2009. Mr. Rao holds a Bachelor's degree in Commerce and is a qualified Chartered Accountant. He has been practicing for over 20 years. He has been appointed a public nominee director in Hyderabad Securities and Enterprises Limited.

Mr. Suresh Chand Gupta, 57 years, is an Independent Director. He joined the Board on February 25, 2010. Mr. Gupta is a qualified Chartered Accountant and holds a Bachelor's degree in Commerce from Punjab University, Chandigarh as well as a Bachelor's degree in Law from Delhi University. In the past, he has held directorship in various banks and companies such as Canara Bank, BOB Capital Markets Limited, PNB Asset Management Company. He is also a promoter and senior partner in a chartered accountancy firm and has discharged duties as a statutory auditor of several public sector undertakings, banks, insurance companies, airlines, public companies including IDBI Bank, Oriental Insurance Company, Indian Oil Corporation Limited and MMTC Limited.

Mr. Ajit Prasad, 53 years, is an Independent Director. He joined the Board on October 8, 2010. He holds a Master's degree in Economics from Delhi University and a post graduate diploma in Management from the International Management Institute. He also holds a Ph.D. from Patna University. He has been involved with various organizations including State Bank of India, Planning Commission (GoI), Steel Authority of India Limited and the United Nations Economic and Social Commission for Asia and the Pacific at Bangkok. His publications and research interests are in the areas of corporate planning, strategic thinking and governance along with a focus on ethics and corporate social responsibility. He has been a consultant to several private, public and government organizations including the Bureau of Industrial Cost and Prices, GoI and the Public Enterprises Selection Board.

Mr. Krishna Mohan Sahni, 64 years, is an Independent Director. He joined the Board on December 31, 2010. He holds a Bachelor's degree in English literature and a Master's degree in History from Delhi University. He also holds a Master's degree in Economics from the London School of Economics. He is a 1969 batch IAS officer of the Union Territory cadre. He has held various positions such as secretary to the Ministry of Labour and Employment, GoI, additional secretary to Ministry of Agriculture, GoI, principal secretary to the General Administration Department and Tourism, Government of Delhi, principal secretary (Power), GoI, chairman and managing director of Delhi Transmission Company (Transco) and Delhi Financial Corporation, managing director of Delhi Tourism Corporation and Delhi State Industrial Development Corporation.

Confirmation from Directors

None of our Directors, has held or currently holds directorships in any listed companies whose shares have been or were suspended from being traded on the BSE and/ or NSE or whose shares have been or were delisted from the Stock Exchange(s).

Borrowing powers of the Board

Subject to the Memorandum and Articles of Association of our Company and pursuant to the shareholders resolution dated September 25, 2007 under Section 293(1)(d) of the Companies Act, our Board is authorised to borrow up to a total amount of ₹ 1,000 billion in Indian rupees and in any foreign currency equivalent to USD 4,000 million, for the purpose of the business of our Company, notwithstanding that the amount to be borrowed and amount already borrowed by our Company may exceed the aggregate of the paid-up capital and free reserves of our Company.

Details of Appointment and Term of our Directors

S. No.	Name of Director	MoP Order No.	Term
1.	Mr. Satnam Singh	No. 8/3/2007 – PF dated August 7, 2008*	5 years with effect from August 1, 2008 or until the date of superannuation or until further orders, whichever event occurs earliest.
2.	Mr. Mukesh Kumar Goel	No. 8/1/2006-PFC dated July 27, 2007	5 years with effect from the date of taking charge of the post or until the date of superannuation or until further orders, whichever event occurs earliest.
3.	Mr. Rajeev Sharma	No. 8/5/2008-PF Desk dated March 9, 2009	5 years with effect from the date of taking charge of the post or until the date of superannuation or until further orders, whichever event occurs earliest.
4.	Mr. Radhakrishnan Nagarajan	No. 8/1/2008 – PF dated July 31, 2009	5 years with effect from the date of taking charge of the post or until the date of superannuation or until further orders, whichever event occurs earliest.
5.	Mr. Devender Singh	No. 1/1/2009 – Adm.II dated March 5, 2009	With effect from March 5, 2009 and until further orders.
6.	Mr. Ravindra Harshadrai Dholakia	No. 8/1/2009 – PF Desk dated December 22, 2009	3 years with effect from December 22, 2009 or until further orders, whichever event occurs earliest.
7.	Mr. P. Murali Mohana Rao	No. 8/1/2009 – PF Desk dated December 22, 2009	3 years with effect from December 22, 2009 or until further orders, whichever event occurs earliest.
8.	Mr. Suresh Chand Gupta	No. 8/1/2009 – PF Desk dated February 25, 2010	3 years with effect from February 25, 2010 or until further orders, whichever event occurs earliest.
9.	Mr. Ajit Prasad	No. 8/1/2009 – PF Desk dated October 8, 2010	3 years with effect from October 8, 2010 or until further orders, whichever event occurs earliest.
10.	Mr. Krishna Mohan Sahni	No. 8/1/2009 – PF Desk dated December 31, 2010	3 years with effect from December 31, 2010 or until further orders, whichever event occurs earliest.

** Read with MoP Order No. 8/3/2007-PF dated June 27, 2008*

Except for our whole time Directors who are entitled to statutory benefits and post retirement medical benefits on termination of their employment with us, no Director is entitled to any benefit on termination of his employment with us.

Remuneration of the Directors

A. Managing Director and Whole Time Directors:

The following table sets forth the details of remuneration paid by our Company to the Chairman and Managing Director and the Whole Time Directors during the Fiscal 2009-2010:

(In ₹millions)

Name of the Director	Salary including benefits	Company contribution to Provident Fund	Total
Mr. Satnam Singh	5.16	0.22	5.38
Mr. Mukesh Kumar Goel	4.94	0.21	5.15
Mr. Rajeev Sharma	3.31	0.13	3.45
Mr. Radhakrishnan Nagarajan	1.83	0.09	1.92

B. Independent Directors

The Independent Directors do not have any material pecuniary relationship or transaction with our Company. However, pursuant to Board meeting dated February 19, 2009, Independent Directors are entitled to sitting fees of ₹ 15,000 for attending each meeting of the Board and the Committees of the Board, which are within the maximum ceiling prescribed by the Ministry of Corporate Affairs.

The Directors were paid sitting fees for attending the meetings of the Board of Directors and committees of the Board, as set forth under the following table, during the Fiscal 2009-2010:

(In ₹millions)

Name of the Independent Director	Sitting Fee		Total
	Board Meetings	Committee Meetings	
Mr. Ravindra Harshadrai Dholakia	0.06	0.06	0.12
Mr. P. Murali Mohana Rao	0.06	0.08	0.14
Mr. Suresh Chand Gupta	0.03	Nil	0.03

Mr. Devender Singh, being a nominee of the GoI, is not entitled to remuneration or sitting fee or any other remuneration from our Company.

Details of terms and conditions of appointment of our Chairman and Managing Director and the Whole Time Directors

The MoP prescribes the terms and conditions of appointment of our Whole Time Directors. Our Company prescribes the terms and conditions of employment for each of the Whole Time Directors in consonance with the terms and conditions prescribed by the MoP. The terms and conditions governing the appointment of Mr. Satnam Singh, Mr. Mukesh Kumar Goel, Mr. Rajeev Sharma and Mr. Radhakrishnan Nagarajan are set forth below.

Mr. Satnam Singh

Mr. Satnam Singh was appointed as the Chairman and Managing Director pursuant to MoP Order No. 8/3/2007 - PF, dated August 7, 2008 (read with MoP Order No. 8/3/2007 – PF dated June 27, 2008). The terms and conditions of his employment are prescribed by MoP Order No. 8/3/2007 - PF, dated February 15, 2010. Some of the key terms and conditions amongst others as revised from time to time are as under:

Term	5 years with effect from August 1, 2008 (forenoon) in the first instance or until the date of superannuation or until further orders, whichever event occurs earlier and in accordance with the provisions of the Companies Act. The appointment may, however, be terminated even during this period by either side on 3 months notice or on payment of 3 months salary in lieu thereof.
Pay	Basic pay of ₹ 81,960 per month in the existing scale of ₹ 80,000-3%-125,000 (Schedule A) from the date of his assumption of office as Chairman and Managing Director.
Headquarters	His headquarters shall be in Delhi where the registered office/ headquarters of our Company is located and he will be liable to serve in any part of the country at the discretion of our Company.
Dearness Allowance	In accordance with new industrial dearness allowance ("**IDA**") scheme as stated in DPE's office memoranda dated November 26, 2008 and April 2, 2009.
Housing	He is entitled to either of the following: (i) The Company making arrangements to provide suitable residential accommodation wherever it has built residential flats in industrial township or has purchased the same in the cities, else accommodation shall be arranged by taking the premises on lease basis at the headquarters of the Company. Further, he can take his own house on self lease basis if he owns a house at the place of his posting, provided he executes a lease deed in favour of the Company; or (ii) he shall be entitled to a house rent allowance ("**HRA**") as per the rates indicated in DPE office memorandum dated November 26, 2008.
Annual Increment	Eligible to draw annual increment at the rate of 3% of basic pay on the anniversary date of appointment in the scale and further increments on the same date in subsequent years until the maximum pay scale is reached. On reaching the maximum level in the scale, one stagnation increment equal to the rate of last increment drawn will be granted after completion of every two year period counting for increment from the date of reaching maximum pay scale, provided a performance rating of "good" or above is achieved. A maximum of 3 such increments will be granted.
Conveyance	Entitled to the facility of staff car for private use as per specified criteria.
Performance related	Eligible for approved performance related pay ("**PRP**") as per DPE's office memoranda

payment	dated November 26, 2008, February 9, 2009 and April 2, 2009.
Other benefits and Perquisites/ Superannuation	Eligible for superannuation benefit based on approved schemes as per DPE's office memoranda dated November 26, 2008 and April 2, 2009. The Board will decide the allowances and perquisites subject to a maximum ceiling of 50% of his basic pay as indicated in DPE's office memoranda dated November 26, 2008 and April 2, 2009.
Other Conditions	After retirement/ resignation from the service of our Company, he shall not accept any appointment or post, whether advisory or administrative, in any firm or company whether Indian or foreign, with which our Company has or had business relations, within 2 years from the date of his retirement without prior approval of the GoI.
Conduct, Discipline and Appeal Rules	The conduct, discipline and appeal rules framed by our Company in respect of non-workmen category of staff would also *mutatis mutandis* apply to him with the modification that the disciplinary authority in his case would be the President. Further, the GoI also reserves the right not to accept the resignation of Mr. Satnam Singh if the circumstances so warrant, i.e. the disciplinary proceedings are pending or a decision has been taken by the competent authority to issue a charge sheet to him.

Mr. Mukesh Kumar Goel

Mr. Mukesh Kumar Goel was appointed as the Director (Industrial Development and Administration) pursuant to MoP Order No. 8/1/2006 – PFC, dated July 27, 2007. The terms and conditions of his employment were prescribed by MoP Order No. 8/1/2006 – PF Desk, dated December 6, 2010. Some of the key terms and conditions amongst others as revised from time to time are as under:

Term	5 years with effect from July 27, 2007 in the first instance or until the date of superannuation or until further orders, whichever event occurs earlier and in accordance with the provisions of the Companies Act. The appointment may, however, be terminated even during this period by either side on 3 months notice or on payment of 3 months salary in lieu thereof.
Pay	Basic pay of ₹ 75,000 per month in the existing scale of ₹ 75,000-3%-100,000 (Schedule B) with effect from July 27, 2007.
Headquarters	His headquarters shall be in Delhi where the registered office/ headquarters of our Company is located and he will be liable to serve in any part of the country at the discretion of our Company.
Dearness Allowance	In accordance with new IDA scheme as stated in DPE office memoranda dated November 26, 2008 and April 2, 2009.
Housing	He is entitled to either of the following: (i) The Company making arrangements to provide suitable residential accommodation wherever it has built residential flats in industrial township or has purchased the same in the cities, else accommodation shall be arranged by taking the premises on lease basis at the headquarters of the Company. Further, he can take his own house on self lease basis if he owns a house at the place of his posting, provided he executes a lease deed in favour of the Company; or (ii) he shall be entitled to HRA as per the rates indicated in DPE office memorandum dated November 26, 2008.
Annual Increment	Eligible to draw annual increment at the rate of 3% on the anniversary date of appointment in the scale and further increments on the same date in subsequent years until the maximum pay scale is reached. On reaching the maximum level in the scale, one stagnation increment equal to the rate of last increment drawn will be granted after completion of every two year period counting for increment from the date of reaching maximum pay scale, provided a performance rating of "good" or above is achieved. A maximum of 3 such increments will be granted.
Conveyance	Entitled to the facility of staff car for private use as per specified criteria.
Performance related pay	Eligible for approved PRP as per DPE's office memoranda dated November 26, 2008, February 9, 2009 and April 2, 2009.
Other benefits and Perquisites/	Eligible for superannuation benefit based on approved schemes as per office memoranda dated November 26, 2008 and April 2, 2009.

Superannuation	The Board will decide the allowances and perquisites subject to a maximum ceiling of 50% of his basic pay as indicated in DPE's office memoranda dated November 26, 2008, February 9, 2009 and April 2, 2009.
Other Conditions	After retirement/ resignation from the service of our Company, he shall not accept any appointment or post, whether advisory or administrative, in any firm or company whether Indian or foreign, with which our Company has or had business relations, within 1 year from the date of his retirement/ resignation without prior approval of the GoI.
Conduct, Discipline and Appeal Rules	The conduct, discipline and appeal rules framed by our Company in respect of non-workmen category of staff would also *mutatis mutandis* apply to him with the modification that the disciplinary authority in his case would be the President. Further, the GoI also reserves the right not to accept the resignation of Mr. Mukesh Kumar Goel if the circumstances so warrant, i.e. the disciplinary proceedings are pending or a decision has been taken by the competent authority to issue a charge sheet to him.

Pursuant to the MoP Order No. 8/1/2006 – PF Desk dated January 25, 2011, the aforesaid MoP Order dated December 6, 2010 was cancelled and fresh terms and conditions are to be issued at the earliest.

Mr. Rajeev Sharma

Mr. Rajeev Sharma was appointed as the Director (Projects) pursuant to MoP Order No. 8/5/2008 - PF Desk, dated March 9, 2009. The terms and conditions of his employment are prescribed by MoP Order No. 8/5/2008 - PF Desk, dated November 27, 2009. Some of the key terms and conditions amongst others as revised from time to time are as under:

Term	5 years with effect from March 9, 2009 in the first instance or until the date of superannuation or until further orders, whichever event occurs earlier and in accordance with the provisions of the Companies Act. The appointment may, however, be terminated even during this period by either side on 3 months notice or on payment of 3 months salary in lieu thereof.
Pay	Basic pay of ₹ 75,000 per month in the existing scale of ₹ 75,000-3%-100,000 (Schedule B) from the date of assumption of office as Director. [1]
Headquarters	His headquarters shall be in Delhi where the registered office/ headquarters of our Company is located and he will be liable to serve in any part of the country at the discretion of our Company.
Dearness Allowance	In accordance with new IDA scheme as stated in DPE office memoranda dated November 26, 2008 and April 2, 2009.
Housing	He is entitled to either of the following: (i) The Company making arrangements to provide suitable residential accommodation wherever it has built residential flats in industrial township or has purchased the same in the cities, else accommodation shall be arranged by taking the premises on lease basis at the headquarters of the Company. Further, he can take his own house on self lease basis if he owns a house at the place of his posting, provided he executes a lease deed in favour of the Company; or (ii) he shall be entitled to HRA as per the rates indicated in para 7 of DPE's office memoranda dated November 26, 2008 and April 2, 2009.
Annual Increment	Eligible to draw annual increment on the anniversary date of appointment in the scale and further increments on the same date in subsequent years until the maximum pay scale is reached. One stagnation increment equal to the rate of last increment drawn will be granted after completion of every two year period counting for increment from the date of reaching maximum pay scale. A maximum of 3 such increments will be granted.
Conveyance	Entitled to the facility of staff car for private use as per specified criteria.
Performance related pay	Wherever the scheme has been introduced by our Company, the benefit of incentive payments under the existing productivity linked incentive scheme would also be extended to Director (Projects) as per DPE office memorandum dated November 26, 2008.
Other benefits and	Entitled to medical facilities, travelling allowance, leave travel concession, disability leave

Perquisites	etc. in accordance with Company rules and also eligible to become member of 2 clubs at the expense of our Company. However, the membership of such clubs shall be co-terminus with the tenure as Director (Projects). The perquisites and allowances may be up to a maximum of 50% of the basic pay and payments over and above the ceiling of 50% should be entirely in the nature of performance related payment/ performance linked incentive as prescribed in DPE office memoranda dated November 26, 2008, February 9, 2009 and April 2, 2009. Other terms and conditions not covered specifically, shall be governed by our Company rules.
Other Conditions	After retirement from the service of our Company, he shall not accept any appointment or post, whether advisory or administrative, in any firm or company whether Indian or foreign, with which our Company has or had business relations, within 2 year from the date of his retirement without prior approval of the GoI.
Conduct, Discipline and Appeal Rules	The conduct, discipline and appeal rules framed by our Company in respect of non-workmen category of staff would also *mutatis mutandis* apply to him with the modification that the disciplinary authority in his case would be the President. Further, the GoI also reserves the right not to accept the resignation of Mr. Rajeev Sharma if the circumstances so warrant, i.e. the disciplinary proceedings are pending or a decision has been taken by the competent authority to issue a charge sheet to him.

[1] As the appointment of Mr. Rajeev Sharma in Schedule B has taken place much after January 1, 2007, he would be deemed to have been appointed ab-initio in the revised scale of pay and would be eligible for any fitment amount as Director (Projects).

Mr. Radhakrishnan Nagarajan

Mr. Radhakrishnan Nagarajan was appointed as the Director (Finance and Financial Operations) ("**F&FO**") pursuant to MoP Order No. 8/1/2008 - PF, dated July 31, 2009. The terms and conditions of his employment are prescribed by MoP Order No. 8/1/2008 - PF, dated December 6, 2010. Some of the key terms and conditions amongst others as revised from time to time are as under:

Term	5 years with effect from the date of appointment in the first instance or until the date of superannuation or until further orders, whichever event occurs earlier and in accordance with the provisions of the Companies Act. The appointment may, however, be terminated even during this period by either side on 3 months notice or on payment of 3 months salary in lieu thereof.
Pay	Basic pay of ₹ 75,000 per month in the revised scale of ₹ 75,000-3%-100,000 (Schedule B) from the date of assumption of office as Director F&FO.
Headquarters	His headquarters shall be in Delhi where the registered office/ headquarters of our Company is located and he will be liable to serve in any part of the country at the discretion of our Company.
Dearness Allowance	In accordance with new IDA scheme as stated in DPE office memoranda dated November 26, 2008 and April 2, 2009.
Housing	He is entitled to either of the following: (i) The Company making arrangements to provide suitable residential accommodation wherever it has built residential flats in industrial township or has purchased the same in the cities, else accommodation shall be arranged by taking the premises on lease basis at the headquarters of the Company. Further, he can take his own house on self lease basis if he owns a house at the place of his posting, provided he executes a lease deed in favour of the Company; or (ii) he shall be entitled to HRA as per the rates indicated in DPE office memorandum dated November 26, 2008.
Annual Increment	Eligible to draw annual increment @ 3% on the anniversary date of appointment in the scale and further increments on the same date in subsequent years until the maximum pay scale is reached. On reaching the maximum of the scale, one stagnation increment equal to the rate of last increment drawn will be granted after completion of every two year period from the date of receiving a performance rating of 'Good' or above. A maximum of 3 such increments will be granted.
Conveyance	Entitled to the facility of staff car for private use as per specified criteria.
Performance Related Pay	Eligible for approved performance related pay as per office memoranda dated November 26, 2008, February 9, 2009 and April 2, 2009.
Other benefits and	The Board of Directors to decide the allowances and perquisites subject to a maximum

Perquisites/ Superannuation	ceiling of 50% of the basic pay as indicated in DPE office memoranda dated November 26, 2008 and April 2, 2009. Eligible for superannuation benefit based on approved schemes as per office memoranda dated November 26, 2008 and April 2, 2009.
Other Conditions	After retirement from the service of our Company, he shall not accept any appointment or post, whether advisory or administrative, in any firm or company whether Indian or foreign, with which our Company has or had business relations, within 1 year from the date of his retirement without prior approval of the GoI.
Conduct, Discipline and Appeal Rules	The conduct, discipline and appeal rules framed by our Company in respect of non-workmen category of staff would also *mutatis mutandis* apply to him with the modification that the disciplinary authority in his case would be the President. Further, the GoI also reserves the right not to accept the resignation of Mr. Radhakrishnan Nagarajan if the circumstances so warrant, i.e. the disciplinary proceedings are pending or a decision has been taken by the competent authority to issue a charge sheet to him.

Pursuant to the MoP Order No. 8/1/2008 – PF Desk dated January 25, 2011, the aforesaid MoP Order dated December 6, 2010 was cancelled and fresh terms and conditions are to be issued at the earliest.

Details of service contracts

There are no service contracts entered into by our Company with any Directors for provision of benefits or payments of any amount upon termination of employment.

Shareholding of our Directors

The Articles of Association do not require the Directors to hold any qualification Equity Shares in our Company. The shareholding of the Directors as on December 31, 2010 in our Company is mentioned below:

Sr. No.	Name	No. of Equity Shares	Shareholding (%)
1.	Mr. Satnam Singh	25,155	Negligible
2.	Mr. Mukesh Kumar Goel	10,283	Negligible
3.	Mr. Rajeev Sharma	16,287	Negligible
4.	Mr. Radhakrishnan Nagarajan	25,200	Negligible
5.	Mr. Devender Singh*	700	Negligible

**Holding Equity Shares in our Company as a nominee of our Promoter i.e. President of India acting through the MoP.*

Bonus or profit sharing plan of the Directors

There is no bonus or profit sharing plan in place for our Directors.

Interests of Directors

All our Directors may be deemed to be interested to the extent of remuneration and fees payable to them for services rendered as Directors of our Company such as attending meetings of the Board or a committee thereof and to the extent of other reimbursements of expenses payable to them under our Articles of Association.

Some of our Directors also hold Equity Shares in our Company in their individual capacity and are interested to the extent of any dividend payable to them in respect of the same. Our Directors may also be regarded as interested in the Equity Shares that may be subscribed to or Allotted to them or the companies, firms, trusts, in which they are interested as directors, members, partners, trustees, promoters, pursuant to this Issue.

Except as stated in this Draft Red Herring Prospectus and the section titled ***"Financial Statements-Annexure 21 -Related Party Transactions"*** on page 202, our Directors do not have any other interest in our business. Further, our Directors have no interest in any property acquired by us within two years of the date of filing of this Draft Red Herring Prospectus.

Changes in our Board of Directors in the last three years

The changes in our Board in the last three years are as follows:

S. No.	Name	Date of Appointment	Date of Cessation	Reason
1.	Mr. G.B. Pradhan	December 27, 2007	April 11, 2008	Nomination withdrawn by GoI pursuant to MoP Order No. 8/1/2007 – PF Desk dated April 11, 2008
2.	Mr. Sat Paul Parashar	June 29, 2006	April 4, 2008	Resignation pursuant to MoP Order No. 8/2/2008 PF – Desk dated April 24, 2008
3.	Mr. Anil Kumar	April 11, 2008	March 18, 2009	Nomination withdrawn by GoI pursuant to MoP Order No. 8/1/2007 – PF Desk dated March 18, 2009
4.	Mr. Satnam Singh	February 1, 2005	August 1, 2008	Nomination withdrawn pursuant to MoP Order No. 8/3/2007-PF dated August 7, 2008*
5.	Mr. Satnam Singh	August 1, 2008 (forenoon)	Continuing	Appointment pursuant to MoP Order No. 8/3/2007-PF dated August 7, 2008
6.	Mr. Shyam Wadhera	August 1, 2003	July 31, 2008	Cessation
7.	Mr. V.K. Garg	May 10, 2005	July 31, 2008	Cessation
8.	Mr. Devender Singh	March 5, 2009	Continuing	Appointment pursuant to MoP Order No. 1/1/2009 – Adm.II dated March 5, 2009
9.	Mr. Rajeev Sharma	March 9, 2009	Continuing	Appointment pursuant to MoP Order No. 8/5/2008-PF Desk dated March 9, 2009
10.	Mr. Rakesh Jain	June 25, 2009	January 6, 2011	Nomination withdrawn by GoI pursuant to MoP Order No. 8/1/2010 – PF dated January 6, 2011
11.	Mr. B.K. Mittal	June 29, 2006	June 28, 2009	Cessation
12.	Mr. G.P. Gupta	June 29, 2006	June 28, 2009	Cessation
13.	Mr. S.K. Bhargava	June 29, 2006	June 28, 2009	Cessation
14.	Mr. P.G. Apte	June 29, 2006	June 28, 2009	Cessation
15.	Mr. Radhakrishnan Nagarajan	July 31, 2009	Continuing	Appointment pursuant to MoP Order No. 8/1/2008 – PF dated July 31, 2009.
16.	Mr. P. Murali Mohana Rao	December 22, 2009	Continuing	Appointment pursuant to MoP Order No. 8/1/2009 – PF Desk dated December 22, 2009.
17.	Mr. Ravindra Harshadrai Dholakia	December 22, 2009	Continuing	Appointment pursuant to MoP Order No. 8/1/2009 – PF Desk dated December 22, 2009.
18.	Mr. Suresh Chand Gupta	February 25, 2010	Continuing	Appointment pursuant to MoP Order No. 8/1/2009 – PF Desk dated February 25, 2010.
19.	Mr. Ajit Prasad	October 8, 2010	Continuing	Appointment pursuant to MoP Order No. 8/1/2009 – PF Desk dated October 8, 2010
20.	Mr. Krishna Mohan Sahni	December 31, 2010	Continuing	Appointment pursuant to MoP Order No. 8/1/2009 – PF Desk dated December 31, 2010

** Read with MoP Order No. 8/3/2007 – PF dated June 27, 2008*

Corporate Governance

Our Equity Shares are listed on the Stock Exchanges and our Company has adopted corporate governance practices in accordance with Clause 49 of the Equity Listing Agreements, entered into with the Stock Exchanges.

Our Company did not comply with certain provisions of the Equity Listing Agreements relating to composition of board of directors for certain quarters of 2010. However, as on the date of this Draft Red Herring Prospectus, our Company is in compliance with the requirements of Clause 49 of the Equity Listing Agreements in relation to the composition of its board of directors. Presently, our Board has 10 directors, of which 5 are Independent Directors.

We have constituted an Audit Committee and a Shareholders' and Investor Grievance Committee as per the requirements of Clause 49 of the Equity Listing Agreements. Whilst the constitution of Remuneration Committee is not mandatory under the Equity Listing Agreements, we have constituted a Remuneration Committee in accordance with the guidelines issued by DPE which are applicable to all central public sector enterprises.

Our Board functions either as a full Board or through various committees constituted to oversee specific operational areas.

Committees of the Board of Directors

Our Company has constituted the Audit Committee and the Shareholders' and Investor Grievance Committee for compliance with corporate governance requirements in addition to other non-mandatory committees:

a. Audit Committee

The Audit Committee was originally constituted pursuant to the Board resolution dated January 30, 2001. It presently comprises the following members:

Name of the Directors	Designation
Mr. P. Murali Mohana Rao	Chairman*
Mr. Ravindra Harshadrai Dholakia	Member
Mr. Rajeev Sharma	Member
Mr. Ajit Prasad	Member

**Chairman to be elected amongst the members themselves*

Scope and terms of reference: The scope and function of the Audit Committee is in accordance with Section 292A of the Companies Act and Clause 49 of the Equity Listing Agreements with the stock exchange.

The powers of the Audit Committee include the following:

1) To investigate any activity within its terms of reference;
2) To seek information from any employee;
3) To obtain legal or other professional advice;
4) To secure attendance of outsiders with relevant expertise, if it is considered necessary;
5) Oversight of the company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
6) Recommending the appointment and removal of statutory auditors, fixation of audit fee and approval of payment to statutory auditors for any other services;
7) Reviewing, with management, the annual financial statements before submission to the Board, focusing primarily on:

    - Any change in accounting policy and practices and reasons for the same;
    - Major accounting entries based on the exercise of judgment by the management;
    - Qualifications in draft audit report;
    - Significant adjustments arising out of audit findings;
    - Compliance with accounting standards;
    - Compliance with listing and other legal requirements concerning financial statements;
    - Disclosure of any related party transaction i.e. transaction of our Company of material nature, with promoters or the management, their subsidiary or relatives etc. that may have potential conflict with the interest of the company at large; and
    - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act.

8) Reviewing with management, performance of statutory and internal auditor, the adequacy of internal control system and suggestion for implementation for the same;
9) Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the officials heading the department, reporting structure coverage and frequency of internal audit;
10) Discussion with internal auditor and significant findings and follow up thereon;

11) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board;
12) Discussion with statutory auditor before the audit commences about the nature of scope of audit as well as post-audit discussion to ascertain any area of concern;
13) Reviewing our Company's financial and risk management policy;
14) To look into the reasons for substantial defaults in the payment to the depositors, debentures holders, shareholders and creditors;
15) Periodic discussions with auditors about internal control system, the scope of audit including the observation of the auditors and review the quarterly, half yearly & annual financial statement before submission to the Board and ensure compliance with the internal control system;
16) Approval of payment to statutory auditors for any other services rendered by statutory auditors;
17) Reviewing the management discussion and analysis of financial condition and results of operations;
18) To review the functioning of whistle blowing mechanism, in case the same is formulated;
19) Formulation of whistle blower policy and recommending the same to Board for approval and review the functioning of the whistle blower mechanism and also to protect the whistle blowers;
20) To review the follow up action on the audit observations of the CAG audit;
21) To review the follow up action taken on the recommendations of the Committee on Public Undertakings of the Parliament; and
22) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

b. Shareholders' and Investor Grievance Committee

The Shareholders' and Investor Grievance Committee was constituted pursuant to the Board resolution dated July 6, 2006. The Shareholders' and Investor Grievance Committee presently comprises the following members:

Name of the Directors	Designation*
Mr. P. Murali Mohana Rao	Chairman*
Mr. Mukesh Kumar Goel	Member
Mr. Radhakrishnan Nagarajan	Member

** Our Company Secretary shall be the Secretary of the Shareholder's and Investor Grievance Committee.*

Scope and terms of reference:

To oversee the redressal of shareholders'/ investors' complaints/ grievances pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with or without legal representation) of shares and other miscellaneous complaints.

c. Remuneration Committee

The Remuneration Committee was constituted pursuant to the Board resolution dated April 17, 2009. It presently comprises the following members:

Name of the Directors	Designation
Mr. Ravindra Harshadrai Dholakia	Chairman
Mr. P. Murali Mohana Rao	Member
Mr. Suresh Chand Gupta	Member
Mr. Mukesh Kumar Goel	Permanent Invitee
Mr. Radhakrishnan Nagarajan	Permanent Invitee

Scope and terms of reference:

To decide the quantum of annual bonus/ variable pay pool and policy for its distribution across the executives and non-unionized supervisors, within the prescribed limits as notified by the DPE.

d. Loans Committee

The Loans Committee was constituted pursuant to the Board resolution dated May 31, 1989. It presently comprises the following members:

Name of the Directors	Designation
Mr. Satnam Singh	Chairman
Mr. Devender Singh	Member
Mr. Mukesh Kumar Goel	Member
Mr. Rajeev Sharma	Member
Mr. Radhakrishnan Nagarajan	Member

Scope and terms of reference:

Pursuant to the delegation of powers to the Loans Committee, it has the power to (i) sanction financial assistance, including enhancement within the overall policy framed by the Board up to ₹ 5,000 million for individual schemes or projects, subject to an overall ceiling of ₹ 100,000 million in a financial year; (ii) relaxation of eligibility and other conditions of sanction as mentioned in the operational policy statement and other policy framed by the Board in respect of financial assistance up to ₹ 5,000 million for individual schemes/ projects, including the loans already sanctioned; and (iii) sanction of lease assistance within the overall policy framed by Board above ₹ 500 million and up to ₹ 5,000 million.

e. Committee of Functional Directors

The Committee of Functional Directors was originally constituted pursuant to the Board resolution dated August 18, 2000, and was subsequently renamed to its present name pursuant to the Board resolution dated December 3, 2007. It presently comprises the following members:

Name of the Directors	Designation
Mr. Satnam Singh	Chairman
Mr. Mukesh Kumar Goel	Member
Mr. Rajeev Sharma	Member
Mr. Radhakrishnan Nagarajan	Member

Scope and terms of reference:

Pursuant to the delegation of powers to the Committee of Functional Directors, it has the power to (i) sanction financial assistance, including enhancement within the overall policy framed by the Board up to ₹ 1,000 million for individual schemes or projects, subject to an overall ceiling of ₹ 40,000 million in a financial year; (ii) relaxation of eligibility and other conditions of sanction as mentioned in the operational policy statement and other policy framed by the Board in respect of financial assistance up to ₹ 1,000 million for individual schemes/ projects, including the loans already sanctioned; and (iii) sanction of lease assistance within the overall policy framed by Board above ₹ 200 million and up to ₹ 500 million.

f. Risk Management Committee

The Risk Management Committee was constituted pursuant to the Board resolution dated August 12, 2005. It presently comprises the following members:

Name of the Directors	Designation*
Mr. Mukesh Kumar Goel	Chairman
Mr. Rajeev Sharma	Member
Mr. Radhakrishnan Nagarajan	Member

**The unit head of AL&RM unit to be the Secretary of the Risk Management Committee*

Scope and terms of reference:

To monitor various risks, examine various risk management policies and practices and initiate action for mitigation of risks arising in the operation and other related matters.

g. Committee of Directors for Investment in IPOs of Central Power Sector Undertakings

The Committee of Directors for Investment in IPOs of Central Power Sector Undertakings was constituted pursuant to the Board resolution dated August 17, 2007. It presently comprises the following members:

Name of the Directors	Designation
Mr. Satnam Singh	Chairman
Mr. Radhakrishnan Nagarajan	Member

Scope and terms of reference:

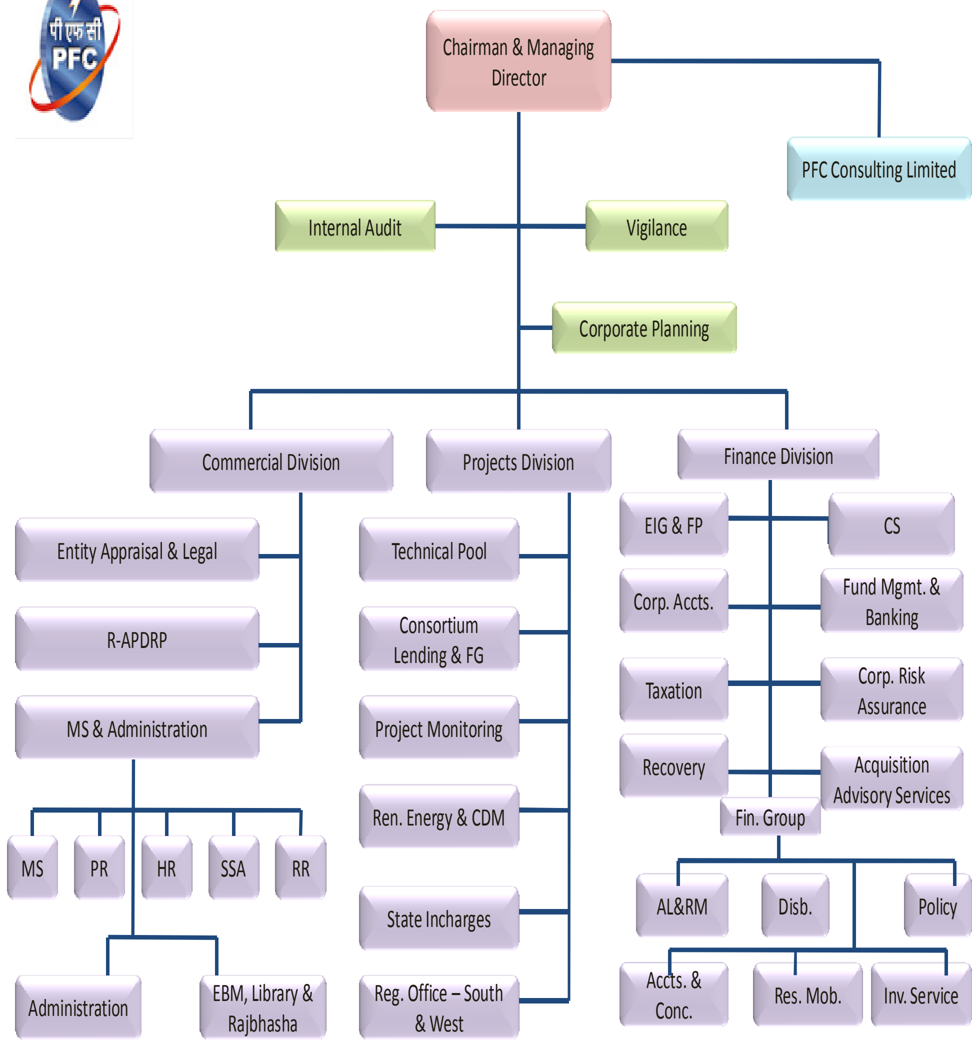
To approve investment and exit/sale decisions including the number of shares to be applied through initial public offerings and individual investment limits in each company on a case to case basis.

Payment or benefits to officers of our Company

Our Company follows a pay structure in conformity with the guidelines issued by DPE from time to time. Our Company also has in place various incentive schemes as a part of its compensation strategy to increase productivity and reward performance. Monetary benefits are paid to the employees on the basis of their individual and group performance. Further, except certain post retirement medical benefits and statutory benefits on superannuation, no officer of our Company is entitled to any benefit on superannuation.

Our Board and shareholders have approved an employee stock option scheme, in compliance with the ESOP guidelines. However, no options have been granted under such scheme titled "PFC ESOP 2010", as of the date of this Draft Red Herring Prospectus.

Management Organisation Structure



Abbreviations:-

R-APDRP: Restructured-Accelerated Power Development & Reforms Programme; MS: Management System; PR: Public Relations; HR: Human Resources; SSA: State Sector Analysis; RR: Reform & Review; EBM: Estate and Building Management; FG: Facilitation Group; Ren. Energy & CDM: Renewable Energy & Clean Development Mechanism; Reg. Office: Regional Office; Fin. Group: Finance Group; EIG & FP: Equity Investment Group and Financial Products; Corp. Accts.: Corporate Accounts; CS: Company Secretariat; Fund Mgmt. & Banking: Fund Management & Banking; Corp. Risk Assurance: Corporate Risk Assurance;AL & RM: Asset Liability and Risk Management; Disb.: Disbursement; Res. Mob.: Resource Mobilization; Inv. Service: Investor Services; Accts. & Conc.: Establishment Accounts & Concurrence.

OUR PROMOTER AND GROUP COMPANIES

Our Promoter is the President of India acting through the MoP. Our Promoter currently holds 89.78% of the pre-Issue paid-up equity share capital of our Company. As our Promoter is the President of India acting through the MoP, disclosure of our 'group companies' cannot be provided.

DIVIDEND POLICY

The declaration and payment of dividends on our Equity Shares are recommended by our Board and approved by our shareholders, at their discretion, and depend on a number of factors, including but not limited to guidelines issued by the DoE, our profits, capital requirements, contractual obligations, restrictive covenants under our loan and financing arrangements and the overall financial condition of our Company. The dividend and dividend tax paid by our Company during the last three Fiscals and nine months period ended December 31, 2010 is presented below.

Description	Nine months ended December 31, 2010*	Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2008
Face value of Equity Shares (in ₹ per Equity Share)	10	10	10	10
Equity share Capital (₹ in million)	11,477.67	11,477.67	11,477.67	11,477.67
No. of Equity Share of ₹ 10 each (in million)	1,147.77	1,147.77	1,147.77	1,147.77
Rate of Dividend (%)				
Interim Dividend Rate	Nil	30%	26.5%	25%
Final Dividend Rate	Nil	15%	13.5%	10%
Amount of Dividend on Equity Shares (₹ in millions)				
Interim Dividend	N.A.	3,443.30	3,041.59	2,869.43
Final Dividend	N.A.	1,721.67	1,549.49	1,147.77
Dividend per Equity Share (in ₹)	Nil	4.5	4	3.5
Corporate Dividend Tax Paid (in ₹ million)	Nil	877.79	780.25	682.72

** For the Financial Year 2010-11, an interim dividend of 35% i.e. ₹ 3.50 per Equity Share aggregating to ₹ 4,017.18 million was paid on January 31, 2011.*

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts payable, if any, in the future.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Raj Har Gopal & Co.
Chartered Accountants,
412, Ansal Bhawan, 16 K.G. Marg
New Delhi – 110 001
Ph no.+91 11 41520698
E-mail:rajhargopal@hotmail.com

Mehra Goel & Co.
Chartered Accountants,
505, Chiranjiv Tower, Nehru Place
New Delhi – 110 023.
Ph no. +91 11 26217981, 26419527
E-mail: mg@mehragoelco.com

AUDITORS' REPORT

To
The Board of Directors,
Power Finance Corporation Limited,
"Urjanidhi ", 1, Barakhamba Lane,
New Delhi – 110 001.

Dear Sirs,

1) We have examined the attached consolidated financial information of Power Finance Corporation Limited ('the Company), its subsidiary, its joint ventures and its Associates (collectively referred to as the "Group"), as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B of Part II of Schedule II to the Companies Act, 1956 (the "Act") and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended to date (the "SEBI Regulations") and terms of our engagement agreed with you in accordance with our letter dated 19th February 2011 in connection with the proposed Equity offering by the selling Shareholder, the Government of India, and further issue of equity shares of the company.

2) These information have been prepared by the Management from the financial statements for the nine months period ended December 31, 2010 and year ended March 31, 2010, and 2009. For expressing our opinion and reporting on restated financial information, we have placed reliance on the financial statements for the year ended March, 31, 2010 audited by K.K. Soni & Co., Chartered Accountants jointly with Raj Har Gopal & Co., Chartered Accountants, for the year ended March, 31, 2009 audited by K.K. Soni & Co., Chartered Accountants.

   We did not audit the financial statements of the subsidiary, associates and joint ventures. These financial Statements have been audited by other firms of Chartered Accountants, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in these Consolidated Restated Summary of statement of Assets and liabilities and Profit & Loss Account are based solely on the report of other auditors.

3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Regulations and terms of our engagement agreed with you; we further report that:

   a) The Restated Summary Statement of Consolidated Assets and Liabilities of the Company as at December 31, 2010, March 31, 2010, and 2009 as set out in Annexure - 1 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies (Annexure 26), Notes on Adjustments made for Restated Financial Statement (Annexure 27), Notes on Adjustments not made for Restated Financial Statement (Annexure 28) and Other Notes on Restated Financial Statement (Annexure 29).

   b) The Restated Summary Statement of Consolidated Profit or Loss of the Company for the nine months period ended December 31, 2010 and year ended March 31, 2010, and 2009 as set out in Annexure - 2 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies (Annexure 26), Notes on Adjustments made for Restated Financial Statement (Annexure 27), Notes on Adjustments not made for Restated Financial Statement (Annexure 28) and Other Notes on Restated Financial Statement (Annexure 29).

c) The Restated Summary Statement of Consolidated Cash Flow of the Company and its subsidiary for the nine months period ended December 31, 2010 and year ended March 31, 2010, and 2009 as set out in Annexure - 3 to this report are after making adjustments and regrouping as in our opinion were appropriate.

d) Based on above and also as per the reliance placed on the reports submitted by the previous auditors and for other auditors for subsidiary, for the respective years, we confirm that the restated financial information has been made after incorporating:

(i) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
(ii) Adjustments for the material amounts in the respective financial years to which they relate.
(iii) There is no extra-ordinary item that need to be disclosed separately.
(iv) And there are no qualifications in the auditors' reports, which remain to be adjusted in the Restated Consolidated Summary Statements, **except as mentioned in Annexure- 30**, read with significant Accounting policies (Annexure 26) and other Notes on Restated Financial Statements (Annexure 29).

4) We have also examined the following other consolidated financial information relating to the Company prepared by the management and approved by the Board of Directors for the nine months period ended December 31, 2010 and year ended March 31, 2010, and 2009. In respect of the years ended 31St March 2010, and 2009 these information have been included based upon the reports submitted by previous auditors and relied upon by us.

(ii) Statement of Share Capital - Annexure 4.
(iii) Statement of Reserves & Surplus- Annexure 5.
(iv) Statement of Loans Liabilities (Unsecured) - Annexure 6.
(v) Statement of Investments - Annexure 7.
(vi) Statement of Loan Assets - Annexure 8.
(vii) Statement of Current Assets, Loans & Advances - Annexure 9.
(viii) Statement of Current Liabilities and Provisions - Annexure 10.
(ix) Statement of Operating Income - Annexure 11.
(x) Statement of Other Income - Annexure 12.
(xi) Statement of Interest and Other Charges - Annexure 13.
(xii) Statement of Bond Issue Expenses - Annexure 14.
(xiii) Statement of Personnel & Administration Expenses - Annexure 15.
(xiv) Statement of Appropriation - Annexure 16.
(xv) Statement of Deferred Tax Liabilities - Annexure 17.
(xvi) Statement of Dividend Paid - Annexure 18.
(xvii) Capitalization Statement - Annexure 19.
(xviii) Summary of Accounting Ratios - Annexure 20.
(xix) Statement of Related Party Transactions - Annexure 21.
(xx) Statement of Contingent Liability - Annexure 22.
(xxi) Statement of Auditors Qualifications dealt with in restated summary statements - Annexure 23.
(xxii) Statement of Changes in Accounting Policies- Annexure 24.
(xxiii) Statement of Tax Shelters - Annexure 25.

In our opinion the financial information contained in Annexure 4 to Annexure 25 of this report read along with the Significant Accounting Policies (Annexure 26), Notes on Adjustments made for Consolidated Restated Financial Statement (Annexure 27), Notes on Adjustments not made for Restated Consolidated Financial Statement (Annexure 28) and Other Notes on Restated Financial Statement (Annexure 29) have been prepared after making adjustments and regrouping as considered appropriate in accordance with Part II B of Schedule II of the Act and the SEBI Regulations.

5) This report should not, in any way, be construed as a reissuance or re-dating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

6) Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed Equity offering by the selling shareholders, the Government of India and

further issue of Equity share of the company. Our report should not be used for any other purpose except with our consent in writing.

For Raj Har Gopal & Co.
Chartered Accountants
Firm Regn. No.: 002074N

G.K. Gupta
Partner
Membership No. 81085

For Mehra Goel & Co.
Chartered Accountants
Firm Regn. No.: 0517N

Geetika Mehra
Partner
Membership No. 510525

Place: New Delhi
Date: 17.03.2011

Annexure – 1

Summary statement of Assets & Liabilities, as restated

(₹ in Million)

	Description	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
ASSETS				
1	**Fixed Assets**			
	Gross Block	973.76	935.38	990.70
	Less : Depreciation / Amortization	(221.95)	(204.71)	(232.29)
	Capital Works in Progress	0.00	17.25	20.79
		751.81	**747.92**	**779.20**
2	**Investments**	350.72	300.25	278.13
3	**Loans**	644289.94	798557.56	921182.57
4	**Current Assets, Loans & Advances**			
	Cash & Bank Balances	4195.79	14603.85	7904.65
	Other Current Assets	13520.14	16158.27	19389.39
	Loans & Advances	19927.73	19103.25	25976.96
		37643.66	**49865.37**	**53271.00**
	Total Assets	**683036.13**	**849471.10**	**975510.90**
LIABILITIES				
1	**Unsecured Loan Funds**	521601.45	671084.11	764465.04
2	**Deferred Tax Liability (Net of Asset)**	554.73	469.29	810.39
3	**Interest Subsidy Fund from GOI**	9089.38	6634.87	5706.64
4	**Current Liabilities & Provisions**			
	Current Liabilities	18744.98	21682.31	31028.85
	Provisions	15878.16	15974.98	20397.60
		34623.14	**37657.29**	**51426.45**
	Total Liabilities	**565868.70**	**715845.56**	**822408.52**
	Net Assets	**117167.43**	**133625.54**	**153102.38**
	Represented by :			
	Share Capital	11477.67	11477.67	11477.67
	Free Reserves & Surplus	98488.25	113696.78	132117.83
	Networth	**109965.92**	**125174.45**	**143595.50**
	Add : Reserve for Bad & Doubtful Debts u/s 36 (1) (viia) (c) of Income Tax Act, 1961	7201.51	8451.09	9506.88
	Total Share Holders Funds	**117167.43**	**133625.54**	**153102.38**

Annexure-2

Summary Statement of Profits, as restated

(₹ in Million)

Description	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
INCOME			
Operating Income	65660.81	81029.69	74706.61
Other Income	236.44	236.06	163.82
Total	**65897.25**	**81265.75**	**74870.43**
EXPENSES			
Interest and other charges	44363.96	49155.10	46935.03
Bonds Issue Expenses	655.85	437.94	482.12
Personnel & Administration and other expenses	682.23	1013.63	869.68
Depreciation	38.45	33.99	31.17
Amortisation of Intangible Assets	2.83	4.00	5.68
Provision for Contingencies	21.61	-5.69	61.00
Provision for decline in value of investments	14.95	-15.16	-0.45
Preliminary Expenses written off	0.56	3.03	0.00
Total	**45780.44**	**50626.84**	**48384.23**
Profit before tax	**20116.81**	**30638.91**	**26486.20**
Provision for Tax	-5412.97	-8138.02	-7016.02
Provision for Fringe Benefit Tax	-7.85	0.00	0.00
Profit after tax available for appropriations	**14695.99**	**22500.89**	**19470.18**

Annexure - 3

Statement of Consolidated Cash Flows, as restated

(₹ in Million)

	PARTICULARS	Year ended 31.03.2009	Year ended 31.03.2010	Period ended 31.12.2010
I.	**Cash Flow from Operating Activities :-**			
	Net Profit before Tax and Extraordinary items	**20116.81**	**30638.91**	**26486.20**
	ADD: Adjustments for			
	Loss on Sale of Assets	0.15	0.22	0.53
	Depreciation / Amortisation	41.27	38.37	36.85
	Amortisation of Zero Coupon Bonds	192.72	208.34	166.38
	Foreign Exchange Loss/Gain	2356.59	(2482.66)	158.37
	Dimunition in value of investments	14.95	(15.16)	(0.45)
	Provision for Contingencies	21.61	(5.69)	61.00
	Provision for Retirement Benefits/Other Welfare Expenses/Wage revision	81.60	167.40	68.00
	Interest Received	(14.92)	(33.46)	(21.51)
	Interest Paid	0.15	7.34	2.69
	Preliminary expenses written off	0.57	(3.03)	0.00
	Operating profit before working Capital Changes:	**22811.50**	**28520.58**	**26958.06**
	Increase/Decrease :			
	Loans Disbursed (Net)	(127013.10)	(154960.22)	(122758.75)
	Other Current Assets	(2931.72)	(2652.62)	(3281.28)
	Loans & Advances	(970.59)	921.45	(284.96)
	Current Liabilities and provisions	6774.82	2403.70	9501.82
	Cash flow before extraordinary items	**(101329.09)**	**(125767.11)**	**(89865.11)**
	Extraordinary items	0.00	0.00	0.00
	Cash Inflow/Outflow from operations before Tax	**(101,329.09)**	**(125,767.11)**	**(89,865.11)**
	Income Tax paid	(5994.19)	(8253.26)	(6735.40)
	Net Cash flow from Operating Activities	**(107323.28)**	**(134020.37)**	**(96600.51)**
II.	**Cash Flow From Investing Activities :**			
	Sale / decrease of Fixed Assets	0.50	0.50	1.70
	Purchase of Fixed Assets	(26.43)	(15.63)	(69.13)
	Increase/decrease in Capital Works in Progress	0.00	(17.25)	(3.54)
	Plant & Machinery (Lease Equalisation)	2.73	0.00	0.00
	Investments in Subsidiaries	(0.65)	1.00	0.00
	Other Investments	283.07	59.38	(98.39)
	Interest Received	14.92	23.59	21.01
	Other Investments	(1.00)	(1.50)	0.00
	Preliminary expenses incurred	(0.56)	0.00	0.00
	Net Cash Used in Investing Activities	**272.58**	**50.09**	**(148.35)**
III.	**Cash Flow From Financial Activities :**			
	Issue of Shares	8.82	6.25	13.54
	Issue of Bonds	128089.00	122833.00	125256.00
	Short Term Loans (Net)	(10800.00)	(7500.00)	(6500.00)
	Loan Against Fixed Deposits (Net)	0.00	16751.20	(7038.90)
	Raising of Long Term Loans	47500.00	80045.00	52550.00
	Repayment of Long Term Loans	(44490.00)	(44730.00)	(52700.00)
	Redemption of Bonds	(8923.00)	(19818.60)	(28898.10)
	Foreign Currency Loans (Net)	(404.73)	4868.80	10458.50
	Interest paid	(0.15)	(0.15)	(9.88)
	Interest Subsidy Fund	(1578.10)	(2454.52)	(928.23)
	Unclaimed Bonds (Net)	0.90	218.66	(145.73)
	Payment of Final Dividend (including Corporate Dividend Tax) of Previous year	(1342.83)	(1812.82)	(2007.54)
	PARTICULARS	**Year ended 31.03.2009**	**Year ended 31.03.2010**	**Period ended 31.12.2010**
	Payment of Interim Dividend (including Corporate Dividend Tax) of Current year	(3558.50)	(4028.49)	0.00

	Net Cash in-flow from Financing Activities	**104501.41**	**144378.33**	**90049.66**
	Net Increase/Decrease in Cash & Cash Equivalents	**(2,549.29)**	**10,408.05**	**(6,699.20)**
	Add : Cash & Cash Equivalents at beginning of the period	6745.08	4195.80	14603.85
	Cash & Cash Equivalents at the end of the period	**4,195.79**	**14,603.85**	**7,904.65**
	Details of Cash & Cash Equivalents at the end of the period:			
	Cheques in hand, Imprest with Postal authority & Balances with Banks	31.46	104.39	46.72
	Fixed Deposits with Scheduled Banks	4164.33	14499.46	7857.93
	TOTAL	**4195.79**	**14603.85**	**7904.65**

Annexure - 4

Statement of Share Capital

(₹ in Million)

Description	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
Authorised :			
200,00,00,000 Equity shares of ₹ 10/- each (Previous year 200,00,00,000 shares of ₹ 10/- each)	20000.00	20000.00	20000.00
Issued, subscribed and paid up :			
114,77,66,700 Equity shares of ₹ 10/- each fully paid-up	11477.67	11477.67	11477.67
TOTAL	**11477.67**	**11477.67**	**11477.67**

Annexure - 5

Statement of Reserves & surplus

(₹ in Million)

Description	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
Reserve for Bad & doubtful debts u/s 36(1)(viia)(c) of Income-Tax Act,1961	7201.51	8451.09	9506.88
Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97	5998.48	5998.48	5998.48
Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98	40116.26	45840.78	50250.63
Securities Premium Account	8510.97	8510.97	8510.97
General Reserve	17959.72	20319.73	22339.73
Surplus in Profit and Loss Account	25902.82	33026.82	45018.02
TOTAL	**105689.76**	**122147.87**	**141624.71**

Annexure - 6

Statement of Unsecured Loan Liabilities

(₹ in Million)

		Description	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
I.	**Bonds**				
	a)	Bonds Guaranteed by the Government of India	620.00	420.00	420.00
	b)	Other Bonds	354171.49	457594.25	554118.54
	c)	Foreign Currency Notes	14024.16	8204.40	8150.40
			368,815.65	**466,218.65**	**562,688.94**
II.	**Loans**				
	a)	**Long Term Loans**			
	(i)	Foreign Currency Loans from Foreign banks / Institutions (Guaranteed by the Govt. of India)	5052.82	3890.48	3238.09
	(ii)	Syndicated Foreign Currency Loans from banks / Institutions	4759.98	13674.00	24934.51
	(iii)	Foreign Currency Loans (FCNR(B) from banks)	2058.00	1819.76	1811.20
	(iv)	Rupee Term Loans (From Banks)	118915.00	147930.00	150780.00
	(v)	Rupee Term Loans (From Financial Institutions)	8000.00	14300.00	11300.00
			138,785.80	**181,614.24**	**192,063.80**
	b)	**Short Term Loans**			
	(i)	Rupee Term Loans (From Banks)	4000.00	0.00	0.00
	(ii)	Rupee Term Loans (From Financial Institutions)	0.00	0.00	0.00
	(iii)	Foreign Currency Loans (FCNR(B) from banks)	0.00	0.00	0.00
	(iv)	Commercial Paper	10000.00	6500.00	0.00
	(v)	Working Capital Demand Loan/OD/CC/Loan Against FD/Line of Credit	0.00	16751.22	9712.30
			14,000.00	**23,251.22**	**9,712.30**
		TOTAL	**521601.45**	**671084.11**	**764465.04**

Schedule to Annexure - 6 : Statement of Unsecured Loan Liabilities

Unsecured Loans:

I. Bonds

(a) Bonds Guaranteed by the Govt. of India

(₹ in million)

S. No.	Details of Bonds	Amount Raised	Deemed date of Allotment	Coupon rate and maturity and redemption	Redemption Amount Outstanding (as of December 31, 2010)
1	SLR Bonds III Series *	200.00	January 7, 1991	*Coupon Rate:* 11.50% per annum *Maturity and Redemption:* Principal amount to be redeemed on January 7, 2011	200.00
2	SLR Bonds Series IV **	220.00	February 10, 1992	*Coupon Rate:* 12.00% per annum *Maturity and Redemption:* Principal amount to be redeemed on February 10, 2012	220.00
				TOTAL	**420.00**

* SLR Bonds III Series have been secured by way of guarantee given by the Government of India through letter dated January 3, 1991, issued by the Ministry of Energy. Further, SLR Bonds III Series was redeemed on the due date of maturity.

** SLR Bonds Series IV have been secured by way of guarantee given by the Government of India through letter dated January 30, 1992, issued by the MoP.

(b) Other Bonds

(₹ in million)

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
1	Bonds (2011) Series X	3,009.00	November 23, 2001	*Coupon Rate:* 9.70% per annum *Maturity and Redemption:* In 10 years from the deemed date of allotment	531.00
2	Bonds (2012) Series XI	7,749.70	February 20, 2002	*Coupon Rate:* 9.25% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	7,440.80
3	Bonds (2017) Series XIII	1,900.00	May 16, 2002 and May 24, 2002	*Coupon Rate:* 9.60% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed dates of allotment	1,900.00
4	Debenture (2017) Series XVII	2,500.00	October 3, 2002	*Coupon Rate:* 8.21% per annum *Maturity and Redemption:* Redeemable in 10 equal annual installments beginning from the date next to the expiry of the 6th year after an initial moratorium period of 5 years from the date of allotment	1,750.00
5	Debenture (2017) Series XVIII	2,500.00	November 13, 2002	*Coupon Rate:* 7.87% per annum *Maturity and Redemption:* Redeemable in 10 equal annual installments beginning from the date next to the expiry of the sixth year after an initial moratorium period of 5 years from the date of allotment	1,750.00
6	Zero Coupon Bond (2022) Series XIX	1,579.58	December 30, 2002	*Coupon Rate:* Zero coupon bonds having face value of ₹ 0.10 million each, aggregating to ₹ 7500 million, allotted at a discounted aggregate amount of ₹ 1,579.58 million	2,946.74

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				Maturity and Redemption: At par at the end of 20 years from the deemed date of allotment	
7	Debenture (2011) Series XXIA	3,010.0	November 2, 2004	*Coupon Rate:* 6.80% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	860.00
8	Debenture (2014) Series XXIB	1,688.00	November 2, 2004	*Coupon Rate:* 7.00% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	1,688.00
9	7.00% Bonds 2011 – XXII series	10,407.00	December 24, 2004	*Coupon Rate:* 7.00% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	6,943.00
10	Debenture (2012) Series XXIII	3,499.00	July 5, 2005	*Coupon Rate:* 7.00% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	2,027.00
11	Debenture Series XXV	1,7347.00	December 30, 2005	*Coupon Rate:* 7.60% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	17,347.00
12	Debenture Series XXVI	1,2618.00	February 24, 2006	*Coupon Rate:* 7.95% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	12,618.00
13	Debenture Series XXVII-A	10,000.00	March 17, 2006	*Coupon Rate:* 8.20% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	10,000.00
14	Debenture Series XXVII-B	8,500.00	March 17, 2006	*Coupon Rate:* 8.09% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	8,500.00
15	Debenture Series XXVIII	6,000.00	May 31, 2006	*Coupon Rate:* 8.85% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed date of allotment	6,000.00
16	Debenture Series XXIX - A	2,500.00	September 7, 2006	*Coupon Rate:* 8.80% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	2,500.00
17	Debenture Series XXIX – B	3,000.00	September 7, 2006	*Coupon Rate:* 8.55% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	3,000.00
18	Debenture (2011) Series XXX	4,800.00	October 9, 2006	*Coupon Rate:* 8.49% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	4,800.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
19	Debenture Series XXXI-A	14,512.00	December 15, 2006	*Coupon Rate:* 8.78% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	14,512.00
20	Debenture Series XXXII	5,785.00	February 19, 2007	*Coupon Rate:* 9.25% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	5,785.00
21	Debenture Series XXXIII-A	1,220.00	March 22, 2007	*Coupon Rate:* 9.80% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	1,220.00
22	Debenture Series XXXIII-B	5,615.00	March 22, 2007	*Coupon Rate:* 9.90% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,615.00
23	Debenture Series XXXIV	5,005.00	March 30, 2007	*Coupon Rate:* 9.90% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,005.00
24	Debenture Series XXXV	5,300.00	May 18, 2007	*Coupon Rate:* 9.96% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,300.00
25	Debenture Series XXXVI-B	4,363.00	June 15, 2007	*Coupon Rate:* 10.00% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	4,363.00
26	Debenture Series XXXVIII	18,620.00	September 20, 2007	*Coupon Rate:* 9.80% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	18,620.00
27	Debenture Series XL-B	5,100.00	December 28, 2007	*Coupon Rate:* 9.22% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	5,100.00
28	Debenture Series XL-C	6,500.00	December 28, 2007	*Coupon Rate:* 9.28% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	6,500.00
29	Debenture Series XLI-B	2,650.00	January 15, 2008	*Coupon Rate:* 8.94% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,650.00
30	Debenture Series XLII-A *	8,250.00	February 15, 2008	*Coupon Rate:* 8.96% per annum to 9.01% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	8,250.00
31	Debenture Series XLII-B	3,190.00	February 15, 2008	*Coupon Rate:* 8.98% per annum to 9.03% per annum	3,190.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				Maturity and Redemption: At par at the end of 5 years from the deemed date of allotment	
32	Debenture Series XLIII-A **	761.00	March 12, 2008	*Coupon Rate:* 9.30% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	761.00
33	Debenture Series XLIII-B	2,716.00	March 12, 2008	*Coupon Rate:* 9.30% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,716.00
34	Debenture Series XLIV	12,603.00	March 25, 2008	*Coupon Rate:* 9.40% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	12,603.00
35	Debenture Series XLVI	4750.00	May 29, 2008	*Coupon Rate:* Daily NSE overnight Mumbai Interbank Offered Rate (compounded daily) plus 215 bps *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	4,750.00
36	Debentures Series XLVII-A	4,506.00	June 9, 2008	*Coupon Rate:* 9.55% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	4,506.00
37	Debentures Series XLVII-B	4,953.00	June 9, 2008	*Coupon Rate:* 9.60% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	4,953.00
38	Debentures Series XLVII-C	7,807.00	June 9, 2008	*Coupon Rate:* 9.68% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	7,807.00
39	Debentures Series XLVIII-A	5,715.00	July 15, 2008	*Coupon Rate:* 10.75% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	5,715.00
40	Debenture Series XLVIII-B	2,174.00	July 15, 2008	*Coupon Rate:* 10.70% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,174.00
41	Debenture Series XLVIII-C	2,597.00	July 15, 2008	*Coupon Rate:* 10.55% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	2,597.00
42	Debenture Series XLIX-A	3,136.00	August 11, 2008	*Coupon Rate:* 10.90% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	3,136.00
43	Debenture Series XLIX-B	4,286.00	August 11, 2008	*Coupon Rate:* 10.85% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of	4,286.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				allotment	
44	Debenture Series L-A	1,430.00	August 25, 2008	*Coupon Rate:* 10.85% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	1,430.00
45	Debenture Series L-B	784.00	August 25, 2008	*Coupon Rate:* 10.75% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	784.00
46	Debenture Series L-C	808.00	August 25, 2008	*Coupon Rate:* 10.70% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	808.00
47	Debenture Series LI-A	4,952.00	September 15, 2008	*Coupon Rate:* 11.15% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	4,952.00
48	Debenture Series LI-B	5,940.00	September 15, 2008	*Coupon Rate:* 11.10% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	5,940.00
49	Debenture Series LI-C	30,244.00	September 15, 2008	*Coupon Rate:* 11.00% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	30,244.00
50	Debenture Series LII-A	6,627.00	November 28, 2008	*Coupon Rate:* 11.40% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	6,627.00
51	Debenture Series LII-B	58.00	November 28, 2008	*Coupon Rate:* 11.30% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	58.00
52	Debenture Series LII-C	19,506.00	November 28, 2008	*Coupon Rate:* 11.25% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	19,506.00
53	Debenture Series LIV-A	1,965.00	February 16, 2009	*Coupon Rate:* 8.90% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	1965.00
54	Debenture Series LV-A	8,770.00	May 11, 2009	*Coupon Rate:* 6.90% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	8,770.00
55	Debenture Series LV-B	1,469.00	May 11, 2009	*Coupon Rate:* 7.50% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	1,469.00
56	Debenture Series LVI	5,250.00	July 9, 2009	*Coupon Rate:* 7.20% per annum *Maturity and Redemption:* At par at the	5250.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				end of 3 years from the deemed date of allotment	
57	Debenture Series LVII-B	25,995.00	August 7, 2009	*Coupon Rate:* 8.60% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	25,995.00
58	Debenture Series LVIII-A	1,000.00	September 17, 2009	*Coupon Rate:* 7.75% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	1,000.00
59	Debenture Series LVIII-B	3,311.00	September 17, 2009	*Coupon Rate:* 8.45% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	3,311.00
60	Debenture Series LIX-A	2,882.00	October 15, 2009	*Coupon Rate:* 8.45% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,882.00
61	Debenture Series LIX-B	12,166.00	October 15, 2009	*Coupon Rate:* 8.80% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	12,166.00
62	Debenture Series LX-A	1,750.00	November 20, 2009	*Coupon Rate:* 1 year Indian Constant Maturity Treasury Benchmark Rate plus 135 basis points *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	1,750.00
63	Debenture Series LX-B	9,250.00	November 20, 2009	*Coupon Rate:* 1 year Indian Constant Maturity Treasury Benchmark Rate plus 179 basis points *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	9,250.00
64	Debenture Series LXI	10,530.00	December 15, 2009	*Coupon Rate:* 8.50% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	10,530.00
65	Debenture Series LXII A	8,454.00	January 15, 2010	*Coupon Rate:* 8.70% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	8454.00
66	Debenture Series LXII B	11,726.00	January 15, 2010	*Coupon Rate:* 8.80% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed date of allotment	11,726.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
67	Debenture Series LXIII	5,520.00	March 15, 2010	*Coupon Rate:* 8.90% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	5,520.00
68	Debenture Series LXIV	14,760.00	March 30, 2010	*Coupon Rate:* 8.95% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	14,760.00
69	Debenture Series LXV	40,125.00	May 14, 2010	*Coupon Rate:* 8.70% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	40,125.00
70	Debenture Series LXVI-A	5,000.00	June 15, 2010	*Coupon Rate:* 8.65% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,000.00
71	Debenture Series LXVI -B	15,320.00	June 15, 2010	*Coupon Rate:* 8.75% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed date of allotment	15,320.00
72	Debenture Series LXVI -C	6,330.00	June 15, 2010	*Coupon Rate:* 8.85% per annum *Maturity and Redemption:* At par at the end of 20 years from the deemed date of allotment	6,330.00
73	Debenture Series LXVII	11,000.00	July 15, 2010	*Coupon Rate:* 7.10% per annum *Maturity and Redemption:* At par at the end of 2 years from the deemed date of allotment	11,000.00
74	Debenture Series LXVIII-A	1,470.00	August 4, 2010	*Coupon Rate:* 8.25% per annum *Maturity and Redemption:* At par on July 15, 2015	1,470.00
75	Debenture Series LXVIII –B	14,240.00	August 4, 2010	*Coupon Rate:* 8.70% per annum *Maturity and Redemption:* At par on July 15, 2020	14,240.00
76	Debenture Series LXIX	9,500.00	September 15, 2010	*Coupon Rate:* 7.89% per annum *Maturity and Redemption:* At par at the end of 2 years from the deemed date of allotment	9,500.00
77	Debenture Series LXX	15,490.00	November 15, 2010	*Coupon Rate:* 8.78% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of	15,490.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				allotment	
78	Debenture Series LXXI	5,781.00	December 15, 2010	*Coupon Rate:* 9.05% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of 10th, 15th and 20th year respectively from the deemed date of allotment	5,781.00
TOTAL					**554118.54**

** Debenture Series XLII-A was redeemed on the due date of maturity.*
*** Debenture Series XLIII-A was redeemed on the due date of maturity.*

(c) Foreign Currency Notes

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1.	(i) ING Life Insurance and Annuity Company (ii) ING USA Annuity and Life Insurance Company (iii) Prudential Insurance Company of America (iv) Transamerica Life Insurance Company (v) Sun Life Assurance Company of Canada (vi) Sun Life Insurance and Annuity Company of New York (vii) Deutsche Bank Securities, Inc. (viii) Security Life of Denver Insurance Company (ix) Hare & Co (c/o of Deutsche Bank AG, Loan)	US$ 180 million 6.61% senior notes issued pursuant note purchase agreement dated August 30, 2007 (for further details see "**Notes**" mentioned below)	6.61% per annum on the unpaid amount, payable semi-annually; and On overdue payment of principal or interest and on make-whole amount @ equal to the higher of (i) 8.61% per annum and (ii) 2% over the rate of interest publicly announced by Bank of America, N.A. as its base or prime rate, payable annually	Principal amount of the Senior Notes is repayable on September 5, 2017	8,150.40 million (USD 180 million)
TOTAL					**8150.40**

II. Loans

(a) Long Term Loans

(i) Foreign Currency Loans from Foreign Banks/Institutions (Guaranteed by the Govt. of India)

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1	Asian Development Bank	Loan of $50 million sanctioned by loan agreement dated December 11, 2003 as amended by letter dated December 16, 2005*	LIBOR plus 0.60%	Each disbursed amount along with interest and other charges on the loan payable semi-annually on April 15 and October 15 of each year commencing with	965.62

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
				11th and ending on 40th such interest payment date from the maturity fixing date for that disbursement amount	
2	Asian Development Bank	Loan facility of a dollar tranche of US$ 60 million and a JPY tranche of JPY 7,500 million sanctioned by complementary loan agreement dated November 19, 1990. (complementary to the loan agreements dated January 21, 1987 and March 14, 1990 between the Asian Development Bank and the GoI)*	0.50% per annum over the $ LIBOR with respect to the US$ tranche 0.10% per annum over JLTPR** determined in accordance with the agreement with respect to the JPY tranche	US$ Tranche: Repayable in 21 equal instalments payable semi-annually on May 19 and November 19 of each year commencing with the 10th such interest payment date JPY Tranche: Repayable in 13 equal installments payable semi-annually on May 19 and November 19 of each year commencing with the 30th such interest payment date	644.42 (JPY 1,153.85 million)
3	KfW, Frankfurt am Main	Loan facility of Deutsche Mark ("DM") 46.50 million sanctioned vide agreement dated June 19, 1995 pursuant to agreements dated May 4, 1984 and July 17, 1986 between the Government of the Federal Republic of Germany and the GoI consisting of: ● DM 23.25 million ("Portion I") ● DM 23.25 million ("Portion II")*	Portion I: 12% per annum or lending rate of our Company minus 3%, whichever is lower subject to a minimum of 0.75% p.a Portion II: 12% per annum or lending rate of our Company minus 3%, whichever is lower subject to a minimum of 0.85% per annum over the yield of public bonds with a remaining term of ten years as published in the Frank furter A l l g e m e i n e Zetuing A commitment charge @ 1/4 % per annum on undisbursed loan amount The composite arithmetical rate for the loan not to exceed 2.61% per annum	Portion I of the loan facility is repayable in 60 equal and consecutive semi-annual instalments on June 30 and December 30 in each year, the first installment being payable on December 30, 2005 Each sub-portion of Portion II of the loan facility is repayable in 20 equal and consecutive semi-annual installments on June 30 and December 30 each year, the first installment being payable on June 30 of the year following the relevant disbursement	556.06 (Portion I) 137.33 (Portion II)
4	Credit National acting on behalf of the French Republic	Treasury loan of franc (FRF) 172.80 million sanctioned by implementation agreement dated June 14, 1990 pursuant to the Financial Protocol dated December 27, 1989 between the French Treasury and the GoI*	2% per annum on the disbursed and not yet repaid amount The interest on over due payment to bear interest @ total rate of 3.5% including the loan interest of 2%	Each disbursement is repayable in 23 years through 46 equal and successive half-yearly installments, commencing from the 126 months after the last day of the calendar half-year of the relevant disbursement	918.47
5.	International	Loan in various currencies	0.5% over the cost of	Principal amount	16.19

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
	Bank for Reconstruction and Development	aggregating to US$20 million pursuant to an agreement dated July 7, 1993 as amended vide letter dated June 3, 1997	outstanding borrowings drawn down after June 30, 1982 determined in respect of the preceding six months	repayable in 15 years through 30 half yearly instalments, commencing from march 1, 1999	
TOTAL					3238.09

* *The loan is secured by a letter of guarantee from or separate guarantee with the GoI, as the case may be.*

** *The rate which is uniformly applied by the long term credit banks as their to term prime lending rate in Japan to their JPY loans to their prime customers in Japan with terms exceeding one year to be notified by the JPY tranche agent under the agreement and if no such uniform rate is available, the arithmetic mean of the rates quoted by all long-term credit banks in Japan as their respective long term prime rates applied to their JPY loans with terms exceeding one year to prime customers in Japan.*

(ii) Syndicated Foreign Currency Loans from banks / Institutions

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1	State Bank of India, acting through its Hong Kong Branch	Syndicate term loan facility of US$ 300 million by a facility agreement dated March 19, 2010	Margin of 1.54% per annum over 6 month US$ LIBOR, payable semi-annually	Bullet repayment on the date falling 60 month after weighted average utilization date as defined in the facility agreement	13584.01 (USD 300 million)
2	The Bank of Tokyo-Mitsubishi UFJ, Limited Mizuho Corporate Bank, Limited Sumitomo Mitsui Banking Corporation	Syndicate term loan facility of JPY denominated ECB of US$ 240 million by a facility agreement dated September 9, 2010	Margin of 1.50% per annum over the respective interest period JPY LIBOR, payable semi-annually	Repayable in three equal instalments at the end of the 4th, 5th and 6th year from the average date of drawdown	11,350.50 (JPY 20,323.20 million)
TOTAL					24934.51

(iii) Foreign Currency Loans (FCNR(B) from banks)

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1	Union Bank of India	Term Loan of US$ 40 million (₹ 1,811.20 million) through sanction letter dated June 2, 2010 and terms loan agreement dated June 7, 2010	LIBOR plus 2.75 = 3.12% per annum	Bullet payment at the end of 2 years from the date of first disbursement	1,811.20
TOTAL					1811.20

(iv) Rupee Term Loans (From Banks)

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1.	United Bank of India*	Term loan of ₹ 2,500 million through sanction letter dated August 24, 2010 and term loan agreement dated September 9, 2010	Base rate i.e. 8.95% per annum	Bullet repayment after 7 years from the date of initial drawdown	2,500.00

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
2.	United Bank of India*	Term loan of ₹ 5,000 million through sanction letter dated February 23, 2009 and term loan agreement dated March 13, 2009	BPLR minus 4.57% with a minimum rate of 8.25% per annum until maturity	Bullet repayment after 27 months from the date of initial drawdown	5,000.00
3.	United Bank of India*	Term loan of ₹ 2,500 million through sanction letter dated June 24, 2009 and term loan agreement dated June 29, 2009	BPLR minus 4.50% (floating) = 8.5% per annum (floating)	Bullet repayment after 4 years from the date of initial drawdown	2,500.00
4.	China Trust Commercial Bank*	Term loan of ₹ 145 million through sanction letter dated September 25, 2009 and term loan agreement dated October 8, 2009	BPLR minus 4.40% = 8.10% per annum (floating) with a minimum of 7.50% irrespective of BPLR revision downward	Bullet repayment after 48 months from the date of initial drawdown	145.00
5.	State Bank of Bikaner and Jaipur*	Term loan of ₹ 3,500 million through sanction letter dated November 30, 2010, revised sanction letter dated December 1, 2010 and term loan agreement dated March 12, 2009	Base rate plus 0.25% = 8.50% per annum (floating)	Bullet repayment after 36 months from the date of initial drawdown	3,500.00
6.	Bank of Maharashtra*	Term Loan of ₹ 2,000 million through sanction letter dated February 23, 2010 and term loan agreement dated February 25, 2010	BPLR minus 4.35% = 8.90% per annum (floating) with monthly rests	Bullet repayment on April 14, 2014	2,000.00
7.	Bank of Maharashtra*	Term loan of ₹ 3,000 million through sanction letter dated June 8, 2009 and term loan agreement dated June 29, 2009	BPLR minus 4.50% = 8.75% per annum (floating)	Bullet repayment after 4 years from the date of availment	3,000.00
8.	Bank of Maharashtra*	Term loan of ₹ 2,000 million through sanction letter dated July 19, 2010, revised by sanction letter dated August 26, 2010 and term loan agreement dated October 7, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment on January 7, 2016	2,000.00
9.	Punjab & Sind Bank*	Term loan of ₹ 3,750 million through sanction letter dated September 6, 2010	Base rate i.e. 9 % per annum (floating)	Bullet repayment at the end of 4 years from the date of initial drawdown	3,750.00
10.	Punjab & Sind Bank*	Term loan of ₹ 3,350 million through sanction letter dated September 6, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 5 years from the date of initial drawdown	3,350.00
11.	Punjab & Sind Bank*	Term loan of ₹ 1,900 million through sanction letter dated September 6, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 4 years from the date of initial drawdown	1,900.00
12.	Syndicate Bank*	Term loan of ₹ 1,800 million through sanction letter dated February 5, 2010 and term loan agreement dated	BPLR minus 4.10% = 9.15% per annum (floating) with	Bullet repayment in lump sump at the end of 48 months from the	1,800.00

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
		February 22, 2010	monthly rests	date of availing of loan	
13.	Syndicate Bank	Term loan of ₹ 1,500 million through sanction letter dated August 16, 2009, term loan agreement dated September 14, 2009	BPLR minus 4.25% = 9% per annum (floating) with monthly rests.	Bullet repayment at the end of 4 years from the date of initial drawdown	1,500.00
14.	UCO Bank*	Term loan of ₹ 3,500 million through sanction letter dated February 25, 2010 and term loan agreement dated February 26, 2010	BPLR minus 4.00% = 9% per annum (floating) with monthly rests	Bullet repayment in lump sump after 5 years 1 month and 15 days from the date of initial drawdown	3,500.00
15.	UCO Bank	Term loan of ₹ 4,000 million through sanction letter dated December 29, 2009 and term loan agreement dated December 30, 2009	BPLR minus 4.35% = 8.65% per annum (floating) with monthly rests	Bullet repayment at the end of 4 years from the date of disbursement	4,000.00
16.	UCO Bank	Term loan of ₹ 5,000 million through sanction letter dated December 23, 2009, term loan agreement dated December 29, 2010	BPLR minus 4.35% = 8.65% per annum (floating) with monthly rests	Bullet repayment at the end of 4 years from the date of initial drawdown	5,000.00
17.	Andhra Bank	Term loan of ₹ 635 million through sanction letter dated December 14, 2005, term loan agreement dated February 1, 2006	7.35% per annum	Bullet repayment after 66 months from the date of disbursement	635.00
18.	State Bank of Patiala	Term Loan of ₹ 1,000 million through sanction letter dated March 3, 2006 and term loan agreement March 8, 2006	7.78% per annum	Bullet repayment 66 months from the date of disbursement	1,000.00
19.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated February 16, 2008, and letter of comfort dated February 22, 2008	Base rate i.e. 9% per annum (floating)	Bullet repayment after 3 years from the date of first disbursement	5,000.00
20.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated December 15, 2009 and letter of undertaking dated December 18, 2009	Base rate i.e. 9% per annum (floating)	Bullet repayment after 4 years from the date of first disbursement	5,000.00
21.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated April 13, 2010 and letter of comfort dated April 16, 2010	Base rate plus 0.10% = 9.10 % per annum (floating).	Bullet repayment after 5 years from the date of first disbursement	5,000.00
22.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated August 12, 2010 and letter of comfort dated August 19, 2010	Base rate plus 0.20% = 9.20 % per annum (floating)	Bullet repayment after 5 years from the date of first disbursement	5,000.00
23.	Bank of India	Term loan of ₹ 10,000 million through sanction letter dated March 25, 2009, and letter of comfort dated March 26, 2009	BPLR minus 4.10% = 9.15% per annum (floating)	Bullet repayment after 3 years from the date of first disbursement	10,000.00
24.	HDFC Bank	Term loan of ₹ 5,000 million through sanction letter dated June 11, 2009, and loan	RBI Repo Rate (floating) plus 175 basis points =	₹ 2500 million to be repaid on April 15, 2011 and the	5,000.00

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
		agreement dated June 15, 2009	8.00% per annum presently	balance amount to be repaid on July 15, 2011	
25.	HDFC Bank	Term loan of ₹ 5,000 million through sanction letter dated May 11, 2009, as amended by sanction letter dated May 27, 2009 and loan agreement dated May 26, 2009	RBI Repo Rate (floating) plus 165 basis points = 7.90% per annum presently	Bullet repayment after 2 years from the date of first disbursement	5,000.00
26.	HDFC Bank	Term loan of ₹ 5,000 million through sanction letter dated September 18, 2009 and loan agreement dated September 22, 2009	RBI Repo Rate (floating) plus 320 basis points = 9.45% per annum presently	₹ 2500 million to be repaid on September 24, 2013 and balance amount to be repaid on September 24, 2014	5,000.00
27.	Bank of Baroda	Term loan of ₹ 5,000 million through sanction letter dated March 15, 2010, and loan agreement dated March 16, 2010	Base rate i.e. 9% per annum	Bullet repayment at the end of 61 months from the date of first disbursement	5,000.00
28.	Bank of Baroda	Term loan of ₹ 10,000 million through sanction letter dated December 9, 2009 as amended by sanction letter dated January 30, 2010, and loan agreement dated December 23, 2009	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	10,000.00
29.	State Bank of Travancore*	Term loan of ₹ 3,000 million through sanction letter dated January 20, 2010, as amended by sanction letter dated November 1, 2010, and loan agreement dated February 22, 2010	BPLR minus 4.35% = 8.90% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	3,000.00
30.	State Bank of Mysore	Term loan of ₹ 2,000 million through sanction letter dated February 8, 2010 and loan agreement dated March 8, 2010	BPLR minus 4.35% = 8.65% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	2,000.00
31.	Indian Bank	Term loan of ₹ 5,000 million through sanction letter dated July 9, 2010 and term loan agreement dated July 12, 2010	Base rate plus 0.10% = 9.10% per annum (floating)	Bullet repayment at the end of 5 years from the date of first disbursement	5,000.00
32.	Vijaya Bank	Term loan of ₹ 2,500 million through sanction letter dated October 15, 2010, and agreement dated December 6, 2010	Base rate i.e. 9% per annum (floating)	Repayment by payment at the end of 7 years from the date of first disbursement	2,500.00
33.	Vijaya Bank	Term loan of ₹ 7,000 million through sanction letter dated July 26, 2010, and agreement dated July 28, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 7 years from the date of first disbursement	7,000.00
34.	The Ratnakar Bank Limited	Term loan of ₹ 400 million through sanction letter dated August 2, 2010 and medium term loan agreement dated August 20, 2010	Base rate plus 0.25% = 8.25% per annum (floating)	Bullet repayment at the end of 5 years from the date of first disbursement	400.00
35.	Union Bank of	Term loan of ₹ 20,000	Base rate i.e. 9%	Bullet repayment	10,800.00

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
	India	million through sanction letter dated August 5, 2010 and term loan agreement dated August 11, 2010	per annum (floating)	at the end of 5 years from the date of first disbursement	
36.	Union Bank of India	Term loan of ₹ 9,000 million through sanction letter dated December 14, 2010 and term loan agreement dated December 20, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 5 years and 4 months from the date of first disbursement	9,000.00
37.	Union Bank of India	Term loan of ₹ 4,000 million through sanction letter dated September 4, 2009 and term loan agreement dated October 22, 2009	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	4,000.00
TOTAL					**150780.00**

** Demand promissory note was executed by our Company in favour of the lender pursuant to the loan documentation.*

(v) Rupee Term Loans (From Financial Institutions)

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1	Life Insurance Corporation of India	Term loan of ₹ 5,000 million through sanction letter dated July 26, 2001 and Term Loan Agreement dated July 30, 2001 as amended by letter dated March 31, 2004	9% per annum	Bullet repayment at the end of 10 years from the date of initial drawdown	5,000.00
2	India Infrastructure Finance Company Limited	Term loan of ₹ 6,300 million through sanction letter dated March 26, 2010 and general loan agreement for refinance dated March 26, 2010	7.85% per annum	Bullet repayment on March 19, 2014	6,300.00
TOTAL					**11,300.00**

(b) Short Term Loans

(i) Rupee Term Loans (From Banks)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
NIL					

(ii) Rupee Term Loans (From Financial Institutions)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
NIL					

(iii) Foreign Currency Loans (FCNR(B) from banks)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010

NIL

(iv) Commercial Paper

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
NIL					

(v) Working Capital Demand Loan/OD/CC/Loan Against FD/Line of Credit

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
We avail of certain short term loan in the form of cash credit / working capital demand loan and loan against our fixed deposits from time to time. These loans are availed to meet our working capital requirement.					9712.30

Note: None of the above loans can be recalled by the lenders at any time except Working Capital Demand Loan/OD/CC/Loan against FD/Line of Credit of ₹ 9712.30 million.

Annexure - 7

Statement of Investments

(₹ In Million)

Description	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
A. Long Term Investments (Trade - Unless otherwise specified)			
- Valued at Cost			
1,20,00,000 Equity Shares of ₹ 10/- each fully paid up of PTC Ltd. (Quoted)	120.00	120.00	120.00
17,50,000 Equity Shares (Face value of ₹ 10/- each) of Power Exchange India Ltd. (Unquoted - Non Trade)	0.00	17.50	17.50
5,15,000 Equity Shares of ₹ 10/- each fully paid up of Subsidiaries/Associates (Unquoted - Non Trade)	5.15	5.15	5.15
8,330 4% Bonds of ₹ 100/- each of IMP Power Ltd. (Unquoted - Non Trade)	0.83	0.83	0.83
- Valued at Cost (Less diminution, if any, other than temporary)			
98,27,883 Units of " Small is Beautiful " Fund of KSK Investment Advisor Pvt. Ltd. at Net Asset Value of ₹ 9.09 (Face value per unit is ₹ 10)	144.70	120.85	98.28
Less : Provision for Diminution	13.17	2.41	1.96
	131.53	**118.44**	**96.32**
- Valued at Cost (NPAs)			
50,000 Equity Shares of ₹ 10/- each fully paid up of Subsidiaries (Unquoted - Non Trade)	0.00	0.50	0.50
Less : Provision for Contingencies	0.00	0.50	0.50
	0.00	**0.00**	**0.00**
B. Current Investments - Valued scrip wise at Lower of Cost or Market Price (Trade - Unless otherwise specified)			
Equity Shares (Quoted)	80.12	38.33	38.33
Less : Provision for Diminution	4.41	0.00	0.00
	75.71	38.33	38.33
C. Application Money pending allotment of Shares	17.50	0.00	0.00
TOTAL	**350.72**	**300.25**	**278.13**
Note : The number of shares/bonds appearing in the description column pertains to the Investments as at 31.12.2010.			
Aggregate Book adjusted value of Quoted Investments	195.71	158.33	158.33
Aggregate Market value of Quoted Investments	938.62	1426.94	1617.65
Aggregate Book adjusted value of Unquoted Investments	137.51	141.92	119.80
Application Money pending allotment of Shares	17.50	0.00	0.00

Annexure - 8

Statement of Loan Assets

(₹ in Million)

	Description	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
I.	**Secured - (Considered Good)**			
a)	**Considered Good**			
	Rupee Term Loans to State Electricity Boards, State Power Corporations,Central Public Sector Undertakings and State Governments	353091.71	459301.93	516331.07
	Rupee Term Loans to Independent Power Producers	34805.88	26992.71	38556.83
	Foreign Currency Loans to Independent Power Producers	5878.53	4061.12	3417.95
	Buyer's Line of Credit	479.72	199.39	130.43
	Medium Term Loans	308.00	0.00	0.00
	Lease Financing to Borrowers	1915.96	3005.20	3359.07
	Rupee Loans to Equipment Manufacturers	50.08	37.56	28.17
	Incomes Accrued & due on Loans	147.06	19.31	132.39
		396676.94	**493617.22**	**561955.91**
II.	**Secured - Others**			
	RTLs to Independent Power Producers - NPAs	89.18	89.18	89.18
	Less: Provision for Contingencies	26.76	26.76	89.18
		62.42	**62.42**	**0.00**
III.	**Un Secured - (Considered Good)**			
a)	**Considered Good**			
	Rupee Term Loans to State Electricity Boards, State Power Corporations,Central Public Sector Undertakings and State Governments	227846.52	266327.07	313582.02
	Rupee Term Loans to Independent Power Producers	1183.03	8082.54	12509.50
	Working Capital Loans to State Electricity Boards and State Power Corporations	16045.41	29489.89	23312.97
	Foreign Currency Loans to State Electricity Boards and State Power Corporations	1287.74	936.49	777.84
	Buyer's Line of Credit	1187.83	41.78	0.00
	Rupee Loans to Equipment Manufacturers	0.00	0.00	8270.00
	Incomes Accrued & due on Loans	0.05	0.15	774.33
		247550.58	**304877.92**	**359226.66**
IV.	**Un Secured - Others**			
	Rupee Term Loans to State Power Corporations - NPAs	42.45	42.45	42.45
	Less : Provision for Contingencies	42.45	42.45	42.45
		0.00	**0.00**	**0.00**
	TOTAL	**644289.94**	**798557.56**	**921182.57**

Annexure - 9

Statement of Current Assets, Loans & Advances

(₹ in Million)

		Description	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
I	**CURRENT ASSETS**				
(A)	**CASH AND BANK BALANCES**				
	a)	(i) Cheques in hand	0.02	12.65	0.04
		(ii) Imprest with postal authority	0.07	0.06	0.06
			0.09	12.71	0.10
	b)	In Current Accounts with :-			
		i) Reserve Bank of India	0.50	0.50	0.50
		ii) Scheduled Banks	30.87	91.18	46.12
			31.37	91.68	46.62
	c)	Fixed Deposits with Scheduled Banks	4164.33	14499.46	7857.93
			4195.79	**14603.85**	**7904.65**
(B)	**OTHER CURRENT ASSETS**				
	a)	Interest accrued but not due on Loan Assets	13408.32	15612.75	18213.79
	b)	Other charges accrued but not due on Loan Assets	17.81	389.59	1053.33
	c)	Interest accrued but not due on Employee advances	53.60	54.75	51.54
	d)	Interest Accrued but not due on Deposits and Investments	2.75	62.37	54.85
	k)	Sundry Debtors (Unsecured, considered good)			
		Less than 6 months	31.45	19.51	0.00
		Others	6.21	19.30	15.88
			13520.14	**16158.27**	**19389.39**
II	**LOANS & ADVANCES**				
	Loans (considered good)				
	a)	to Employees (Secured)	90.80	89.83	102.40
	b)	to Employees (Unsecured)	53.67	86.40	126.60
			144.47	**176.23**	**229.00**
	Advances (Unsecured considered good)				
	Advances recoverable in cash or in kind or for value to be received				
	a)	to Subsidiaries (including interest recoverable there on)	664.54	659.22	1273.16
	b)	to Employees	2.49	4.02	6.95
	c)	Prepaid Expenses	20.47	15.44	12.74
	d)	Prepaid financial charges on Commercial Paper	547.55	51.52	0.00
	e)	Others	2032.29	3096.22	3487.27
	g)	Advance Income Tax and Tax Deducted at Source	16462.68	15073.31	20947.32
	h)	Advance Fringe Benefit Tax	35.99	13.00	16.06
	i)	Security Deposits	15.06	14.29	4.46
			19781.07	**18927.02**	**25747.96**
	Advances (Unsecured - Others)				
	a)	Others - NPAs	22.67	11.74	10.31
		Less : Provision for Contingencies	20.48	11.74	10.31
			2.19	**0.00**	**0.00**
		Sub total - Loans & advances	19927.73	19103.25	25976.96
		TOTAL	**37643.66**	**49865.37**	**53271.00**

Annexure - 10

Statement of Current Liabilities & Provisions

(₹ in Million)

	Description	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
I.	**CURRENT LIABILITIES**			
	Creditors for Expenses	8.48	15.11	7.16
	Creditors for leased assets	4.54	0.00	0.00
	Unclaimed/Unpaid Bonds	9.61	228.27	82.54
	Unclaimed Interest on Bonds	5.35	40.40	36.91
	Unclaimed Dividend	2.28	5.48	5.11
	Interest Accrued but not due :			
	On Bonds	12880.01	15946.77	22379.97
	On Loans	1166.11	1219.96	1082.00
	On Interest subsidy fund from GoI	0.00	0.00	433.26
		14046.12	**17166.73**	**23895.23**
	Interest Differential Fund - KFW	341.92	476.05	530.73
	Advance received from Subsidiaries (including interest payable thereon)	2123.11	2114.28	2410.25
	Funds received from Govt. of India under R-APDRP	0.00	0.00	2610.46
	Amount payable to GoI under R-APDRP	0.00	1.09	30.97
	Other liabilities	2203.57	1634.90	1419.49
		18744.98	**21682.31**	**31028.85**
II.	**PROVISIONS**			
	Taxation - Income Tax	13631.68	13629.15	20083.40
	Taxation - Fringe Benefit Tax	29.77	7.97	7.97
	Proposed Wage Revision	207.64	50.72	0.00
	Leave Encashment	71.46	128.44	144.63
	Economic Rehabilitation of Employees	12.95	13.11	12.19
	Staff Welfare Expenses	81.64	85.93	96.67
	Gratuity / Superannuation Fund	30.20	45.42	52.75
	Proposed Final Dividend	1549.49	1721.65	-0.01
	Proposed Interim Dividend	0.00	0.00	0.00
	Proposed Corporate Dividend Tax	263.33	292.59	0.00
		15878.16	**15974.98**	**20397.60**
	TOTAL	**34623.14**	**37657.29**	**51426.45**

Annexure - 11

Statement of Operating Income

(₹ in Million)

	Description	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
	Interest on Loans	63,423.40	78,628.33	72,123.36
	Less : Penal interest waived to borrowers	0.01	0.01	0.00
		63,423.39	**78,628.32**	**72,123.36**
	Prepayment / Interest restructuring Premium on Loans	89.48	192.27	163.12
	Upfront fees on Loans	124.84	220.58	373.46
	Service charges on Loans	1.37	1.14	0.54
	Management, Agency & Guarantee Fees	412.81	486.23	720.44
	Commitment charges on Loans	30.06	45.43	20.89
	Less : Commitment charges on Loans waived	0.00	0.00	0.83
		30.06	**45.43**	**20.06**
	Income from surplus funds	1,123.97	488.07	509.39
	Lease income	232.95	149.02	160.68
	Less : Lease Equalisation	2.73	0.00	0.00
		230.22	**149.02**	**160.68**
	Nodal Agency Fees under R-APDRP	78.15	263.40	472.60
	Advisory Fees - UMPPs	0.00	135.99	0.00
	Income from Consultancy Assignments/ Other Services	146.52	419.24	162.96
	TOTAL	**65660.81**	**81029.69**	**74706.61**

Annexure - 12

Statement of Other Income

(₹ in Million)

Description	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010	Nature (Recurring / Non-Recurring)	Related/Non-related to Business
Interest on Income Tax Refund	140.38	132.36	92.14	Non-Recurring	Related
Miscellaneous Income	41.97	48.72	44.47	Non-Recurring	Related
Dividend / Interest Income on Long term Investments	50.96	15.89	15.36	Non-Recurring	Related
Dividend / Interest Income on Current Investments	3.13	1.25	0.88	Non-Recurring	Related
Profit on sale of Long term Investments	0.00	5.26	10.97	Non-Recurring	Related
Profit on sale of Current Investments	0.00	32.58	0.00	Non-Recurring	Related
TOTAL	**236.44**	**236.06**	**163.82**		

Annexure - 13

Statement of Interest & Other Charges

(₹ in million)

	Description	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
I.	**Interest**			
	On Bonds	27,901.27	37,009.89	35,608.38
	On Loans	10,742.56	10,513.43	10,113.45
	to GOI on Interest Subsidy Fund	979.45	807.02	433.26
	Rebate for Timely Payment to Borrowers	1,127.82	1,273.58	1,159.04
	Swap Premium (Net)	138.86	-423.13	-1,224.71
		40889.96	**49180.79**	**46089.42**
II.	**Other Charges**			
	Commitment & Agency Fees	8.47	4.86	4.41
	Financial Charges on Commercial Paper	815.64	644.87	51.52
	Guarantee, Listing & Trusteeship fees	21.19	19.78	13.55
	Management Fees on Foreign Currency Loans	0.00	277.16	280.31
	Bank/Other charges	0.11	0.26	0.51
	Direct overheads for Consultancy Services	37.28	24.11	19.29
	Translation/Actual Exchange Loss or Gain(-) on Foreign Currency Loans	2,525.30	-1,038.43	436.89
		3407.99	**-67.39**	**806.48**
	Interest paid on advances received from subsidiaries	71.96	49.90	48.96
	Less : Interest received on advances given to subsidiaries	5.95	8.20	9.83
		66.01	**41.70**	**39.13**
	TOTAL	**44363.96**	**49155.10**	**46935.03**

Annexure-14

Statement of Bond Issue Expenses

(₹ in Million)

Description	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
Interest on Application Money	381.82	270.59	342.87
Credit Rating Fees	18.10	22.43	15.78
Other Issue Expenses	72.94	106.85	98.47
Stamp Duty Fees	182.99	38.07	25.00
TOTAL	**655.85**	**437.94**	**482.12**

Annexure – 15

Statement of Personnel & Administration Expenses

(₹ in Million)

Description	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
Salaries, Wages and Bonus	319.47	547.79	354.65
Contribution to Provident and other funds	16.03	39.47	37.51
Staff Welfare	30.59	129.80	96.40
Office Rent	4.11	5.87	5.14
Rent for Residential accomodation of employees	22.16	40.60	52.47
Electricity & Water charges	12.46	13.38	11.51
Insurance	1.10	1.24	0.42
Repairs & Maintenance	19.19	28.09	22.03
Stationery & Printing	10.00	4.68	4.45
Travelling & Conveyance	47.17	47.99	38.99
Postage, Telegraph & Telephone	6.28	11.42	7.17
Professional & Consultancy charges	14.91	8.35	12.72
Miscellaneous	74.22	105.88	205.64
Loss on sale of assets	0.15	0.22	0.53
Auditors' remuneration	2.34	2.80	2.11
Expenditure relating to Consultancy Assignment	63.15	0.00	0.00
Service Tax	6.81	12.59	12.47
Rates & Taxes	31.97	13.36	5.47
Wealth Tax	0.12	0.10	0.00
TOTAL	**682.23**	**1013.63**	**869.68**

Annexure - 16

Statement of Appropriations

(₹ in Million)

Description	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
Transfer towards Reserve for Bad & Doubtful Debts u/s 36 (1) (viia) (c) of Income Tax Act, 1961	763.73	1249.58	1052.33
Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961	3482.54	5724.52	4407.15
Dividend & Corporate Dividend Tax :			
Interim Dividend Paid	3041.59	3443.30	0.00
Proposed Interim Dividend	0.00	0.00	0.00
Proposed Final Dividend	1549.49	1721.67	0.00
Corporate Dividend Tax paid on Interim Dividend	516.92	585.19	0.00
Proposed Corporate Dividend Tax	263.33	292.60	0.00
General Reserve	1970.00	2360.00	2020.00
Balance carried to Balance Sheet	3108.39	7124.03	11990.70
TOTAL	**14695.99**	**22500.89**	**19470.18**

Annexure - 17

Consolidated Statement of Deferred Tax Asset / Liability(-)

(₹ in Million)

PARTICULARS	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
Provisions	93.00	70.52	96.01
Accumulated Depreciation / Preliminary Expenses	-2.58	-1.08	-2.78
Accumulated Amortization	5.50	-5.27	-9.47
Lease Equalisation	0.00	0.00	0.00
Lease Income	-650.65	-533.46	-894.15
Total	**-554.73**	**-469.29**	**-810.39**

Annexure - 18

Statement of Dividend

(₹ in million)

Description	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010 **
Equity share capital	11477.67	11477.67	11477.67
Amount of Dividend:			
Interim	3041.59	3443.30	--
Final	1549.49	1721.67	--
Total	**4591.08**	**5164.97**	**0.00**
Rate of Dividend	40.00%	45.00%	0.00%
Corporate Dividend Tax	780.25	877.79	--

** For the FY 2010-11, an Interim dividend of 35% i.e. ₹ 3.50 per Equity Share of ₹ 10 each amounting to ₹ 4017.18 million was paid on 31.01.2011.

Annexure-19

Consolidated Capitalization Statement

(₹ in million)

Description	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010	As adjusted for proposed issue(*)
Debts				
Short term debt	14000.00	23251.22	9712.30	(*)
Long term debt	507601.45	647832.89	754752.74	(*)
Total Debt	**521601.45**	**671084.11**	**764465.04**	**(*)**
Shareholders' Funds				
Share Capital	11477.67	11477.67	11477.67	(*)
Reserves & Surplus	105689.76	122147.87	141624.71	(*)
(-) Revaluation Reserve	0.00	0.00	0.00	(*)
Net Reserves(Net of Revaluation)	105689.76	122147.87	141624.71	(*)
(-) Reserve for bad and doubtful debts u/s 36(1)(vii a)(c) of IT Act,1961	7201.51	8451.09	9506.88	(*)
Net Worth	**109965.92**	**125174.45**	**143595.50**	**(*)**
Long Term Debt / Net Worth	**4.62**	**5.18**	**5.26**	**(*)**

(1) Short Term debt represents debt which are raised for a tenure of less than 12 months

(2) Long Term debt represents debts other than short term debts as defined in clause (1) above

(3) $\frac{\text{Long Term Debt}}{\text{Net worth}} = \frac{\text{Long Term Debt}}{\text{Net worth at the end of the period.}}$

(*) As this is an issue of Equity Shares by way of Book Building Process, the post issue figures will be updated after the discovery of issue price.

Annexure-20

Summary of Consolidated Accounting Ratios

(₹ in million)

Description	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
Net Profit after tax	14695.99	22500.89	19470.18
Weighted average number of shares outstanding during the year	1147766700	1147766700	1147766700
Net Worth	109965.92	125174.45	143595.50
Average Net Worth	105685.45	117570.19	134384.98
Accounting Ratios			
(*)Basic & Diluted Earning Per Share (₹)	12.80	19.60	16.96
Net Assets Value Per Share (₹)	95.81	109.06	125.11
Return on Average Net Worth(%) **	13.91%	19.14%	19.32%
(*) EPS is not annualised. ** RoNW annualized for Nine months ended 31.12.2010.			

Formulae:

Basic & Diluted Earning Per Share = $\frac{\text{Net Profit after Tax}}{\text{Weighted average number of shares outstanding during the year}}$

Net Assets Value Per Share = $\frac{\text{Net Profit after Tax}}{\text{Net worth at the end of the period}}$

Return on Average Net Worth = $\frac{\text{Net Profit after Tax}}{\text{Average Net worth\#}} \times 100$

(Net worth at the beginning of the period + Net worth at the end of the period) / 2

Annexure-21

Statement of Related Party Transaction (Consolidated)

(₹ In Million)

Name of Party	Relationship	Nature of Transaction	Payments For the Year / Period ended		
			31-Dec-10	31-Mar-10	31- Mar- 09
Satnam Singh	CMD	Managerial Remuneration	3.13	4.68	1.55
V K Garg	CMD	Managerial Remuneration	-	-	2.99
Satnam Singh	Director	Managerial Remuneration	-	0.69	1.10
V S Sexena	Director	Managerial Remuneration	-	0.00	0.00
Shyam Wadhera	Director	Managerial Remuneration	-	-	1.38
M K Goel	Director	Managerial Remuneration	3.15	5.15	2.28
Rajiv Sharma	Director	Managerial Remuneration	2.91	3.45	0.07
R Nagarajan	Director	Managerial Remuneration	2.66	1.92	-
N D Tyagi	CEO, PFCCL	Managerial Remuneration	2.49	5.00	0.80

Annexure-22

Statement of Contingent Liability Details (Consolidated)

(₹ In million)

Nature of Transaction	31-Mar-09	31-Mar-10	31-Dec-10
Guarantees issued in foreign currency	1,160.80	852.30	725.04
Guarantees issued in Indian currency	4000.35	4,000.35	4,000.35
Demand Raised by authorities and disputed	143.39	143.39	143.39
Claims not accepted	77.94	77.94	77.94
Letter of Comfort	3948.80	34,142.10	52,309.57
Capital Contract	83.70	129.80	39.01

Annexure-23

Statement of Auditors qualification dealt with in restated financial statements (Consolidated)
Power Finance Corporation Limited

Sl No.	Financial Year	Auditors Qualification	How dealt with in the restated financial information
1.	31.03.2010 31.03.2009	Reversal of provisions for Deferred tax Liabilities (DTL) on special reserve created up to 31.03.2008 and onwards stopping of creation of DTL on special reserve.	The Company, on the basis of opinion received from the Expert Advisory Committee of the Institute of Chartered Accountants of India, made provision for Deferred Tax Liability for Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act from the Financial Year 2004-05 by charging Profit & Loss Account with ₹ 1428.70 million and by debiting the General Reserves by ₹ 7451.40 million (for creating DTL for the years 1997-98 to 2003-04). For the financial year 2005-06, 2006-07 and 2007-08, the company created DTL on special reserve by charging Profit & Loss A/c. As on 31.03.2008, total amount of DTL created on special reserve worked out to ₹ 12283.80 million (₹ 7451.40 million created out of general reserves and ₹ 4832.40 million created out of respective years Profit & Loss A/c). In FY 2008-09, the Company on receipt of a clarification from Accounting Standard Board of the Institute of Chartered Accountants of India vide letter dtd.02.06.2009, stopped creating DTL on special Reserve and reversed the DTL of ₹ 12283.80 million (₹ 7451.40 million to general reserves and ₹ 4832.40 million to P&L Account). Further, the Comptroller and Auditor General of India vide letter No. CA-IV/80/2010 dated 09.08.2010 stated the following: *"In order to ensure consistency in the accounting treatment of provision of DTL on special reserve created u/s 36(1) (viii) of the Income Tax Act, 1961, this department is of the view that non provision of DTL on special reserve is acceptable in case the company demonstrate their intension of not withdrawal of the reserve by passing a resolution that it has no intention to withdraw this special reserve. In other cases where no such resolution is passed by the management, the provision of DTL on special reserve should be made in the annual accounts."* In the restated financials, the reversal of ₹ 8880.10 million of DTL on Special Reserve (pertaining to FYs 1997-98 to 2004-05) has been adjusted in the opening balances of FY 2005-06 and the DTL on Special reserve created in the financial years 2005-06 to 2007-08 amounting to ₹ 3403.70 million has been reversed to the respective years' Profit & Loss A/c.

Annexure - 24

Statement of changes in Accounting Policies (Consolidated)

1. Revenue recognition on Non performing assets :-

During the F.Y. 2008 the accounting policy on reversal of unrealized income on non performing assets which remains due for a period of six months was introduced and the same was subsequently replaced in F.Y. 2009 indicating that any unrealized income recognised before the assets in question became non – performing assets or the income recognised in respect of assets stated in proviso to paragraph 7.2 of Annexure-26 which remained due but unpaid for a period of six months is reversed.

2. Change in classification of an assets including Lease assets:-

From the F.Y. 2007-08 an asset including a lease assets in respect of which instalments of loan, interest and /or other charges remained due but unpaid for a period of six months or more is classified as nonperforming assets against earlier norms of twelve months or more.

3. Classification of an asset into various categories and provisioning norms:-

The classification of assets into standard assets, sub-standard assets, doubtful assets and Loss assets was revised from F.Y. 2008 due to change in Prudential Norms. Similarly the provisioning norms on the above assets were also revised.

Norms before F.Y. 2007-08

a) NPA classification and provisioning norms for assets other than lease

b) The NPAs are further classified into various categories as follows:

i) NPA for a period not exceeding 2 years	:	Sub-standard asset
ii) NPA exceeding 2 years	:	Doubtful asset
iii) When an asset is identified by PFC as loss Asset	:	Loss Asset

The provision against NPAs is made at the rates given hereunder: -

(i) Sub-Standard Assets : 10%

(ii) Doubtful assets:

(a) Facilities guaranteed by State / Central Government

Up to 1 year	:	15%
1 – 3 years	:	25%
More than 3 year	:	50%

(b) Others

(i) Unsecured	:	100%
(ii) Secured upto 1 year	:	20%
1-3 years	:	30%
More than 3 years	:	50%

(iii) Loss assets : 100%

NPA classification and provisioning norms for lease assets

a) The NPAs are further classified into various categories as follows:

i) NPA for a period not exceeding 1 year	:	Sub-standard asset
ii) NPA exceeding 1 year but upto 3 years	:	Doubtful asset
iii) NPA exceeding 3 years	:	Loss Asset

b) The provision against NPAs is made at the rates given hereunder:-

(i) Sub-Standard Assets	:	10%
(ii) Doubtful assets	:	
NPA for 1 – 2 years	:	40%
NPA for 2-3 years	:	70%
(iii) Loss assets	:	100%

Norms from 2007-08 onwards:

NPA classification and provisioning norms for loans, other credits and lease assets are given as under

NPA for a period not exceeding 18 months	:	Sub-standard asset
NPA exceeding 18 months	:	Doubtful asset
When an asset is identified by PFC as loss Asset or assets remain doubtful exceeding 36 months, which ever is earlier	:	Loss Asset

The provision against NPAs is made at the rates given hereunder: -

(i) Sub-Standard Assets : 10%

(ii) Doubtful assets

(a) Secured, facilities guaranteed by state / central government or by state government undertaking for deduction from plan allocation or loan to state department.

Upto 1 year	:	20%
1 – 3 years	:	30%
More than 3 year	:	100%

(b) Unsecured : 100%

(iii) Loss assets 100%

(The entire loss assets shall be written off. In case, a loss asset is permitted to remain in the books for any reason, 100% of outstanding shall be provided for)

4. Employee Benefits:-

During the F.Y. 2006 provisions for gratuity, leave encashment, post retirements medical facilities and economic rehabilitation benefits are accounted for on the basis of actuarial valuation basis carried out at the end of the financial year which has been revised in F.Y. 2007 to include sick leave, earned leave, leave travel concession settlement of allowance after retirement and service award scheme. This was done in afirmity of Accounting Standard 15 (Revised) as notified under Companies (Accounting Standard) Rules, 2006.

5. Recognition of Exchange Translation Loss:-

Translation loss arising on loan assets (back to back basis) was accounted for in separate account to avail the benefits under Income Tax Act without affecting the loan assets. In view of complete with drawl of benefits under Income Tax Act in F.Y. 2007, the policy was revised to give affect in the loan assets by routing it through P&L A/c in accordance with Accounting Standard 11 as notified under Companies (Accounting Standard) Rules, 2006. Accordingly, financials for the respective financial year have been restated.

Annexure – 25

Consolidated Statement of Tax Shelter

(₹ in Million)

Particulars	Year ended 31.03.2009	Year ended 31.03.2010	Nine months Ended 31.12.2010 *
Profit before Tax as per books of accounts (A)	**20,116.81**	**30,638.91**	**26,486.20**
Income Tax Rate	33.99%	33.99%	33.2175%
Tax at above rate	**6,837.70**	**10,414.17**	**8,798.05**
Adjustments:			
Permanent Differences :			
Profit / Loss on sale of Fixed Assets	0.11	0.19	0.51
Exempted Income u/s 10(34) Dividend Income	-16.23	-17.10	-37.69
Other Adjustments	0.68	5.34	2.14
Reserve for bad & doubtful debts u/s 36(1)(viia)(c)	-763.73	-1,249.58	-1,052.33
Special Reserves u/s 36(1)(viii)	-3,482.54	-5,724.52	-4,407.15
Rental Income	-0.29	-0.40	-0.13
Profit on sale of investment	0.00	-37.84	-10.97
Expenses Disallowed under Income Tax Act, 1961	30.82	32.22	27.44
Other Income (Special Reserve claimed & written back due to Prepayment of loans)	0.00	88.39	111.27
Total Permanent Difference (B)	**-4,231.18**	**-6,903.30**	**-5,366.91**
Timing Difference:			
Difference between depreciation as per Companies Act & depreciation as per Income Tax Act, 1961	-25.14	-19.40	-1,338.93
Lease Income/ Lease Equalisation	203.52	309.65	233.10
Provision for Expenses	36.51	36.13	76.73
Foreign Exchange Fluctuation Loss/Gain(-)	-1,439.79	0.00	0.00
Total Timing Differences (C)	**-1,224.90**	**326.38**	**-1,029.10**
Taxable Rental Income(D)	**0.20**	**0.28**	**0.09**
Long Term Capital Gain	0.00	0.00	6.54
Short Term Capital Gain u/s 111A	0.00	0.00	0.00
Short Term Capital Gain other than u/s 111A	0.00	10.88	0.00
Total Capital gain (E)	**0.00**	**10.88**	**6.54**
Recasted Profit (A)+(B)+(C) + (D) +(E) - (F)	**14,660.93**	**24,073.15**	**20,096.82**
Tax on Income Other than Capital Gain	4,983.25	8,178.77	6,673.49
Tax on Capital Gain	0.00	3.70	1.45
Tax Liability	**4,983.25**	**8,182.47**	**6,674.94**
Other adjustments	25.91	36.90	0.00
Total Tax Liability	**5009.16**	**8219.37**	**6674.94**
Interest u/s 234B/ 234C	1.32	4.09	0.00
Total Tax Liability on recasted profit	**5010.48**	**8223.46**	**6,674.94**

* These are provisional amounts since tax audit u/s 44AB and consequently filing of income tax return for AY 2011-12 is yet to be done.

Annexure-26

Significant Accounting Policies

Power Finance Corporation Limited

A. PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements relates to Power Finance Corporation Limited (The Company), its subsidiary, Joint Venture entity and Associate. The Consolidated Financial Statements have been prepared on the following basis:-

i) The Financial Statements of the Company and its subsidiary are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 – Consolidated Financial Statements.

ii) The Financial Statements of Joint Venture entity has been combined by applying proportionate consolidation method on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 – Financial Reporting of interests in Joint Ventures.

iii) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements excepts as otherwise stated in the notes to the accounts.

iv) In case of Associates, where the company directly or indirectly through subsidiaries holds more than 20% of equity, investments in Associates are accounted for using equity method in accordance with Accounting Standard (AS) 23 – Accounting for Investments in Associates in Consolidated Financial Statements.

B. Investments in Subsidiaries and Associates which are not consolidated, are accounted for as per Accounting Standard (AS) 13 – Accounting for Investments, as per policy no. 6.3 infra.

C OTHER SIGNIFICANT ACCOUNTING POLICIES

1 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

The preparation of Financial Statements requires the Management to make estimates and assumptions considered in the reported amounts of assets, liabilities (including contingent liabilities), revenues and expenses of the reporting period. The difference between the actual results and the estimates are recognized in the period in which the results are known and / or materialized.

2 RECOGNITION OF INCOME / EXPENDITURE

2.1 Income and expenses (except as stated below) are accounted for on accrual basis.

2.1.1 Income on non-performing assets and assets stated in the proviso to paragraph 7.2, infra is recognized in the year of its receipt. However, any unrealized income recognized before the asset in question became non-performing asset or the income recognized in respect of assets as stated in the proviso to paragraph 7.2, infra which remained due but unpaid for a period more than six months is reversed.

2.1.2 Fee for advisory and professional services for developing Ultra Mega Power Projects is accounted for on transfer of the project to the successful bidder.

2.1.3 Premium on interest restructuring is accounted for in the year in which the restructuring is approved.

2.1.4 Premium on premature repayment of loan is accounted for in the year in which it is received by the Company.

2.1.5 Income from consultancy service is accounted for on the basis of assessment by the management of actual progress of work executed proportionately with respect to the total scope of work in line with the terms of respective consultancy contracts. Consultancy fees calculated is net of Service Tax as payable under Finance Act, 1994.

2.1.6 Rebate on account of timely payment by borrowers is accounted for, on receipt of entire amount due on time.

2.1.7 Income under the head carbon credit, upfront fees, lead manager fees, facility agent fees, security agent fee and service charges etc. on loans is accounted for in the year in which it is received by the Company.

2.1.8 The discount / financial charges / interest on the commercial papers and zero coupon bonds (deep discount bonds) are amortized proportionately over the period of its tenure.

2.1.9 Expenditure on issue of shares is charged off to the share premium received on the issue of shares.

2.2 Lease rental is accounted for on accrual basis. Income from Lease Rentals in respect of leases prior to 1.4.2001 is recognized on the basis of implicit interest rate, in the lease, in accordance with Guidance Note on Accounting for Leases issued by the Institute of Chartered Accountants of India. Leases effected from 01.04.2001 are accounted for in accordance with Accounting Standard – 19 on Leases.

2.3. Income from dividend is accounted for in the year of declaration of dividend.

2.4. Recoveries in borrower accounts are appropriated as per the loan agreements.

The Company is raising demand of installments due as per loan agreements. The repayment is adjusted against earliest disbursement irrespective of the rate of interest being charged on various disbursements.

2.5. Prior period expenses / income and prepaid expenses up to ₹ 5,000/- are charged to natural heads of account.

2.6. (i) Nodal Agency Fees under Restructured Accelerated Power Development and Reforms Programme (R-APDRP) is accounted for @1% of the sanctioned project cost in three steps- 0.40% on sanction of the project, 0.30% on disbursement of the funds and remaining 0.30% after completion of the sanctioned project (for Part-A) and verification of AT&C loss of the project areas (for Part-B).

(ii) The actual expenditure incurred for operationalising the R-APDRP are reimbursable from Ministry of Power, Government of India and accounted for in the period so incurred.

3. MISCELLANOUS EXPENDITURE (PRELIMINARY) EXPENDITURE

Expenditure which are not Intangible Assets in terms of AS-26 will be fully written off in the same year in which they are incurred.

4 FIXED ASSETS/DEPRECIATION

4.1 Fixed assets are shown at historical cost less accumulated depreciation, except the assets retired from active use and held for disposal, which are stated at lower of the book value or net realizable value.

4.2 Additions to fixed assets are being capitalized on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received / approved.

4.3 Depreciation on assets other than leased assets is provided on written down value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

4.4 Depreciation on assets leased prior to 01.04.2001 is provided for on straight line method at the rates prescribed under the Schedule XIV to the Companies Act, 1956 or over the primary balance period of lease of assets, whichever is higher. The value of the net block so arrived at is further adjusted by balance in the lease equalization account. The assets leased after 01.04.2001 are not required to be depreciated as per Accounting Standard – 19.

4.5 Items of fixed assets acquired during the year costing up to ₹ 5,000/- are fully depreciated.

5 INTANGIBLE ASSETS / AMORTIZATION

Intangible assets such as software are shown at cost of acquisition and amortization is done under straight-line method over life of the assets estimated by the Company.

6 INVESTMENTS

6.1 Quoted current investments are valued scrip wise at lower of cost or fair value.

6.2 Unquoted current investments are valued at lower of cost or fair value.

6.3 Long term investments are valued at cost. Provision is made for diminution, other than temporary in the value of such investments. However, diminution in value is reversed when there is rise in the value or if the reason for the reduction no longer exists.

6.4 Investments in mutual fund / venture capital fund are valued at cost, less diminution, if any, other than temporary. However, diminution in value is reversed when there is rise in the value or if the reason for the reduction no longer exists.

7 PROVISIONS/WRITE OFF AGAINST LOANS AND ADVANCES

Prudential Norms

7.1 PFC being a Government owned Non Banking Financial Company (NBFC) is exempt from the RBI directions relating to Prudential Norms. The Company, however, has formulated its own set of Prudential Norms with effect from 1.4.2003, which has been revised from time to time.

In respect of private sector utilities, the Company is applying RBI exposure norms, as advised by RBI, vide letter of December, 2008. Further, RBI exempted PFC from its prudential exposure norms in respect of lending to State / Central entities in power sector till March'2012, vide its letter dated 18.03.2010.

RBI has accorded the status of Infrastructure Finance company (IFC) to PFC, vide its letter dated 28.07.2010. Accordingly, PFC is maintaining CRAR as applicable to IFC.

7.2 As per prudential norms approved by the Board of Directors and the Ministry of Power, an asset including a lease asset, in respect of which installments of loan, interest and / or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any, when the installment and /or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred which remains unpaid for a period of six months or more are classified as Non-Performing Assets (NPA).

However, the following assets would not be classified as non-performing assets and the income on these loans is recognized on receipt basis.

(i) Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated February 1, 2002 read with D.O. letter DBS FID No

1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated. 11.11.2008 are classified in line with RBI guidelines for asset classification of Infrastructure projects, as applicable to banks from time to time.

(ii) A facility which is backed by the Central / State Government guarantee or by the State Government undertaking for deduction from central plan allocation or a loan to State department, for a period not exceeding 12 months from the date from which Company's dues have not been paid by the borrower.

(iii) A loan disbursed to an integrated power entity which is bifurcated on account of division of states, the company shall follow the government order issued for division of assets and liabilities, unless the same is stayed by any court and the case is pending in the court.

(iv) Non servicing of part of dues disputed by the borrower for a period not exceeding 12 months from the date from which the company's dues have not been paid by the borrower. The disputed income shall be recognized only when it is actually realized. Any such disputed income already recognized in the books of accounts shall be reversed. Disputed dues means amount on account of financial charges like commitment charges, penal interest etc. and the disputed differential income on account of interest reset not serviced by the borrower due to certain issues remains unresolved. A dispute shall be acknowledged on case to case basis with the approval of the Board of Directors.

7.3 NPA classification and provisioning norms for loans, other credits and lease assets are given as under

(i) NPA for a period not exceeding 18 months	:	Sub-standard asset
(ii) NPA exceeding 18 months	:	Doubtful asset
(iii) When an asset is identified as loss asset or assets remain doubtful asset exceeding 36 months, which ever is earlier	:	Loss asset

7.4 Provision against NPAs is made at the rates indicated below: -

(i) Sub-standard assets : 10%

(ii) Doubtful assets:

(a) Secured portion / facility including that guaranteed by the state / central government or by the state government undertaking for deduction from plan allocation or loan to state department.

Up to 1 year	:	20%
1 – 3 years	:	30%
More than 3 years	:	100%

(b) Unsecured : 100%

(iii) Loss assets : 100%

The entire loss assets shall be written off. In case, a loss asset is permitted to remain in the books for any reason, 100% of outstanding shall be provided for.

For the purpose of assets classification and provisioning –

(i) facilities granted to Government sector entities are considered loan-wise.

(ii) facilities granted to Private sector entities are considered borrower -wise.

8 FOREIGN EXCHANGE TRANSACTIONS:

8.1 The following transactions are accounted for at the exchange rates prevailing on the date of the transaction as per Accounting Standard – 11.

(i) Expenses and income in foreign currency; and
(ii) Amounts borrowed and lent in foreign currency.

8.2 The following balances are translated in Indian Currency at the exchange rates prevailing on the date of closing of accounts as per Accounting Standard – 11.

(i) Foreign currency loan liabilities to the extent not hedged.
(ii) Funds kept in foreign currency account with banks abroad.
(iii) Contingent liabilities in respect of guarantees given in foreign currency.
(iv) Income earned abroad but not remitted / received in India.
(v) Loans granted in foreign currency.
(vi) Expenses and income accrued but not due on foreign currency loans / borrowing.

8.3 Where ever the Company has entered into a forward contract or an instrument that is, in substance a forward exchange contract, the difference between the forward rate and exchange rate on the date of transaction is recognized as income or expenses over the life of the contract as per Accounting Standard – 11.

8.4 In case of loan from KFW, Germany, exchange loss, if any, at the year-end is debited to Interest Differential Fund Account – KFW as per loan agreement.

9 GRANTS FROM GOVERNMENT OF INDIA:

9.1 Where grants are first disbursed to the grantee, the same are shown as amount recoverable from the Govt. of India and are squared up on receipt of amount.

9.2 Where grants are received in advance from Govt. of India, the same are shown as current liabilities till the payments are released to the grantee.

10 INTEREST SUBSIDY FUND

10.1 Interest subsidy for eligible borrowers received from the Ministry of Power, Govt. of India under Accelerated Generation & Supply Programme (AG & SP) on net present value (NPV) basis is credited to Interest Subsidy Fund on receipt and is passed on to the borrowers over the eligible period of loan on respective dates of interest demands. Any excess / shortfall in the Interest Subsidy Fund is refunded or adjusted / charged off at the completion of respective scheme.

10.2 Interest Subsidy Fund is credited at the year-end with interest on the outstanding balance in the subsidy fund by debiting Profit & Loss account, at rates specified in the Scheme.

11 R-APDRP FUND

11.1 Loans received from the Government of India under Re-structured Accelerated Power Development & Reforms Programme (R-APDRP) as a Nodal agency for on lending to eligible borrowers are back to back arrangements with no profit or loss arising to the Company.

12 INCOME/RECEIPT/EXPENDITURE ON SUBSIDIARIES

12.1 Expenditure incurred on the subsidiaries is debited to the account “Amount recoverable from concerned subsidiary”.

12.2 Expenses in respect of man days (employees) are allocated to subsidiaries and administrative overheads are apportioned to subsidiaries on estimated basis. Direct expenses are booked to respective subsidiaries.

12.3 Interest on amount recoverable from Subsidiaries is accounted for at the rate of interest applicable for project loan / scheme (generation) to state sector borrower (category A) as per the policy of the

Company.

12.4 Amounts received by subsidiaries as commitment advance from power procurers are parked with the Company as inter-corporate loan and interest is provided on unused portion of these loans at the mutually agreed interest rates.

12.5 Request for Qualification (RFQ) document / Request for Proposal (RFP) document developed for subsidiaries (incorporated for UMPP) are provided to subsidiary companies at a price equivalent to sale proceeds of RFQ / RFP document received by the subsidiary companies from the prospective bidders. The same is accounted for as income of the company on receipt from subsidiary company.

13 EMPLOYEE BENEFITS

13.1 Provident Fund, Gratuity and post retirement benefits

Company's contribution paid / payable during the financial year towards Provident Fund is charged in the Profit and Loss Account. The Company's obligation towards gratuity to employees and post retirement benefits such as medical benefits, economic rehabilitation benefit, and settlement allowance after retirement are actuarially determined and provided for as per Accounting Standard – 15 (Revised).

13.2 Other Employee Benefits

The Company's obligation towards sick leave, earned leave, service award scheme are actuarially determined and provided for as per Accounting Standard – 15 (Revised)

14 INCOME TAX

14.1 Income Tax comprising of current tax is determined in accordance with the applicable tax laws and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) in accordance with Accounting Standard – 22 on Accounting for Taxes on Income of the Institute of Chartered Accounts of India.

Deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognized using tax rates that have been enacted or substantially established by the balance sheet date. Deferred Tax Assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

Offsetting deferred tax assets against deferred tax liability has been done to the extent the enterprise has legally enforceable right to set off assets against liabilities representing current tax being levied by the same governing taxation laws.

14.2 Since the Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference. The Company does not create any deferred tax liability on the said reserve in accordance with the clarification of the Accounting Standard Board of the Institute of Chartered Accountants of India.

15 CASH FLOW STATEMENT

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard – 3 on Cash Flow Statement.

Annexure - 27

Notes on adjustments made in the Restated Financials

I. Reconciliation of Net Profit as per audited accounts and restated accounts:

(₹ in million)

	Description	Nine months ended 31.12.2010	Year ended 31.03.2010	Year ended 31.03.2009
Net profits as per Audited Accounts		**20186.77**	**23783.01**	**19796.90**
Add / Less : Adjustments on account of				
Change in Accounting Policies				
	write off preliminary expenses	0.00	(0.45)	0.45
	TOTAL	**0.00**	**(0.45)**	**0.45**
PPA & Provisions				
	Prior period adjustments	0.23	(1.75)	1.56
	Excess provisions adjustments	(3.72)	(75.25)	78.97
	Provision for Tax adjustments (earlier years)	(104.51)	(1394.78)	(352.01)
	TOTAL	**(108.00)**	**(1471.78)**	**(271.48)**
Other adjustments				
	Nodal Agency Fees u / R-APDRP	(341.55)	436.75	(95.19)
	Expenses u / R-APDRP	(158.94)	128.75	30.19
	Prepayment premium	(46.97)	46.97	0.00
	Interest Income on Loan Assets	(179.21)	105.77	36.17
	Interest on IT Refunds	(121.99)	(411.98)	(39.36)
	Donations	0.00	(49.83)	49.83
	TOTAL	**(848.66)**	**256.43**	**(18.36)**
Tax impact for above adjustments				
	Provision for Tax adjustments	240.07	(67.22)	(11.83)
	Provision for DTL adjustments	0.00	0.00	33.59
	TOTAL	**240.07**	**(67.22)**	**21.76**
DTL on Special Reserve		**0.00**	**0.00**	**(4832.38)**
Net profits as per Restated Accounts		**19470.18**	**22500.89**	**14695.99**

II. Other Notes:

1. Deferred Tax Liability on Special Reserve

The Company, on the basis of opinion received from the Expert Advisory Committee of the Institute of Chartered Accountants of India, made provision for Deferred Tax Liability (DTL) for Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act from the Financial Year 2004-05 by charging Profit & Loss Account with ₹ 1428.70 million and by debiting the General Reserves by ₹ 7451.40 million (for creating DTL for the years 1997-98 to 2003-04). For the financial year 2005-06, 2006-07 and 2007-08, the company created DTL on special reserve by charging Profit & Loss A/c. As on 31.03.2008, total amount of DTL created on special reserve worked out to ₹ 12283.80 million (₹ 7451.40 million created out of general reserves and ₹ 4832.40 million created out of respective years Profit & Loss A/c).

In FY 2008-09, the Company on receipt of a clarification from Accounting Standard Board of the Institute of Chartered Accountants of India vide letter dtd.02.06.2009, stopped creating DTL on special Reserve and reversed the DTL of ₹ 12283.80 million (₹ 7451.40 million to general reserves and ₹ 4832.40 million to P&L Account).

Further, the Comptroller and Auditor General of India vide letter No. CA-IV/80/2010 dated 09.08.2010 stated the following:

"In order to ensure consistency in the accounting treatment of provision of DTL on special reserve created u/s 36(1) (viii) of the Income Tax Act, 1961, this department is of the view that non provision of DTL on special reserve is acceptable in case the company demonstrate their intension of not withdrawal of the reserve by passing a resolution that it has no intention to withdraw this special reserve. In other cases where no such resolution is passed by the management, the provision of DTL on special reserve should be made in the annual accounts."

In the restated financials, the reversal of ₹ 8880.10 million of DTL on Special Reserve (pertaining to FYs 1997-98 to 2004-05) has been adjusted in the opening balances of FY 2005-06 and the DTL on Special reserve created in the financial years 2005-06 to 2007-08 amounting to ₹ 3403.70 million has been reversed to the respective years' Profit & Loss A/c.

In the restated financials relating to the intial public offer (IPO) of the Company in February 2007, the DTL on special reserve was created by charging the profit and loss account. In the restated financials relating to the proposed follow on public offer (FPO) of the Company, the DTL on special reserve has not been created and the DTL created in the earlier years has been reversed for the reasons and the manner explained above.

2. Nodal Agency Fees

Pending finalization of norms for payment of nodal agency fee, etc. the same has not been accounted for in F.Y.2009-10. On finalization of norms by MoP, GOI, vide Office Memorandum No.: 14/03/2008-APDRP dated 20th August, 2010, the Company has recognised in the books of accounts, during the nine month ended 31.12.2010, nodal agency fee income ₹ 814.15 million in respect of sanctions and disbursements done in 2008-09, 2009-10 and in nine months ending 31.12.2010 In the restated summary statements, the nodal agency fees / re-imbursement of expenditure were accounted for in the respective years.

3. Provision on Non Performing Assets

The Company was making provisions for Non Performing Assets as per the Prudential Norms approved by its Board of Directors. The same have been modified in the FY 2007-08. In the Restated Summary Statements, provisions for earlier years have been made on the assumption of the policy for the FY 2010-11 being applicable in earlier years as well. Accordingly, adjustments for Provision for Contingencies have been made in the Restated Summary Statements.

4. Prior Period Items / Other adjustments

Items of income/expenses have been identified and booked as Prior Period items and excess provisions written back have been adjusted in the Restated Summary Statements, in respective years. Further donation refunded has been adjusted in respective years.

5. Income on Cash basis

As per accounting policy, the Company recognizes premium on premature prepayment of loan in the year in which it is received by the Company. In the restated summary statements, the premium on premature prepayment of loan is accounted for in the year in which the borrower has remitted the principal amount and interest ceases to be charged.

As per accounting policy, the income on Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/ 2001-02 dated February 1, 2002 read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated 11.11.2008 is recognized in the year of its receipt. In restated summary statements, such income received and accounted for on receipt basis, has been restated and adjusted in the respective years to which it belongs.

Further, the income pertaining to previous years recognized in the current year, as per Accounting Standard – 9 has been restated in respective years.

6. Exchange Risk Administration Fund (ERAF Trust)

The Corporation created a Trust in 1993 in the name of "Exchange Risk Administration Fund (ERAF Trust)" for the purpose of managing the foreign Exchange Risk. The Corporation and its borrowers who have availed the foreign currency loans, contributed to ERAF. However, due to withdrawal of Section 10(23E) and 10 (14A) of the Income Tax Act, 1961 with effect from 1.04.2002, the Corporation as well as its borrowers did not make further contributions to the ERAF. The amount received from ERAF Trust comprising of contribution of PFC, Karnataka Electricity Board – Post Repayment Fund (KEB-PRPF), A.P. State Electricity Board (APSEB) and Interest Differential Fund (IDF) of KfW Loan, had been taken in the books of Corporation under the head Exchange Risk Management Account (ERMA).

Further, in Finance Act 2007, Section 36(1)(x) of the I.T. Act has also been deleted. The ERAF Trust was liquidated on 30.09.2006. Pursuant to withdrawal of all tax benefits in respect of Exchange Risk Management Accounts and liquidation of ERAF Trust as above, the Corporation closed the ERMA account which was shown as current liability till FY 2005-06 and accordingly, an amount of ₹ 1015.64 million was transferred to Profit and Loss A/c. The above amount has been restated and adjusted in the opening balance of FY 2005-06.

7. Provision for Tax / Refunds of Tax / Deferred Tax

For the purpose of restated financials, provisions for Income tax and Deferred tax have been recomputed on the basis of restated profits applying the income tax rates of respective years. In the case of adjustments up to 31st March, 2005, the same have been carried out in the opening balances of FY 2005-06.

Provisions / refunds of tax (including interest there upon) for earlier years have been considered under respective years.

Annexure-28

Notes on adjustment not made for restated financial statements

1. As per revised AS-15, actuarial valuation of additional components such as sick leave, Leave travel concession, settlement allowance after retirement and services award scheme was made from FY 2006-07 onwards. Further, the effect on the actuarial valuation due to wage revision from 01.01.2007 has been considered in the year of implementation of wage revision i.e. in the FY 2009-10 (for Executives) and FY 2010-11 (for non-executives).

   The actuarial valuation for the relevant financial years have not been re-obtained, as a result said employee benefits have not been restated in the relevant year to that extent.

Annexure-29

Notes on Restated Financial Statements Accounts (Consolidated)

Power Finance Corporation Limited

1. The Company is a government company engaged in extending financial assistance to power sector.

2. The consolidated financial statements represent consolidation of accounts of the company (Power Finance Corporation Limited), its subsidiary company, joint venture entities and associate company as detailed below:-

Name of the subsidiary company /joint venture entities and associate company	Country of incorporation	Proportion of shareholdings as on		Status of accounts & accounting period
		31.12.2010	31.03.2010	
subsidiary company				
PFC Consulting Limited	India	100%	100%	Audited Accounts from 01.04.2010 to 31.12.2010
Joint Venture entities				
National Power Exchange Limited	India	16.66%	16.66%	Audited Accounts from 01.04.2010 to 31.12.2010
Energy Efficiency Services Limited	India	25%	25%	Audited Accounts from 01.04.2010 to 31.12.2010
Associate Company				
Power Equity Capital Advisors Private Limited.	India	30%	30%	Audited Accounts from 01.04.2010 to 31.12.2010

2.1 The financial statements of subsidiaries (incorporated in India) as mentioned below are not consolidated in terms of paragraph 11 of Accounting Standard-21 which states that a subsidiary should be excluded from consolidation when control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal to successful bidder on completion of the bidding process:-

S. No.	Name of the Company	Proportion of Shareholding as on	
		31.12.2010	**31.03.2010**
	Subsidiary Companies:		
1.	Coastal Maharashtra Mega Power Limited	100%	100%
2.	Orissa Integrated Power Limited	100%	100%
3.	Coastal Karnataka Power Limited	100%	100%
4.	Coastal Tamil Nadu Power Limited	100%	100%
5.	Bokaro-Koderma Maithan Transmission Company Limited (*)	100%	100%
6.	Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	100%	100%
7.	Sakhigopal Integrated Power Limited	100%	100%
8.	Ghogarpalli Integrated Power Limited	100%	100%
9.	Tatiya Andhra Mega Power Limited	100%	100%

10.	Bhopal Dhule Transmission Company Limited (wholly owned subsidiary company of PFCCL Ltd.)	100%	100%
11.	Jabalpur Transmission Company Limited (wholly owned subsidiary company of PFCCL Ltd.)	100%	100%

The above subsidiary companies were incorporated as special purpose vehicle (SPVs) under the mandate from Government of India (GOI) for development of ultra mega power projects (UMPPs) and independent transmission projects (ITPs) with the intention to hand over them to successful bidder on completion of the bidding process.

The project of BKMTCL had been transferred to Power Grid Corporation of India Limited (PGCIL). The name of BKMTCL has been stroked off by the ROC in the month of January 2011. Accordingly, a provision of ₹ 0.50 million made against equity investment in the company will be reversed.

2.2 The Company promoted and acquired the shares at face value in the subsidiary companies. Therefore, goodwill or capital reserve did not arise.

3. The consolidated accounts are prepared for the period of nine months ended 31.12.2010, whereas previous year figures pertain to FY 2009-10 and hence are not comparable. The consolidated accounts of corresponding nine month period of the previous year were not prepared, as the company opted for submitting standalone un-audited financial results only, for the quarter and nine months ended 31.12.2009 as per the Listing Agreements with stock exchanges.

4. Contingent liabilities:

(i) Default guarantees issued by the Company in foreign currency :

a) EURO 0.533 million equivalents to ₹ 32.22 million (previous year EURO 0.710 million equivalents to ₹ 43.50 million).

b) US $ 15.30 million equivalent to ₹ 692.82 million (previous year US $ 17.745 million equivalent to ₹ 808.80 million).

(ii) Default guarantee issued by the Company in Indian Rupee: ₹ 4000.00 million (previous year ₹ 4000.00 million).

(iii) Bank guarantee issued by the Company in Indian Rupee: ₹ 0.35 million (previous year ₹ 0.35 million).

(iv) The additional demand raised by Income Tax Department of ₹ 92.40 million, ₹ 5.74million, ₹ 0.39 million and ₹ 44.85 million. for Assessment Years 2005-06, 2006-07, 2007-08 and 2008-09 respectively are being contested. The management does not consider it necessary to make any provision, as the probability of outflow of resources is negligible.

(v) Claims against the Company not acknowledged as debts are ₹ 77.94 million (previous year ₹ 77.94 million).

(vi) Outstanding disbursement commitments to the borrowers by way of Letter of Comfort issued against loans sanctioned, ₹ 52,309.57 million as at 31.12.2010 (previous year ₹ 34,142.10 million).

5. Estimated amount of contract remaining to be executed on account of capital contracts is ₹ 39.01 million (previous year ₹ 129.80 million). Share of capital commitment in jointly controlled entities is ₹ Nil (previous Year ₹ Nil).

6. Additional demands raised by the Income Tax Department (net of relief granted by Appellate Authorities) amounting to ₹ 225.77 million for Assessment Year 2001-02 to 2008-09 were paid, provided for and are being contested.

7. On bifurcation of the erstwhile state of Madhya Pradesh into Madhya Pradesh and Chhattisgarh, the Government of India (GOI), Ministry of Power (MoP) through the Gazette of India Extraordinary – MoP, New Delhi notification dated 04.11.2004 had decided to divide the liability and assets of erstwhile MPEB into MPSEB and CSEB in the ratio of 90:10. Since PFC loans are project specific and the amount disbursed actually goes into creation of assets of the projects, PFC took up the matter with MoP and had requested MoP to review and revise the order. On project specific basis, the liability for the principal amount for CSEB worked out to ₹ 1,066.87 million, against ₹ 1,014.77 million on the basis of the of ratio of 90:10.

Thus, CSEB restricted the servicing of its loan up to ₹ 1014.77 million. MoP vide its letter no. 42/8/2000 – R&R (Vol-V) (pt.) dated 21.10.2010 had again clarified that, the division would be in the ratio of 90:10, as already notified. Due to this clarification, principal liability of ₹ 52.09 million would now be shown as liability due from MPSEB. Since MPSEB has been unbundled into various power utilities, the matter has been taken up with successor utilities of MPSEB. Necessary accounting entries will be passed on receipt of reply from them.

8. A project under implementation having principal outstanding of ₹ 7,000.00 million (previous year ₹ 3,250.00 million) has been considered as standard asset in terms of RBI circular No. DBS.FID.No.C – 11 / 01.02.00 / 2001-02 dated 1.02.2002 read with D.O. letter DBS.FID No.1285 / 01.02.00 / 2001-02 dated 14.05.2002 (thereby treating the asset as standard till June, 2008), and RBI letter no. DBOD, BP.No.7675 / 21.04.048 / 2008-09 dated 11.11.2008 (which advised that the date of commencement of commercial operation should be 31.03.2009, instead of the deemed date of completion of the project i.e. June 2006 as fixed by an independent group setup by RBI, as decided at the time of actual financial closure of the project in September 2006). Based on above, read with RBI Master Circular DBOD No. BP. BC.3 / 21.04.141 / 2009-10 dated 01.07. 2009, the asset may be treated as standard asset not exceeding two years from the date of completion of the project (i.e. 2 years from 31.3.2009). However, the Company recognizes the interest on this loan on receipt basis in terms of the accounting policy and as per prudential norms approved by the MoP.

   Further, the Company has approved and finalized the amendments to the Financial Realignment Plan (FRP), inter-alia, determining the scheduled project Commercial Operation Date (COD) as 01.01.2011. Financial Realignment Plan (FRP) has been accepted by the project management and implemented.

   As per FRP, the Project Company will issue Zero Coupon Bonds (ZCB) (towards interest outstanding for the period from 01.10.2001 to 31.10.2005) valuing ₹ 1,038.78 million (excluding waiver of interest, penal interest etc. amounting to ₹ 86.40 million). During the period, the amount of ₹ 758.30 million (including the dues of previous year of ₹ 232.30 million and the guarantee fee for current year of ₹ 33.50 million) became due on the loan as per FRP, out of which ₹ 747.40 million were received.

   Out of ₹ 747.40 million, interest income of ₹ 179.21 million pertaining to earlier financial years was transferred to respective years in the restated financials as explained in the para no.II (5) of annexure 27 notes to adjustments made in the restated financials.

   The outstanding of ₹ 10.91 million being guarantee fee due as on 31.12.2010 and ₹ 1,038.78 million against ZCB have not been recognized, as per accounting policy.

9. Interest Subsidy under Accelerated Generation & Supply Programme (AG&SP) (including interest upto 31st December, 2010) amounting to ₹ 262.65 million (previous year ₹ 246.70 million), became recoverable in respect of one project, as the project was not completed till 31.03.2007 and the subsidy was withdrawn by the MoP. The interest subsidy of ₹ 262.65 million (previous year ₹ 246.70 million) is payable to the MoP and will be paid on its receipt.

10. The Company is not required to create bond redemption reserve in respect of bonds by virtue of the department of Company affairs' circular of 18.04.2002, according to which the financial institutions within the meaning of Section 4A of the Companies Act, 1956 were not required to create Bond Redemption Reserve in case of privately placed debentures.

    The Company is not required to maintain reserve fund under section 45 – IC of the Reserve Bank of India Act, 1934 by transferring 20 percent of its net profits, as it is exempted by RBI vide its letter dated 24.01.2000.

11. The details of amount recoverable (including interest thereon) from the respective subsidiaries are given below:

11.1

(₹ in Million)

Name of the Subsidiary Companies	Amount as on 31.12.2010	Amount as on 31.03.2010	Maximum during the period	Maximum During the previous year

Coastal Maharashtra Mega Power Limited	48.33	42.80	48.33	42.80
Orissa Integrated Power Limited	558.54	136.70	558.54	136.70
Coastal Karnataka Power Limited	20.51	18.30	20.51	18.30
Coastal Tamil Nadu Power Ltd.	169.19	111.70	169.19	111.70
Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	393.43	330.80	393.43	330.80
Sakhigopal Integrated Power Limited	5.69	2.70	5.69	2.40
Ghogarpalli Integrated Power Limited	4.66	2.40	4.66	2.40
Tatiya Andhra Mega Power Limited	47.04	8.80	47.04	8.80
Bhopal Dhule Transmission Company Limited and Jabalpur Transmission Company Limited (wholly owned subsidiary of PFC Consulting Ltd)	25.70	5.30	25.70	5.30
Total	**1273.09**	**659.20**	**1273.09**	**659.20**

11.2 The details of amounts payable to subsidiaries (including interest) in respect of amounts contributed by power procurers and other amounts payable are given below:

(₹ in Million)

Name of the subsidiary companies	Amount as on 31.12.2010	Amount as on 31.03.2010	Maximum during the period	Maximum During the previous year
Coastal Maharashtra Mega Power Limited	448.20	429.60	448.20	429.60
Orissa Integrated Power Limited	513.49	480.50	513.49	480.50
Coastal Tamil Nadu Power Ltd.	491.03	468.80	491.03	468.80
Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	450.48	419.60	450.48	419.60
Sakhigopal Integrated Power Limited	173.92	51.50	173.92	51.50
Ghogarpalli Integrated Power Limited	162.01	0.00	162.01	0.00
Tatiya Andhra Mega Power Limited	171.10	0.00	171.10	0.00
Bhopal Dhule Transmission Company Limited and Jabalpur Transmission Company Limited (wholly owned subsidiary of PFC Consulting Ltd)	0.00	264.30	0.00	264.30
Total	**2,410.23**	**2114.30**	**2410.23**	**2114.30**

11.3 (i) Investment in "Small is Beautiful" Fund: -

The Company has outstanding investment of ₹ 98.28 million (previous year ₹ 120.85 million) in units of Small is Beautiful Fund. The face value of the Fund is ₹ 10 per unit. The NAV as on 31.03.2010 was ₹ 9.80 per unit and as on 31.12.2010, ₹ 9.88 per unit. As investment in Small is Beautiful Fund is long term investment, the fluctuation in NAV in the current scenario is considered as temporary.

(ii) Investment in equity (unquoted) in Power Exchange India Limited:-

Power Exchange India Ltd. (PXIL) has been promoted by National Stock Exchange (NSE) and National Commodity and Derivatives Exchange Limited (NCDEX). The authorized capital has been enhanced from ₹ 500 million to ₹ 1,000 million in September 2010. The paid up capital of PXIL is ₹ 400.00 million, as on 31.12.2010. The Company has subscribed ₹ 17.50 million of the paid up capital consisting of 17,50,000 equity shares of ₹ 10 each in to the equity capital of PXIL.

12. Interest Differential Fund (IDF) – KFW

The agreement between KFW and PFC provides that the IDF belongs to the borrowers solely and will be used to cover the exchange risk variations under this loan and any excess will be used in accordance with the agreement. The balance in the IDF fund has been kept under separate account head titled as Interest Differential Fund – KFW and shown as a liability. The total fund accumulated as on 31.12.2010 is ₹ 530.73 million (previous year ₹ 476.00 million) after adjusting the translation loss of ₹ 116.79 million (previous year ₹ 137.30 million).

13. Foreign currency liabilities not hedged by a derivative instrument or otherwise:-

Currencies	Amount (in million)	
	31.12.2010	31.03.2010
USD	452.05	427.43
EURO	26.66	27.23
JPY	21,231.04	1,590.51

14. (a) Asset under finance lease after 01.04.2001:

(i) The gross investment in the leased assets and the present value of the minimum value receivable at the balance sheet date has been given in the table below with the description as total of future minimum lease payments and present value of the lease payments amounting to ₹ 5,662.59 million and ₹ 3,679.58 million respectively. The reconciliation of these figures has also been indicated under the head 'Unearned finance income' with an amount of ₹ 1983.01 million.

The future lease rentals are given below:-

(₹ in million)

Particulars	As on 31.12.10	As on 31.03.10
Total of future minimum lease payments (Gross Investments)	5,662.59	2,050.10
Present value of lease payments	3,679.58	1,606.30
Unearned finance income	1,983.01	443.80
Maturity profile of total of future minimum lease payments (Gross Investment)		
Not later than one year	835.65	450.70
Later than one year and not later than 5 years	2,578.21	1,569.90
Later than five years	2,248.73	29.50
Total	**5,662.59**	**2,050.10**
Break up of Present Value of Lease Payments		
Not later than one year	440.00	292.60
Later than one year and not later than 5 years	1,622.57	1,284.90
Later than five years	1,617.01	28.80
Total	**3,679.58**	**1,606.30**

(ii) The Company had sanctioned an amount of ₹ 889.00 million in the year 2004 as finance lease for financing wind turbine generator (commissioned on 19.07.2004) which was reduced to ₹ 888.49 million in December 2006. The gross investment stood at the level of ₹ 494.90 million as on 31.12.2010. The lease rent is to be recovered within a period of 15 Years, starting from 19.07.2004, which comprises of 10 years as a primary period and 5 years as a secondary period.

(iii) The Company had sanctioned an amount of ₹ 984.40 million in the year 2004 as finance lease for financing wind turbine generator (commissioned on 18.5.2004). The gross investment stood at ₹ 521.96 million as on 31.12.2010. The lease rent is to be recovered within a period of 20 years, starting from 18.05.2004, which comprises of 10 years as a primary period and maximum of another 10 years as a secondary period.

(iv) The Company had sanctioned an amount of ₹ 935.10 million in the year 2004 as finance lease for financing wind turbine generator (commissioned on 09.06.2005). The gross investment stood at ₹ 695.18 million as on 31.12.2010. The lease rent is to be recovered within a period of 19 years 11 months, starting from 09.06.2005, which comprises of 10 years as a primary period and maximum of 9 years and 11 months as a secondary period.

(v) The Company had sanctioned an amount of ₹ 2,289.38 million in the year 2008 as finance lease for financing wind turbine generator. The gross investment stood at ₹ 3,950.55 million as on 31.12.2010. The lease rent is to be recovered within a period of 20 years, starting from 01.01.2011, which comprises of 12 years as a primary period and maximum of 8 years as a secondary period.

b) Operating Lease:

The Company's operating leases consists:-

Premises for offices and for residential use of employees are lease arrangements, and are usually renewable on mutually agreed terms, and are cancellable. Rent for residential accommodation of employees include ₹ 52.50 million (previous year ₹ 40.60 million) towards lease payments, net of recoveries in respect of premises for residential use of employees. Lease payments in respect of premises for employees are shown as rent for residential accommodation of employees shown as part of Personnel, Administration and Other Expenses. Lease payments in respect of premises for offices are shown as office shown as part of Personnel, Administration and Other Expenses.

15. Subsidy under Accelerated Generation & Supply Programme (AG&SP):

(i) The Company is claiming subsidy from Govt. of India at net present value calculated at indicative interest rates in accordance with the GOI's letter vide D.O.No.32024 / 17 / 97 – PFC dated 23.09.1997 and O.M.No.32024 / 23 / 2001 – PFC dated 07.03.2003, irrespective of the actual repayment schedule, moratorium period and duration of repayment. The amount of interest subsidy received and to be passed on to the borrower is retained as Interest Subsidy Fund Account. The impact of difference between the indicative rate and period considered at the time of claims and at the time of actual disbursement can be ascertained only after the end of the respective schemes. However on the basis of the projections made for each project (based upon certain assumptions that these would remain same over the projected period of each loan / project), the Company estimated the net excess amount of ₹ 1,803.00 million and ₹ 2,245.50 million (excluding an amount of ₹ 176.52 million recoverable from Irrigation Department of Government of Maharashtra) as at 31.12.2010 for IX & X plan respectively under AG&SP schemes and there is no shortfall. This net excess amount is worked out on overall basis and not on individual basis & may vary due to change in assumptions, if any during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre payment, interest rate reset etc. Any excess / shortfall in the interest subsidy fund will be refunded or adjusted / charged off at the completion of the respective scheme.

(ii) The amount of ₹ 5,706.60 million (Previous year ₹ 6634.90 million) under the head Interest Subsidy Fund, represents the amount of subsidy received from Ministry of Power, Govt. of India which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following : -

(₹ in million)

Particulars	**As on 31.12.2010**	**As on 31.03.10**
Opening balance of Interest Subsidy Fund	6634.90	9089.40
Add : - Received during the period	--	--
: - Interest credited during the period (excluding ₹ 0.26 million pertaining to previous years)	--	804.40
Less : Interest subsidy passed on to borrowers	928.30	1693.60
Refunded to MoP:		
(a) Estimated net excess against IX Plan	--	1500.00
	--	65.30
(b) Due to non- commissioning of Project in time		
Closing balance of interest subsidy fund	***5706.60**	**6634.90**

* The amount does not include interest accrued but not due on fund up to 31.12.2010 amounting to ₹ 433.26 million. This amount is shown as current liability and will be added to fund account at the year end.

16. (i) The Company has been designated as the Nodal Agency for operationalisation and associated service for implementation of the Re-structured Accelerated Power Development and Reforms Programme (R-APDRP) during 11th plan by the, MoP, GOI under it's overall guidance.

Projects under the scheme are being taken up in two parts. Part-A includes the projects for establishment of baseline data and IT applications for energy accounting as well as IT based customer care centers. Part-B includes regular distribution strengthening projects. GoI provide 100% loan for Part A and up to 25% (up to 90% for special category States) loan for Part B. Balance funds for Part- B projects can be raised by the utilities from PFC / REC / multi-lateral institutions and / or own resources. The loans under Part- A alongwith interest thereon is convertible into grant as per R-APDRP guidelines. Similarly, upto 50% (up to 90% for special category states) loan against Part –B project would be convertible in to grant as per R-APDRP guidelines. Enabling activities of the programe is covered under Part-C.

The loans under R-APDRP are routed through the Company for disbursement to the eligible utilities. The amount so disbursed but not converted in to grants as per R-APDRP guidelines will be repaid along with interest to the GOI on receipt from the borrowers.

The details are furnished below :

(₹ in million)

Particulars	Amount recoverable from borrowers & payable to GOI		R-APDRP Fund		Amount payable to GOI (Interest earned on Fixed Deposit)	
	As at 31.12.2010	As at 31.03.10	As at 31.12.2010	As at 31.03.10	As at 31.12.2010	As at 31.03.10
Opening balance	16,460.90	3,251.00	0.00	0.00	1.09	0.00
Additions during the year	9,990.15	13,209.90	12,600.60	13209.90	21.22	1.10
Disbursements / changes during the year	0.00	0.00	9,990.15	13209.90	0.00	0.00
Interest accrued but not due	3,067.65	1097.00	0.00	0.00	8.66	0.00
Closing balance	**29,518.70**	**17,557.90**	**2610.45**	**0.00**	**30.97**	**1.10**

(*) ₹ 2,610.45 million is the undisbursed amount as on date and has been shown as liability.

(ii) Pending finalization of norms for payment of nodal agency fee, etc. the accounting policy therefor was held in abeyance in 2009-10 and fee etc. had not been accounted for in 2009-10. On finalization of norms by MoP, GOI, vide Office Memorandum No.: 14/03/2008-APDRP dated 20th August, 2010, the Company has recognised in the books of accounts, during the nine month ended 31.12.2010, nodal agency fee income ₹ 814.15 million (previous year NIL) in respect of sanctions and disbursements done in 2008-09, 2009-10 and in nine months ending 31.12.2010.

In the restated financials out of ₹ 814.15 million an amount of ₹ 341.55 million was transferred to earlier years (financial year 2009-10 – ₹ 263.40 million and financial year 2008-09 – ₹ 78.15 million) as explained in para no. II (2) of annexure 27 - Notes to Adjustments made in the restated financials.

(iii) During the nine months ended 31.12.2010, the Company has recognized ₹ 297.14 million as amount reimbursed / reimbursable from the Ministry of Power, Govt. of India, towards the actual expenditure incurred in 2008-09, 2009-10 and in nine months ending 31.12.2010) on various activities for operationalising the programme.

In the restated financials out of ₹ 297.14 million an amount of ₹ 158.94 million was transferred to earlier years (financial year 2009-10 – ₹ 128.75 million and financial year 2008-09 – ₹ 30.19 million) as explained in para no. II (2) of annexure 27 - Notes to Adjustments made in the restated financial.

As on 31.12.2010, the total amount of nodal agency fees and reimbursement of expenditure recognised by PFC has been as under:-

(iv)

(₹ in million)

	9 months ending 31.12.2010	Financial year 2009-10	Financial year 2008-09
Nodal agency fees	472.60	263.40	78.15
Reimbursement of expenditure	138.20	128.75	30.19

(v) As per Office Memorandum No.: 14/03/2008-APDRP dated 20th August, 2010 of the GOI, MoP, the total amount receivable against the nodal agency fee plus the reimbursement of actual expenditure will not exceed ₹ 8,500 million or 1.7 % of the likely outlay under Part A & B of R-APDRP, whichever is less million.

17. The Company has no outstanding liability towards Micro, Small and Medium enterprises.

18. The value of lease hold land aggregating to ₹ 383.30 million (previous year ₹ 383.30 million) comprises of amount of ₹ 318.30 million (previous year ₹ 318.30 million) paid towards cost of land to Land and Development Office (L&DO), Ministry of Urban Affairs, Govt. of India, stamp duty liability of ₹ 24.70 million (previous year ₹ 24.70 million) and capitalization of ground rent of ₹ 40.30 million (previous year ₹ 40.30 million) up to the date of completion of building. In accordance with Memorandum of Agreement (MOA) executed with L&DO, the lease deed is yet to be signed. Pending execution of perpetual lease deed, (which does not have limited useful life) the value of leasehold land is not amortized and / or no provision for depreciation has been made on the said leasehold land.

19. Liabilities and Assets denominated in foreign currency have generally been translated at TT selling rate of SBI at year end as given below: -

S. No.	Exchange Rates	31.12.2010	31.03.2010
1	USD / INR	45.2800	45.5800
2	JPY / INR	0.5585	0.4900
3	EURO / INR	60.4500	61.3100

In-case of specific provision in the loan agreement for a rate other than SBI TT selling rate, the rate has been taken as prescribed in the respective loan agreement.

20. Disclosures as per Accounting Standard-15:-

A. Provident fund

The Company pays fixed contribution to provident fund at prescribed rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the profit and loss account. The obligation of the Company is to make such fixed contribution and to ensure a minimum rate of return to the members as specified by GOI. Any short fall for payment of interest to members as per specified rate of return has to be compensated by the Company. The Company estimates that no liability will take place in this regard in the near future and hence no further provision is considered necessary.

B. Gratuity

The Company has a defined gratuity scheme and is managed by a separate trust. The provision for the same has been made on actuarial valuation based upon total number of years of service rendered by the employee subject to a maximum amount of ₹ 1 Million.

C. Post Retirement Medical Scheme (PRMS)

The Company has Post-Retirement Medical Scheme (PRMS), under which retired employees and the dependent family members are provided medical facilities in empanelled hospitals. They can also avail of reimbursement of out-patient treatment subject to a ceiling fixed by the Company.

D. Terminal Benefits

Terminal benefits include settlement in home town for employees & dependents.

E. Leave

The Company provides for earned leave benefit and half-pay leave to the credit of the employees which accrue on half yearly basis @ 15 days and 10 days respectively. 75% of the earned leave is encashable while in service and maximum of 300 days earned leave can be accumulated which is encashable on superannuation / separation. Half pay leave is encashable on separation after 10 years of service or at the time of superannuation subject to a maximum of 300 days. The liability for the same is recognized based on actuarial valuation.

The above mentioned schemes (C, D and E) are unfunded and are recognized on the basis of actuarial valuation.

The summarised position of various defined benefits recognized in the profit and loss account, balance sheet are as under {Figures in brackets ( ) represents to previous year}

i) Expenses recognised in Profit and Loss Account

(₹ in Million)

	Gratuity	PRMS	Leave
Current Service Cost	6.67 (8.00)	1.92 (2.40)	12.15 (12.90)
Interest cost on benefit obligation	6.29 (5.90)	3.62 (2.70)	7.22 (5.40)
Expected return on plan assets	-5.49 (-5.30)	0.00 (0.00)	0.00 (0.00)
Net actuarial (gain)/Loss recognised in the year	9.30 (19.00)	1.31 (25.80)	1.83 (55.30)
Expenses recognised in Profit & Loss Account	*16.77 (27.60)	6.85 (30.90)	*21.20 (73.60)

(*) Includes ₹ 0.72 million (previous year ₹ 0.80 million) and ₹ 1.11 million (previous year ₹ 1.10 million) for gratuity and leave, respectively allocated to subsidiary companies.

ii) The amount recognized in the Balance Sheet

(₹ in million)

	Gratuity	PRMS	Leave
Present value of obligation as at 31.12.2010 (i)	125.07 (111.80)	69.51 (64.40)	144.63 (128.40)
Fair value of plan assets at 31.12.2010 (ii)	106.76 (84.20)	0.00 (0.00)	0.00 (0.00)
Difference (ii) – (i)	-18.31 (-27.60)	-69.51 (-64.40)	-144.63 (-128.40)
Net Asset/(Liability) recognized in the Balance Sheet	-18.31 (-27.60)	-69.51 (-64.40)	-144.63 (-128.40)

iii) Changes in the present value of the defined benefit obligations

(₹ in million)

	Gratuity	PRMS	Leave
Present value of obligation as at 01.04.2010	111.84 (79.60)	64.43 (36.60)	128.44 (71.50)
Interest Cost	6.29 (5.90)	3.62 (2.70)	7.22 (5.40)
Current Service Cost	6.67 (8.00)	1.92 (2.40)	12.15 (12.90)
Benefits paid	-9.39 (-0.70)	-1.77 (-3.10)	-5.01 (-16.70)
Net actuarial (gain)/loss on obligation	9.66 (19.00)	1.31 (25.80)	1.83 (55.30)
Present value of the defined benefit obligation as at 31.12.2010	125.07 (111.80)	69.51 (64.40)	144.63 (128.40)

iv) Changes in the fair value of plan assets

(₹ in million)

	Gratuity	PRMS	Leave
Fair value of plan assets as at 01.04.2010	83.52 (79.60)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	5.49 (5.30)	0.00 (0.00)	0.00 (0.00)
Contributions by employer	26.78 (0.00)	0.00 (0.00)	0.00 (0.00)
Benefit paid	-9.39 (-0.70)	0.00 (0.00)	0.00 (0.00)

Actuarial gain/(loss)	0.36 (0.00)	0.00 (0.00)	0.00 (0.00)
Fair value of plan assets as at 31.12.2010	106.76 (84.20)	0.00 (0.00)	0.00 (0.00)

v) One percent increase / decrease in the inflation rate would impact liability for medical cost of PRMS as under:-

Cost increase by 1% ₹ 1.00 million
Cost decrease by 1% ₹ 0.80 million

vi) During the year, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 16.85 million, to PRMS of ₹ 6.94 million, to leave ₹ 21.20 million and to pension ₹ 16.67 million. (Previous year towards contribution to the Gratuity Trust of ₹ 27.60 million, to PRMS of ₹ 30.90 million, to leave ₹ 73.60 million and to pension ₹ 17.80 million).

E. Other Employee Benefits:-

During the year, provision of ₹ - 0.74 million (previous Year ₹ 0.40 million) has been made for Economic Rehabilitation Scheme for Employees and provision of ₹ 5.61 millions has been made for Long Service Award for Employees (Previous year ₹ 0.10 million reversed) on the basis of actuarial valuation made at the year end by charging / crediting the profit and loss account.

F. Details of the Plan Asset:-

The details of the plan assets at cost as on 31.12.2010 are as follows:-

(₹ in million)

		2010-11 (Up to 31.12.2010)	2009-10
i)	State Government Securities	39.67	13.70
ii)	Central Government Securities	21.69	21.80
iii)	Corporate Bonds / debentures	45.40	48.70
	Total	106.76	84.20

G. Actuarial assumptions

Principal assumptions used for actuarial valuation are:-

Method Used	Projected Unit Credit Method
Discount Rate	7.50 %
Expected rate of return on assets – Gratuity	8.77 %
Future salary increase	5.00 %

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

21. (i) The Company obtains balance confirmation from its borrowers once in a financial year.

(ii) Some of the designated bank accounts opened for making interest payment to bondholders / debenture holders have outstanding balance of ₹ 5.80 million are subject to reconciliation / confirmation.

22. The Company and its subsidiary, associates and joint venture entities have no exposure to real estate sector as on 31.12.2010.

23. The Company and its subsidiary do not have more than one reportable segment in terms of Accounting Standard No. 17 on Segment Reporting.

24. The disclosure requirement in respect of subsidiary / associate companies and Joint Venture entities have been disclosed to the extent available from their audited accounts.

25. Figures have been rounded off to the nearest million of rupees.

Annexure- 30

Statement of Auditors qualifications not dealt with in restated financial statements

Power Finance Corporation Limited (Consolidation)

Sl No.	Financial Year	Auditors Qualification	Management Replies
1.	31.03.2010 31.03.2009 31.03.2008 31.03.2007 31.03.2006	Determination of "Interest Subsidy Fund from GOI for net excess amount received under Accelerated Generation and Supply Program (AG&SP) Scheme from the Ministry of Power, Government of India on over all basis, and not on individual basis and may vary due to change in assumptions, if any, during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre payment, interest rate reset, etc.	The method of claiming Interest Subsidy Fund, utilization, and excess worked out on overall basis based on projections made for loans sanctioned during IX & X plans, etc. The actual/exact excess due to difference between the indicative rate, period and assumptions considered at the time of drawl and at the time of actual disbursement can be ascertained only after the end of the respective schemes. Hence, it does not require restatement. However, the qualification has been dropped in the financial statement for nine months ended 31.12.2010
2.	31.03.2008 31.03.2007 31.03.2006	Disclosure of some of the loan balances shown under loans, advances and other debits/credits in so far as these have since not been confirmed, realised, discharged or adjusted are subject to reconciliation.	Does not require to be restated.
Other Qualification			
3.	2009-10	As explained to us, the management is carrying out the physical verification of fixed assets at the yearend in a phased manner, except certain EDP equipments and Furniture & Fixtures for which no physical verification was conducted. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed by the management on such physical verification.	Certain EDP equipments and Furniture & Fixtures are provided to the officers for official use which are normally returned to the company or otherwise written off upon expiry of useful life of the assets. Hence, physical verification of such items has not been considered necessary. Further, amount involved in the said items is also not material. Accordingly no restatement is required.
4.	2009-10	In our opinion and according to the information and explanations given to us, the Company has an internal audit system, which is commensurate with the size and nature of business of the Company. However, the IT Audit needs to be further streamlined and strengthened.	The information system audit is being conducted periodically and also the company is implementing the oracle ERP financials. No restatement is required.
5.	2008-09	The management is carrying out the physical verification of fixed assets at the year end in a phased manner excluding EDP equipments and Furniture & Fixtures lying at residences of the officers of the Company for which no physical verification was conducted. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets.	Furniture & Fixtures and EDP Equipments are provided to the officers as per the Policy of the Company in their respective names and acknowledgement obtained and kept on record. Hence, physical verification on such items has not been considered necessary. Further, the amount involved in said assets is not material. Accordingly no restatement is required.
6.	2008-09	In our opinion and according to the information and explanations given to us,	The Information Technology system audit is being conducted periodically and also the company is

		the Company has an internal audit system, which is commensurate with the size and nature of business of the Company. However, the same needs to be further streamlined and strengthened particularly in relation to IT aspects of the Company.	considering the implementation of ERP. No restatement is required.
7.	2008-09 2007-08	According to the records of the company, there are no dues of income tax / wealth tax/ service tax, etc., which have not been deposited by the company on account of any dispute except the unpaid demand of Income tax of ₹ 179.10 million for the assessment year 2007-08 (Previous year ₹ 53.10 million for the assessment year 2006-07) for which rectification application u/s 154 of the Income Tax Act, 1961 has been moved.	The said demand of ₹ 179.10 million has been deleted by Assessing Officer vide order u/s 154/143(1) dtd. 24/09/09. Accordingly no restatement is required.
8.	2007-08	Internal controls with regard to awarding of consultancy assignments by the corporation were found to be lacking.	PFC consulting Ltd., a wholly owned subsidiary of the corporation is incorporated with effect from 25th March, 2008 to perform the work of consultancy and the company is advised to take care of the auditors' observation and strengthen the internal control in this regard. Hence no restatement is required.
9.		According to the records of the company, there are no dues of income tax/ wealth tax/ service tax, etc., which have not been deposited by the company on account of any dispute except the unpaid demand of Income tax of ₹ 53.10 million for the assessment year 2006-07 for which stay application has been moved.	The demand of ₹ 53.10 million for AY 2006-07 has been adjusted by Assessing Officer against the refund granted for AY 1997-98 vide order u/s 254 dtd. 27/03/09. Hence no restatement is required.
10.	2007-08 2006-07	In one 'finance lease' transaction, the company had purchased and leased back the assets amounting to ₹ 2,799.92 million from APSEB (now APGENCO). However, sale-deed between PFC and APSEB was executed on 14-02-1997 for part of the amount of ₹ 26,41.03 million and the execution of supplementary sale deed for the balance amount of ₹ 158.89 million is still pending. However, the lease has since expired on 31st March, 2007 and the commercial terms for continued deployment of these assets are yet to be accepted by the lessee.	The Corporation has purchased assets amounting to ₹ 2800 millions from APSEB (now APGENCO), which in turn were leased out to them. Sale Deed between PFC and APSEB (now APGENCO) was executed on 14.02.97 for the amount of ₹ 264.10 millions only. However, the execution of Supplementary Sale Deed for the balance amount of ₹ 158.89 millions (previous year ₹ 158.89 millions) is pending though the same has been considered for fixing lease rental. In respect of the above, the Corporation approved for extension of secondary lease period @ nominal rental of ₹ 1000/- p.a. for the period of 5 years & transfer of assets to APEGENCO. The assets had accordingly been transferred to APGENCO in fiscal 2009 and the same had been accounted for in the gross block of the assets. There was no qualification from the statutory auditors in FY 2008-09 in this matter. Hence restatement is not required.
11.	2005-06	The management has carried out physical verification of fixed assets in a phased manner, during the years. In our opinion, the frequency of physical verification Is reasonable having regards to the size of the Company and nature of its assets. However, the reconciliation of book records with the physical verification	The reconciliation of book records with the physical verification is completed and no major discrepancy has been noticed. Accordingly no restatement is required.

		regarding furniture and fixtures and other office equipments is in progress.	
12.	2005-06	Having regards to the nature of company's business and based on our scrutiny of Company's records and the information and explanations received by us, we report that the Company's activity do not include purchase of inventory and sale of goods. In our opinion and according to the explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of fixed assets. However, in our opinion, the internal controls in the areas of Project follow up and monitoring needs to be strengthened.	The Company is following up and monitoring the projects through nodal officers for each project. As a system, periodical progress reports are being submitted by the project developers to the Nodal Officers. Further, to augment the internal project monitoring systems, two specialized units viz. Corporate Monitoring Unit and Project Management Unit have been established in PFC. No restatement is required.

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AUDITORS' REPORT

To
The Board of Directors,
Power Finance Corporation Limited,
"Urjanidhi ", 1, Barakhamba Lane,
New Delhi – 110 001.

Dear Sirs,

1) We have examined the attached standalone financial information of Power Finance Corporation Limited ('the Company) as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B of Part II of Schedule II to the Companies Act, 1956 (the "Act") and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended to date (the "SEBI Regulations") and in terms of our engagement agreed with you in accordance with our letter dated 19th February 2011 in connection with the proposed Equity offering by the selling Shareholder, the Government of India and further issue of equity shares, of the company.

2) These information have been prepared by the Management from the financial statements for the nine months period ended December 31, 2010 and year ended March 31, 2010, 2009, 2008, 2007 and 2006. For expressing our opinion and reporting on - restated financial information, we have placed reliance on the financial statements for the year ended March, 31, 2010 audited by K.K. Soni & Co., Chartered Accountants jointly with Raj Har Gopal & Co., Chartered Accountants, for the year ended March, 31, 2009 audited by K.K. Soni & Co., Chartered Accountants and for the year ended March, 31, 2008, March, 31, 2007, March, 31, 2006 have been audited by Bansal Sinha & Co., Chartered Accountants.

3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Regulations and terms of our engagement agreed with you; we further report that:

   a) The Restated Summary Statement of Assets and Liabilities of the Company as at December 31, 2010, March 31, 2010, 2009, 2008, 2007 and 2006 as set out in Annexure - 1 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies (Annexure 26), Notes on Adjustments made for Restated Financial Statement (Annexure 27), Notes on Adjustments not made for Restated Financial Statement (Annexure 28) and Other Notes on Restated Financial Statement (Annexure 29).

   b) The Restated Summary Statement of Profit or Loss of the Company for the nine months period ended December 31, 2010 and year ended March 31, 2010, 2009, 2008, 2007 and 2006 as set out in Annexure - 2 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies (Annexure 26), Notes on Adjustments made for Restated Financial Statement (Annexure 27), Notes on Adjustments not made for Restated Financial Statement (Annexure28) and Other Notes on Restated Financial Statement (Annexure 29).

   c) The Restated Summary Statement of Cash Flow of the Company for the nine months period ended December 31, 2010 and year ended March 31, 2010, 2009, 2008, 2007 and 2006 as set out in Annexure - 3 to this report are after making adjustments and regrouping as in our opinion were appropriate.

   d) Based on above and also as per the reliance placed on the reports submitted by the previous auditors for the respective years, we confirm that the restated financial information has been made after incorporating:
      (i) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.

(ii) Adjustments for the material amounts in the respective financial years to which they relate.
(iii) There is no extra-ordinary item that need to be disclosed separately.
(iv)And there are no qualifications in the auditors' reports, which remain to be adjusted in the Restated Summary Statements, **except as mentioned in Annexure- 30**, read with significant Accounting policies (Annexure 26) and other Notes on Restated Financial Statements (Annexure 29).

4) We have also examined the following other financial information relating to the Company prepared by the management and approved by the Board of Directors for the nine months period ended December 31, 2010 and year ended March 31, 2010, 2009, 2008, 2007 and 2006. In respect of the years ended 31St March 2010, 2009, 2008, 2007, 2006 these information have been included based upon the reports submitted by previous auditors and relied upon by us.

i. Statement of Share Capital - Annexure 4.
ii. Statement of Reserves & Surplus- Annexure 5.
iii. Statement of Loans Liabilities (Unsecured) - Annexure 6.
iv. Statement of Investments - Annexure 7.
v. Statement of Loan Assets - Annexure 8.
vi. Statement of Current Assets, Loans & Advances - Annexure 9.
vii. Statement of Current Liabilities and Provisions - Annexure 10.
viii. Statement of Operating Income - Annexure 11.
ix. Statement of Other Income - Annexure 12.
x. Statement of Interest and Other Charges - Annexure 13.
xi. Statement of Bond Issue Expenses - Annexure 14.
xii. Statement of Personnel & Administration Expenses - Annexure 15.
xiii. Statement of Appropriation - Annexure 16.
xiv. Statement of Deferred Tax Asset/Liabilities - Annexure 17.
xv. Statement of Dividend Paid - Annexure 18.
xvi. Capitalization Statement - Annexure 19.
xvii. Summary of Accounting Ratios - Annexure 20.
xviii. Statement of Related Party Transactions - Annexure 21.
xix. Statement of Contingent Liability - Annexure 22.
xx. Statement of Auditors Qualifications dealt with in restated summary statements - Annexure 23.
xxi. Statement of Changes in Accounting Policies- Annexure 24.
xxii. Statement of Tax Shelters - Annexure 25.

In our opinion the financial information contained in Annexure 4 to Annexure 25 of this report read along with the Significant Accounting Policies (Annexure 26), Notes on Adjustments made for Restated Financial Statement (Annexure 27), Notes on Adjustments not made for Restated Financial Statement (Annexure 28) and Other Notes on Restated Financial Statement (Annexure 29) have been prepared after making adjustments and regrouping as considered appropriate in accordance with Part II B of Schedule II of the Act and the SEBI Regulations.

5) This report should not, in any way, be construed as a reissuance or re-dating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

6) Our report is intended solely for use of the management and for inclusion in the offer document in connection to with the proposed Equity offering by the selling shareholders, the Government of India and further issue of Equity share of the company. Our report should not be used for any other purpose except with our consent in writing.

For Raj Har Gopal & Co.	For Mehra Goel & Co.
Chartered Accountants	Chartered Accountants
Firm Regn. No.: 002074N	Firm Regn. No.: 0517N
G.K. Gupta	Geetika Mehra
Partner	Partner
Membership No. 81085	Membership No.510525

Place: New Delhi
Date: 17.03.2011

Annexure - 1

Summary statement of Assets & Liabilities, as restated

(₹ in Millions)

	Description	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
ASSETS							
1	**Fixed Assets**						
	Gross Block	3322.36	3770.40	3748.60	973.35	934.43	988.95
	Less : Depreciation / Amortization	(2768.57)	(2942.88)	(2978.65)	(221.87)	(204.45)	(231.76)
	Capital Works in Progress	312.69	0.00	0.00	0.00	17.25	20.79
		866.48	**827.52**	**769.95**	**751.48**	**747.23**	**777.98**
2	**Investments**	165.11	588.79	655.92	358.55	314.32	413.24
3	**Loans**	355819.18	438923.85	515683.05	644289.94	798557.56	921182.57
4	**Current Assets, Loans & Advances**						
	Cash & Bank Balances	3648.37	5076.69	6745.08	3928.35	13942.88	7272.49
	Other Current Assets	6958.70	11106.52	10597.07	13480.98	16108.05	19355.00
	Loans & Advances	7886.48	10730.11	13163.74	19878.84	18952.44	25797.45
		18493.55	**26913.32**	**30505.89**	**37288.17**	**49003.37**	**52424.94**
	Total Assets	**375344.32**	**467253.48**	**547614.81**	**682688.14**	**848622.48**	**974798.73**
LIABILITIES							
1	**Unsecured Loan Funds**	269248.20	335841.82	406478.12	521601.45	671084.10	764465.04
2	**Deferred Tax Liability (Net of Asset)**	325.43	225.62	152.25	554.75	469.45	811.02
3	**Interest Subsidy Fund from GOI**	12003.30	12316.29	10667.49	9089.38	6634.87	5706.64
4	**Current Liabilities & Provisions**						
	Current Liabilites	4879.67	11877.00	11953.66	18546.58	21254.68	30724.10
	Provisions	7574.82	7568.62	10520.54	15825.05	15861.33	20363.77
		12454.49	**19445.62**	**22474.20**	**34371.63**	**37116.01**	**51087.87**
	Total Liabilities	**294031.42**	**367829.35**	**439772.06**	**565617.21**	**715304.43**	**822070.57**
	Net Assets	**81312.90**	**99424.13**	**107842.75**	**117070.93**	**133318.05**	**152728.16**
	Represented by :						
	Share Capital	10304.50	11477.67	11477.67	11477.67	11477.67	11477.67
	Free Reserves & Surplus	66199.53	82412.69	89927.30	98391.75	113389.29	131743.61
	Networth	**76504.03**	**93890.36**	**101404.97**	**109869.42**	**124866.96**	**143221.28**
	Add : Reserve for Bad & Doubtful Debts u/s 36 (1) (viia) (c) of Income Tax Act, 1961	4808.87	5533.77	6437.78	7201.51	8451.09	9506.88
	Total Share Holders Funds	**81312.90**	**99424.13**	**107842.75**	**117070.93**	**133318.05**	**152728.16**

Annexure - 2

Summary Statement of Profits, as restated

(₹ in Millions)

Description	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
INCOME						
Operating Income	31229.75	38178.62	50116.63	65514.31	80610.42	74543.67
Other Income	124.07	209.27	221.23	222.37	206.73	134.30
Total	**31353.82**	**38387.89**	**50337.86**	**65736.68**	**80817.15**	**74677.97**
EXPENSES						
Interest and other charges	17967.20	23346.73	31436.73	44326.52	49123.63	46913.04
Bond Issue Expenses	292.54	332.26	388.21	655.85	437.93	482.12
Personnel & Administration and Other Expenses	484.59	490.02	810.43	709.09	924.45	799.75
Depreciation	13.94	36.63	44.77	38.36	33.82	30.90
Amortization of Intangible Assets	0.25	0.25	0.25	2.83	4.00	5.68
Provision for Contingencies	175.59	(150.28)	(206.53)	21.61	(5.69)	61.00
Provision for decline in value of investments	1.80	(0.08)	(2.39)	14.95	(15.16)	(0.45)
Total	**18935.91**	**24055.53**	**32471.47**	**45769.21**	**50502.98**	**48292.04**
Profit before tax	**12417.91**	**14332.36**	**17866.39**	**19967.47**	**30314.17**	**26385.93**
Provision for Tax	(2443.00)	(2900.86)	(4738.18)	(5360.65)	(8024.31)	(6982.47)
Provision for Fringe Benefit Tax	(8.09)	(8.22)	(9.65)	(7.31)	0.00	0.00
Profit after tax available for appropriations	**9966.82**	**11423.28**	**13118.56**	**14599.51**	**22289.86**	**19403.46**

Annexure - 3

Statement of Cash flows, as restated

(₹ in million)

	PARTICULARS	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
I.	**Cash Flow from Operating Activities :-**						
	Net Profit before Tax and Extraordinary items	**12417.91**	**14332.36**	**17866.39**	**19967.47**	**30314.17**	**26385.93**
	ADD: Adjustments for						
	Loss on Sale of Assets	0.54	0.08	1.27	0.15	0.22	0.53
	Profit on Sale of Fixed Assets	0.01	0.13	0.00	0.00	0.00	0.00
	Depreciation / Amortisation	14.19	36.88	45.02	41.18	38.20	36.58
	Amortisation of Zero Coupon Bonds	152.57	164.92	178.28	192.72	208.34	166.38
	Foreign Exchange Loss/Gain	(133.35)	(161.44)	229.97	2356.59	(2482.66)	158.37
	Dimunition in value of investments	1.80	(0.08)	(2.39)	14.95	(15.16)	(0.45)
	Provision for Contingencies	175.60	(150.28)	(206.53)	21.61	(5.69)	61.00
	Provision for Retirement Benefits/Other Welfare Expenses/Wage revision	12.29	24.88	50.23	81.60	167.40	68.00
	Operating profit before working Capital Changes:	**12641.56**	**14247.45**	**18162.24**	**22676.27**	**28224.82**	**26876.34**
	Increase/Decrease :						
	Loans Disbursed (Net)	(60577.61)	(83117.92)	(77027.77)	(127013.10)	(154960.22)	(122758.75)
	Other Current Assets	(789.93)	(4130.40)	678.36	(2883.93)	(2627.59)	(3248.26)
	Increase/Decrease in Miscellaneous Expenditure	0.00	(287.79)	0.00	0.00	0.00	0.00
	Loans & Advances	711.67	(1420.92)	1036.75	(964.01)	929.72	(267.42)
	Current Liabilities and provisions	661.70	6027.40	246.46	6574.15	2162.12	9527.97
	Cash flow before extraordinary items	**(47352.61)**	**(68682.18)**	**(56903.96)**	**(101610.62)**	**(126271.15)**	**(89870.12)**
	Extraordinary items	0.00	0.00	0.00	0.00	0.00	0.00
	Cash Inflow/Outflow from operations before Tax	**(47352.61)**	**(68682.18)**	**(56903.96)**	**(101610.62)**	**(126271.15)**	**(89870.12)**
	Income Tax paid	(2304.14)	(3103.42)	(5706.50)	(5958.50)	(8113.58)	(6677.74)
	Income Tax Refund	0.00	135.06	0.00	0.00	0.00	0.00
	Net Cash flow from Operating Activities	**(49656.75)**	**(71650.54)**	**(62610.46)**	**(107569.12)**	**(134384.73)**	**(96547.86)**
II.	**Cash Flow From Investing Activities :**						
	Sale / decrease of Fixed Assets	0.19	0.59	0.80	0.50	0.50	1.70
	Purchase of Fixed Assets	(22.89)	(441.30)	(15.80)	(26.00)	(15.10)	(68.30)
	Increase/decrease in Capital Works in Progress	(154.44)	312.69	0.00	0.00	(17.25)	(3.54)
	Plant & Machinery (Lease Equalisation)	128.88	142.09	2.41	2.73	0.00	0.00
	Investments in Subsidiaries	0.00	(5.00)	1.00	(0.65)	(0.50)	0.00
	Other Investments	(25.97)	(418.60)	(65.74)	283.07	59.38	(98.39)
	Net Cash Used in Investing Activities	**(74.23)**	**(409.53)**	**(77.33)**	**259.65**	**27.03**	**(168.53)**

III	**Cash Flow From Financial Activities :**						
	Issue of Shares		9971.92	0.00	0.00	0.00	0.00
	Issue of Bonds	56714.00	52997.00	72583.00	128089.00	122833.00	125256.00
	Short Term Loans (Net)	1734.40	(311.00)	3400.00	(10800.00)	(7500.00)	(6500.00)
	Loan Against Fixed Deposits (Net)	0.00	1710.00	(1710.00)	0.00	16751.20	(7038.90)
	Raising of Long Term Loans	28245.00	34830.00	43380.00	47500.00	80045.00	52550.00
	Repayment of Long Term Loans	(13416.82)	(15630.00)	(48857.10)	(44490.00)	(44730.00)	(52700.00)
	Redemption of Bonds	(19455.50)	(2721.40)	(1447.00)	(8923.00)	(19818.60)	(28898.10)
	Foreign Currency Loans (Net)	(1186.54)	(4121.64)	3356.10	(404.73)	4868.80	10458.50
	Interest Subsidy Fund	444.35	312.99	(1648.80)	(1578.10)	(2454.52)	(928.23)
	Unclaimed Bonds (Net)	(1.83)	0.00	(0.10)	0.90	218.66	(145.73)
	Payment of Final Dividend (including Corporate Dividend Tax) of Previous year	(848.02)	(1896.12)	(1342.83)	(1342.83)	(1812.82)	(2007.54)
	Payment of Interim Dividend (including Corporate Dividend Tax) of Current year	(2233.40)	(1653.36)	(3357.09)	(3558.50)	(4028.49)	0.00
	Net Cash in-flow from Financing Activities	**49995.65**	**73488.39**	**64356.18**	**104492.74**	**144372.23**	**90046.00**
	Net Increase/Decrease in Cash & Cash Equivalents	**264.67**	**1428.32**	**1668.39**	**(2816.73)**	**10014.53**	**(6670.39)**
	Add : Cash & Cash Equivalents at beginning of the period	3383.70	3648.37	5076.69	6745.08	3928.35	13942.88
	Cash & Cash Equivalents at the end of the period	**3648.37**	**5076.69**	**6745.08**	**3928.35**	**13942.88**	**7272.49**
	Details of Cash & Cash Equivalents at the end of the period:						
	Cheques in hand,Imprest with Postal authority & Balances with Banks	207.48	434.06	(199.97)	26.41	38.67	13.70
	Fixed Deposits with Scheduled Banks	3440.89	4642.63	6945.05	3901.94	13904.21	7258.79
	TOTAL	**3648.37**	**5076.69**	**6745.08**	**3928.35**	**13942.88**	**7272.49**

Annexure - 4

Statement of Share capital

(₹ in Million)

Description	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
Authorised :						
200,00,00,000 Equity shares of ₹ 10/- each	20000.00	20000.00	20000.00	20000.00	20000.00	20000.00
Issued, subscribed and paid up :						
103,04,50,000 Equity shares of ₹ 10/- each fully paid-up as at 31.03.2006 and 114,77,66,700 Equity shares of ₹ 10/- each fully paid-up since 31.03.2007	10304.50	11477.67	11477.67	11477.67	11477.67	11477.67
TOTAL	**10304.50**	**11477.67**	**11477.67**	**11477.67**	**11477.67**	**11477.67**

Annexure - 5

Statement of Reserves & Surplus

(₹ in Million)

Description	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
Reserve for Bad & doubtful debts u/s 36(1)(viia)(c) of Income-Tax Act,1961	4808.87	5533.77	6437.78	7201.51	8451.09	9506.88
Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97	5998.48	5998.48	5998.48	5998.48	5998.48	5998.48
Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98	28040.61	33085.66	36175.06	40116.26	45840.79	50250.63
Securities Premium Account	0.00	8510.96	8510.96	8510.96	8510.96	8510.96
General Reserve	13954.14	14944.14	16154.14	17959.72	20319.72	22339.72
Surplus in Profit and Loss Account	18206.30	19873.45	23088.66	25806.33	32719.34	44643.82
TOTAL	**71008.40**	**87946.46**	**96365.08**	**105593.26**	**121840.38**	**141250.49**

Annexure - 6
Statement of Unsecured Loan Liabilities

(₹ in Million)

Description	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
I.Bonds						
a)Bonds Guaranteed by the Government of India	965.08	965.08	820.00	620.00	420.00	420.00
b) Other Bonds	112713.06	163153.58	234612.74	354171.49	457594.25	554118.54
c)Foreign Currency Notes	8734.66	4686.36	11869.56	14024.16	8204.40	8150.40
	122,412.80	**168,805.02**	**247,302.30**	**368,815.65**	**466,218.65**	**562,688.94**
II.Loans						
a) Long Term Loans						
(i) Foreign Currency Loans from Foreign banks / Institutions (Guaranteed by the Govt. of India)	5109.63	4849.52	4796.96	5052.82	3890.48	3238.09
(ii) Syndicated Foreign Currency Loans from banks / Institutions	9154.21	9038.67	4069.46	4759.98	13674.00	24934.51
(iii) Foreign Currency Loans (FCNR(B) from banks)	672.90	656.55	1604.40	2058.00	1819.75	1811.20
(iv) Rupee Term Loans (From Banks)	97682.06	116132.06	112405.00	118915.00	147930.00	150780.00
(v) Rupee Term Loans (From Financial Institutions)	12500.00	13250.00	11500.00	8000.00	14300.00	11300.00
	125,118.80	**143,926.80**	**134,375.82**	**138,785.80**	**181,614.23**	**192,063.80**
b) Short Term Loans						
(i) Rupee Term Loans (From Banks)	20268.00	18400.00	24800.00	4000.00	0.00	0.00
(ii) Rupee Term Loans (From Financial Institutions)	1000.00	1000.00	0.00	0.00	0.00	0.00
(iii) Foreign Currency Loans (FCNR(B) from banks)	448.60	0.00	0.00	0.00	0.00	0.00
(iv) Commercial Paper	0.00	2000.00	0.00	10000.00	6500.00	0.00
(v) Working Capital Demand Loan/OD/CC/Loan Against FD/Line of Credit	0.00	1710.00	0.00	0.00	16751.22	9712.30
	21,716.60	**23,110.00**	**24,800.00**	**14,000.00**	**23,251.22**	**9,712.30**
TOTAL	**269248.20**	**335841.82**	**406478.12**	**521601.45**	**671084.10**	**764465.04**

Schedule to Annexure - 6 : Statement of Unsecured Loan Liabilities

Unsecured Loans:

I. Bonds

(a) Bonds Guaranteed by the Govt. of India

(₹ in million)

S. No.	Details of Bonds	Amount Raised	Deemed date of Allotment	Coupon rate and maturity and redemption	Redemption Amount Outstanding (as of December 31, 2010)
1	SLR Bonds III Series *	200.00	January 7, 1991	*Coupon Rate:* 11.50% per annum *Maturity and Redemption:* Principal amount to be redeemed on January 7, 2011	200.00
2	SLR Bonds Series IV **	220.00	February 10, 1992	*Coupon Rate:* 12.00% per annum *Maturity and Redemption:* Principal amount to be redeemed on February 10, 2012	220.00
TOTAL					**420.00**

* SLR Bonds III Series have been secured by way of guarantee given by the Government of India through letter dated January 3, 1991, issued by the Ministry of Energy. Further, SLR Bonds III Series was redeemed on the due date of maturity.

** SLR Bonds Series IV have been secured by way of guarantee given by the Government of India through letter dated January 30, 1992, issued by the MoP.

(b) Other Bonds

(₹ in million)

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
1	Bonds (2011) Series X	3,009.00	November 23, 2001	*Coupon Rate:* 9.70% per annum *Maturity and Redemption:* In 10 years from the deemed date of allotment	531.00
2	Bonds (2012) Series XI	7,749.70	February 20, 2002	*Coupon Rate:* 9.25% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	7,440.80
3	Bonds (2017) Series XIII	1,900.00	May 16, 2002 and May 24, 2002	*Coupon Rate:* 9.60% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed dates of allotment	1,900.00
4	Debenture (2017) Series XVII	2,500.00	October 3, 2002	*Coupon Rate:* 8.21% per annum *Maturity and Redemption:* Redeemable in 10 equal annual installments beginning from the date next to the expiry of the 6th year after an initial moratorium period of 5 years from the date of allotment	1,750.00
5	Debenture (2017) Series XVIII	2,500.00	November 13, 2002	*Coupon Rate:* 7.87% per annum *Maturity and Redemption:* Redeemable in 10 equal annual installments beginning from the date next to the expiry of the sixth year after an initial moratorium period of 5 years from the date of allotment	1,750.00
6	Zero Coupon Bond (2022) Series XIX	1,579.58	December 30, 2002	*Coupon Rate:* Zero coupon bonds having face value of ₹ 0.10 million each, aggregating to ₹ 7500 million, allotted at a discounted aggregate amount of ₹ 1,579.58 million	2,946.74

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				Maturity and Redemption: At par at the end of 20 years from the deemed date of allotment	
7	Debenture (2011) Series XXIA	3,010.0	November 2, 2004	*Coupon Rate:* 6.80% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	860.00
8	Debenture (2014) Series XXIB	1,688.00	November 2, 2004	*Coupon Rate:* 7.00% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	1,688.00
9	7.00% Bonds 2011 – XXII series	10,407.00	December 24, 2004	*Coupon Rate:* 7.00% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	6,943.00
10	Debenture (2012) Series XXIII	3,499.00	July 5, 2005	*Coupon Rate:* 7.00% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	2,027.00
11	Debenture Series XXV	1,7347.00	December 30, 2005	*Coupon Rate:* 7.60% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	17,347.00
12	Debenture Series XXVI	1,2618.00	February 24, 2006	*Coupon Rate:* 7.95% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	12,618.00
13	Debenture Series XXVII-A	10,000.00	March 17, 2006	*Coupon Rate:* 8.20% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	10,000.00
14	Debenture Series XXVII-B	8,500.00	March 17, 2006	*Coupon Rate:* 8.09% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	8,500.00
15	Debenture Series XXVIII	6,000.00	May 31, 2006	*Coupon Rate:* 8.85% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed date of allotment	6,000.00
16	Debenture Series XXIX - A	2,500.00	September 7, 2006	*Coupon Rate:* 8.80% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	2,500.00
17	Debenture Series XXIX – B	3,000.00	September 7, 2006	*Coupon Rate:* 8.55% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	3,000.00
18	Debenture (2011) Series XXX	4,800.00	October 9, 2006	*Coupon Rate:* 8.49% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	4,800.00
19	Debenture	14,512.00	December 15,	*Coupon Rate:* 8.78% per annum	14,512.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
	Series XXXI-A		2006	*Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	
20	Debenture Series XXXII	5,785.00	February 19, 2007	*Coupon Rate:* 9.25% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	5,785.00
21	Debenture Series XXXIII-A	1,220.00	March 22, 2007	*Coupon Rate:* 9.80% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	1,220.00
22	Debenture Series XXXIII-B	5,615.00	March 22, 2007	*Coupon Rate:* 9.90% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,615.00
23	Debenture Series XXXIV	5,005.00	March 30, 2007	*Coupon Rate:* 9.90% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,005.00
24	Debenture Series XXXV	5,300.00	May 18, 2007	*Coupon Rate:* 9.96% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,300.00
25	Debenture Series XXXVI-B	4,363.00	June 15, 2007	*Coupon Rate:* 10.00% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	4,363.00
26	Debenture Series XXXVIII	18,620.00	September 20, 2007	*Coupon Rate:* 9.80% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	18,620.00
27	Debenture Series XL-B	5,100.00	December 28, 2007	*Coupon Rate:* 9.22% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	5,100.00
28	Debenture Series XL-C	6,500.00	December 28, 2007	*Coupon Rate:* 9.28% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	6,500.00
29	Debenture Series XLI-B	2,650.00	January 15, 2008	*Coupon Rate:* 8.94% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,650.00
30	Debenture Series XLII-A *	8,250.00	February 15, 2008	*Coupon Rate:* 8.96% per annum to 9.01% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	8,250.00
31	Debenture Series XLII-B	3,190.00	February 15, 2008	*Coupon Rate:* 8.98% per annum to 9.03% per annum *Maturity and Redemption:* At par at the	3,190.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				end of 5 years from the deemed date of allotment	
32	Debenture Series XLIII-A **	761.00	March 12, 2008	*Coupon Rate:* 9.30% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	761.00
33	Debenture Series XLIII-B	2,716.00	March 12, 2008	*Coupon Rate:* 9.30% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,716.00
34	Debenture Series XLIV	12,603.00	March 25, 2008	*Coupon Rate:* 9.40% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	12,603.00
35	Debenture Series XLVI	4750.00	May 29, 2008	*Coupon Rate:* Daily NSE overnight Mumbai Interbank Offered Rate (compounded daily) plus 215 bps *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	4,750.00
36	Debentures Series XLVII-A	4,506.00	June 9, 2008	*Coupon Rate:* 9.55% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	4,506.00
37	Debentures Series XLVII-B	4,953.00	June 9, 2008	*Coupon Rate:* 9.60% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	4,953.00
38	Debentures Series XLVII-C	7,807.00	June 9, 2008	*Coupon Rate:* 9.68% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	7,807.00
39	Debentures Series XLVIII-A	5,715.00	July 15, 2008	*Coupon Rate:* 10.75% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	5,715.00
40	Debenture Series XLVIII-B	2,174.00	July 15, 2008	*Coupon Rate:* 10.70% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,174.00
41	Debenture Series XLVIII-C	2,597.00	July 15, 2008	*Coupon Rate:* 10.55% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	2,597.00
42	Debenture Series XLIX-A	3,136.00	August 11, 2008	*Coupon Rate:* 10.90% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	3,136.00
43	Debenture Series XLIX-B	4,286.00	August 11, 2008	*Coupon Rate:* 10.85% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	4,286.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
44	Debenture Series L-A	1,430.00	August 25, 2008	*Coupon Rate:* 10.85% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	1,430.00
45	Debenture Series L-B	784.00	August 25, 2008	*Coupon Rate:* 10.75% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	784.00
46	Debenture Series L-C	808.00	August 25, 2008	*Coupon Rate:* 10.70% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	808.00
47	Debenture Series LI-A	4,952.00	September 15, 2008	*Coupon Rate:* 11.15% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	4,952.00
48	Debenture Series LI-B	5,940.00	September 15, 2008	*Coupon Rate:* 11.10% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	5,940.00
49	Debenture Series LI-C	30,244.00	September 15, 2008	*Coupon Rate:* 11.00% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	30,244.00
50	Debenture Series LII-A	6,627.00	November 28, 2008	*Coupon Rate:* 11.40% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	6,627.00
51	Debenture Series LII-B	58.00	November 28, 2008	*Coupon Rate:* 11.30% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	58.00
52	Debenture Series LII-C	19,506.00	November 28, 2008	*Coupon Rate:* 11.25% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	19,506.00
53	Debenture Series LIV-A	1,965.00	February 16, 2009	*Coupon Rate:* 8.90% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	1965.00
54	Debenture Series LV-A	8,770.00	May 11, 2009	*Coupon Rate:* 6.90% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	8,770.00
55	Debenture Series LV-B	1,469.00	May 11, 2009	*Coupon Rate:* 7.50% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	1,469.00
56	Debenture Series LVI	5,250.00	July 9, 2009	*Coupon Rate:* 7.20% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of	5250.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				allotment	
57	Debenture Series LVII-B	25,995.00	August 7, 2009	*Coupon Rate:* 8.60% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	25,995.00
58	Debenture Series LVIII-A	1,000.00	September 17, 2009	*Coupon Rate:* 7.75% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	1,000.00
59	Debenture Series LVIII-B	3,311.00	September 17, 2009	*Coupon Rate:* 8.45% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	3,311.00
60	Debenture Series LIX-A	2,882.00	October 15, 2009	*Coupon Rate:* 8.45% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,882.00
61	Debenture Series LIX-B	12,166.00	October 15, 2009	*Coupon Rate:* 8.80% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	12,166.00
62	Debenture Series LX-A	1,750.00	November 20, 2009	*Coupon Rate:* 1 year Indian Constant Maturity Treasury Benchmark Rate plus 135 basis points *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	1,750.00
63	Debenture Series LX-B	9,250.00	November 20, 2009	*Coupon Rate:* 1 year Indian Constant Maturity Treasury Benchmark Rate plus 179 basis points *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	9,250.00
64	Debenture Series LXI	10,530.00	December 15, 2009	*Coupon Rate:* 8.50% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	10,530.00
65	Debenture Series LXII A	8,454.00	January 15, 2010	*Coupon Rate:* 8.70% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	8454.00
66	Debenture Series LXII B	11,726.00	January 15, 2010	*Coupon Rate:* 8.80% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed date of allotment	11,726.00
67	Debenture	5,520.00	March 15,	*Coupon Rate:* 8.90% per annum	5,520.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
	Series LXIII		2010	*Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	
68	Debenture Series LXIV	14,760.00	March 30, 2010	*Coupon Rate:* 8.95% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	14,760.00
69	Debenture Series LXV	40,125.00	May 14, 2010	*Coupon Rate:* 8.70% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	40,125.00
70	Debenture Series LXVI-A	5,000.00	June 15, 2010	*Coupon Rate:* 8.65% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,000.00
71	Debenture Series LXVI -B	15,320.00	June 15, 2010	*Coupon Rate:* 8.75% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed date of allotment	15,320.00
72	Debenture Series LXVI -C	6,330.00	June 15, 2010	*Coupon Rate:* 8.85% per annum *Maturity and Redemption:* At par at the end of 20 years from the deemed date of allotment	6,330.00
73	Debenture Series LXVII	11,000.00	July 15, 2010	*Coupon Rate:* 7.10% per annum *Maturity and Redemption:* At par at the end of 2 years from the deemed date of allotment	11,000.00
74	Debenture Series LXVIII-A	1,470.00	August 4, 2010	*Coupon Rate:* 8.25% per annum *Maturity and Redemption:* At par on July 15, 2015	1,470.00
75	Debenture Series LXVIII –B	14,240.00	August 4, 2010	*Coupon Rate:* 8.70% per annum *Maturity and Redemption:* At par on July 15, 2020	14,240.00
76	Debenture Series LXIX	9,500.00	September 15, 2010	*Coupon Rate:* 7.89% per annum *Maturity and Redemption:* At par at the end of 2 years from the deemed date of allotment	9,500.00
77	Debenture Series LXX	15,490.00	November 15, 2010	*Coupon Rate:* 8.78% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	15,490.00

Sl. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
78	Debenture Series LXXI	5,781.00	December 15, 2010	*Coupon Rate:* 9.05% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of 10th, 15th and 20th year respectively from the deemed date of allotment	5,781.00
				TOTAL	**554118.54**

** Debenture Series XLII-A was redeemed on the due date of maturity.*
*** Debenture Series XLIII-A was redeemed on the due date of maturity.*

(c) Foreign Currency Notes

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1.	(i) ING Life Insurance and Annuity Company (ii) ING USA Annuity and Life Insurance Company (iii) Prudential Insurance Company of America (iv) Transamerica Life Insurance Company (v) Sun Life Assurance Company of Canada (vi) Sun Life Insurance and Annuity Company of New York (vii) Deutsche Bank Securities, Inc. (viii) Security Life of Denver Insurance Company (ix) Hare & Co (c/o of Deutsche Bank AG, Loan)	US$ 180 million 6.61% senior notes issued pursuant note purchase agreement dated August 30, 2007 (for further details see "**Notes**" mentioned below)	6.61% per annum on the unpaid amount, payable semi-annually; and On overdue payment of principal or interest and on make-whole amount @ equal to the higher of (i) 8.61% per annum and (ii) 2% over the rate of interest publicly announced by Bank of America, N.A. as its base or prime rate, payable annually	Principal amount of the Senior Notes is repayable on September 5, 2017	8,150.40 million (US$ 180 million)
			TOTAL		**8150.40**

II. Loans

(a) Long Term Loans

(i) Foreign Currency Loans from Foreign Banks/Institutions (Guaranteed by the Govt. of India)

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1	Asian Development Bank	Loan of $50 million sanctioned by loan agreement dated December 11, 2003 as amended by letter dated December 16, 2005*	LIBOR plus 0.60%	Each disbursed amount along with interest and other charges on the loan payable semi-annually on April 15 and October 15 of each year commencing with 11th and ending on 40th	965.62

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
				such interest payment date from the maturity fixing date for that disbursement amount	
2	Asian Development Bank	Loan facility of a dollar tranche of US$ 60 million and a JPY tranche of JPY 7,500 million sanctioned by complementary loan agreement dated November 19, 1990. (complementary to the loan agreements dated January 21, 1987 and March 14, 1990 between the Asian Development Bank and the GoI)*	0.50% per annum over the $ LIBOR with respect to the US$ tranche 0.10% per annum over JLTPR** determined in accordance with the agreement with respect to the JPY tranche	US$ Tranche: Repayable in 21 equal instalments payable semi-annually on May 19 and November 19 of each year commencing with the 10th such interest payment date JPY Tranche: Repayable in 13 equal installments payable semi-annually on May 19 and November 19 of each year commencing with the 30th such interest payment date	644.42 (JPY 1,153.85 million)
3	KfW, Frankfurt am Main	Loan facility of Deutsche Mark ("DM") 46.50 million sanctioned vide agreement dated June 19, 1995 pursuant to agreements dated May 4, 1984 and July 17, 1986 between the Government of the Federal Republic of Germany and the GoI consisting of: ● DM 23.25 million ("Portion I") ● DM 23.25 million ("Portion II")*	Portion I: 12% per annum or lending rate of our Company minus 3%, whichever is lower subject to a minimum of 0.75% p.a Portion II: 12% per annum or lending rate of our Company minus 3%, whichever is lower subject to a minimum of 0.85% per annum over the yield of public bonds with a remaining term of ten years as published in the Frank furter A l l g e m e i n e Zetuing A commitment charge @ 1/4 % per annum on undisbursed loan amount The composite arithmetical rate for the loan not to exceed 2.61% per annum	Portion I of the loan facility is repayable in 60 equal and consecutive semi-annual instalments on June 30 and December 30 in each year, the first installment being payable on December 30, 2005 Each sub-portion of Portion II of the loan facility is repayable in 20 equal and consecutive semi-annual installments on June 30 and December 30 each year, the first installment being payable on June 30 of the year following the relevant disbursement	556.06 (Portion I) 137.33 (Portion II)
4	Credit National acting on behalf of the French Republic	Treasury loan of franc (FRF) 172.80 million sanctioned by implementation agreement dated June 14, 1990 pursuant to the Financial Protocol dated December 27, 1989 between the French Treasury and the GoI*	2% per annum on the disbursed and not yet repaid amount The interest on over due payment to bear interest @ total rate of 3.5% including the loan interest of 2%	Each disbursement is repayable in 23 years through 46 equal and successive half-yearly installments, commencing from the 126 months after the last day of the calendar half-year of the relevant disbursement	918.47
5.	International Bank for	Loan in various currencies aggregating to US$20	0.5% over the cost of outstanding	Principal amount repayable in 15 years	16.19

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
	Reconstruction and Development	million pursuant to an agreement dated July 7, 1993 as amended vide letter dated June 3, 1997	borrowings drawn down after June 30, 1982 determined in respect of the preceding six months	through 30 half yearly instalments, commencing from march 1, 1999	
	TOTAL				**3238.09**

* *The loan is secured by a letter of guarantee from or separate guarantee with the GoI, as the case may be.*

** *The rate which is uniformly applied by the long term credit banks as their to term prime lending rate in Japan to their JPY loans to their prime customers in Japan with terms exceeding one year to be notified by the JPY tranche agent under the agreement and if no such uniform rate is available, the arithmetic mean of the rates quoted by all long-term credit banks in Japan as their respective long term prime rates applied to their JPY loans with terms exceeding one year to prime customers in Japan.*

(ii) Syndicated Foreign Currency Loans from banks / Institutions

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1	State Bank of India, acting through its Hong Kong Branch	Syndicate term loan facility of US$ 300 million by a facility agreement dated March 19, 2010	Margin of 1.54% per annum over 6 month US$ LIBOR, payable semi-annually	Bullet repayment on the date falling 60 month after weighted average utilization date as defined in the facility agreement	13584.01 (USD 300 million)
2	The Bank of Tokyo-Mitsubishi UFJ, Limited Mizuho Corporate Bank, Limited Sumitomo Mitsui Banking Corporation	Syndicate term loan facility of JPY denominated ECB of US$ 240 million by a facility agreement dated September 9, 2010	Margin of 1.50% per annum over the respective interest period JPY LIBOR, payable semi-annually	Repayable in three equal instalments at the end of the 4th, 5th and 6th year from the average date of drawdown	11,350.50 (JPY 20,323.20 million)
	TOTAL				**24934.51**

(iii) Foreign Currency Loans (FCNR(B) from banks)

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1	Union Bank of India	Term Loan of US$ 40 million (₹ 1,811.20 million) through sanction letter dated June 2, 2010 and terms loan agreement dated June 7, 2010	LIBOR plus 2.75 = 3.12% per annum	Bullet payment at the end of 2 years from the date of first disbursement	1,811.20
	TOTAL				**1811.20**

(iv) Rupee Term Loans (From Banks)

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1.	United Bank of India*	Term loan of ₹ 2,500 million through sanction letter dated August 24, 2010 and term loan agreement dated September 9, 2010	Base rate i.e. 8.95% per annum	Bullet repayment after 7 years from the date of initial drawdown	2,500.00
2.	United Bank of	Term loan of ₹ 5,000 million	BPLR minus	Bullet repayment	5,000.00

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
	India*	through sanction letter dated February 23, 2009 and term loan agreement dated March 13, 2009	4.57% with a minimum rate of 8.25% per annum until maturity	after 27 months from the date of initial drawdown	
3.	United Bank of India*	Term loan of ₹ 2,500 million through sanction letter dated June 24, 2009 and term loan agreement dated June 29, 2009	BPLR minus 4.50% (floating) = 8.5% per annum (floating)	Bullet repayment after 4 years from the date of initial drawdown	2,500.00
4.	China Trust Commercial Bank*	Term loan of ₹ 145 million through sanction letter dated September 25, 2009 and term loan agreement dated October 8, 2009	BPLR minus 4.40% = 8.10% per annum (floating) with a minimum of 7.50% irrespective of BPLR revision downward	Bullet repayment after 48 months from the date of initial drawdown	145.00
5.	State Bank of Bikaner and Jaipur*	Term loan of ₹ 3,500 million through sanction letter dated November 30, 2010, revised sanction letter dated December 1, 2010 and term loan agreement dated March 12, 2009	Base rate plus 0.25% = 8.50% per annum (floating)	Bullet repayment after 36 months from the date of initial drawdown	3,500.00
6.	Bank of Maharashtra*	Term Loan of ₹ 2,000 million through sanction letter dated February 23, 2010 and term loan agreement dated February 25, 2010	BPLR minus 4.35% = 8.90% per annum (floating) with monthly rests	Bullet repayment on April 14, 2014	2,000.00
7.	Bank of Maharashtra*	Term loan of ₹ 3,000 million through sanction letter dated June 8, 2009 and term loan agreement dated June 29, 2009	BPLR minus 4.50% = 8.75% per annum (floating)	Bullet repayment after 4 years from the date of availment	3,000.00
8.	Bank of Maharashtra*	Term loan of ₹ 2,000 million through sanction letter dated July 19, 2010, revised by sanction letter dated August 26, 2010 and term loan agreement dated October 7, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment on January 7, 2016	2,000.00
9.	Punjab & Sind Bank*	Term loan of ₹ 3,750 million through sanction letter dated September 6, 2010	Base rate i.e. 9 % per annum (floating)	Bullet repayment at the end of 4 years from the date of initial drawdown	3,750.00
10.	Punjab & Sind Bank*	Term loan of ₹ 3,350 million through sanction letter dated September 6, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 5 years from the date of initial drawdown	3,350.00
11.	Punjab & Sind Bank*	Term loan of ₹ 1,900 million through sanction letter dated September 6, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 4 years from the date of initial drawdown	1,900.00
12.	Syndicate Bank*	Term loan of ₹ 1,800 million through sanction letter dated February 5, 2010 and term loan agreement dated February 22, 2010	BPLR minus 4.10% = 9.15% per annum (floating) with monthly rests	Bullet repayment in lump sump at the end of 48 months from the date of availing of	1,800.00

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
				loan	
13.	Syndicate Bank	Term loan of ₹ 1,500 million through sanction letter dated August 16, 2009, term loan agreement dated September 14, 2009	BPLR minus 4.25% = 9% per annum (floating) with monthly rests.	Bullet repayment at the end of 4 years from the date of initial drawdown	1,500.00
14.	UCO Bank*	Term loan of ₹ 3,500 million through sanction letter dated February 25, 2010 and term loan agreement dated February 26, 2010	BPLR minus 4.00% = 9% per annum (floating) with monthly rests	Bullet repayment in lump sump after 5 years 1 month and 15 days from the date of initial drawdown	3,500.00
15.	UCO Bank	Term loan of ₹ 4,000 million through sanction letter dated December 29, 2009 and term loan agreement dated December 30, 2009	BPLR minus 4.35% = 8.65% per annum (floating) with monthly rests	Bullet repayment at the end of 4 years from the date of disbursement	4,000.00
16.	UCO Bank	Term loan of ₹ 5,000 million through sanction letter dated December 23, 2009, term loan agreement dated December 29, 2010	BPLR minus 4.35% = 8.65% per annum (floating) with monthly rests	Bullet repayment at the end of 4 years from the date of initial drawdown	5,000.00
17.	Andhra Bank	Term loan of ₹ 635 million through sanction letter dated December 14, 2005, term loan agreement dated February 1, 2006	7.35% per annum	Bullet repayment after 66 months from the date of disbursement	635.00
18.	State Bank of Patiala	Term Loan of ₹ 1,000 million through sanction letter dated March 3, 2006 and term loan agreement March 8, 2006	7.78% per annum	Bullet repayment 66 months from the date of disbursement	1,000.00
19.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated February 16, 2008' and letter of comfort dated February 22, 2008	Base rate i.e. 9% per annum (floating)	Bullet repayment after 3 years from the date of first disbursement	5,000.00
20.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated December 15, 2009 and letter of undertaking dated December 18, 2009	Base rate i.e. 9% per annum (floating)	Bullet repayment after 4 years from the date of first disbursement	5,000.00
21.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated April 13, 2010 and letter of comfort dated April 16, 2010	Base rate plus 0.10% = 9.10 % per annum (floating).	Bullet repayment after 5 years from the date of first disbursement	5,000.00
22.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated August 12, 2010 and letter of comfort dated August 19, 2010	Base rate plus 0.20% = 9.20 % per annum (floating)	Bullet repayment after 5 years from the date of first disbursement	5,000.00
23.	Bank of India	Term loan of ₹ 10,000 million through sanction letter dated March 25, 2009, and letter of comfort dated March 26, 2009	BPLR minus 4.10% = 9.15% per annum (floating)	Bullet repayment after 3 years from the date of first disbursement	10,000.00
24.	HDFC Bank	Term loan of ₹ 5,000 million through sanction letter dated June 11, 2009, and loan agreement dated June 15,	RBI Repo Rate (floating) plus 175 basis points = 8.00% per annum	₹ 2500 million to be repaid on April 15, 2011 and the balance amount to	5,000.00

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
		2009	presently	be repaid on July 15, 2011	
25.	HDFC Bank	Term loan of ₹ 5,000 million through sanction letter dated May 11, 2009, as amended by sanction letter dated May 27, 2009 and loan agreement dated May 26, 2009	RBI Repo Rate (floating) plus 165 basis points = 7.90% per annum presently	Bullet repayment after 2 years from the date of first disbursement	5,000.00
26.	HDFC Bank	Term loan of ₹ 5,000 million through sanction letter dated September 18, 2009 and loan agreement dated September 22, 2009	RBI Repo Rate (floating) plus 320 basis points = 9.45% per annum presently	₹ 2500 million to be repaid on September 24, 2013 and balance amount to be repaid on September 24, 2014	5,000.00
27.	Bank of Baroda	Term loan of ₹ 5,000 million through sanction letter dated March 15, 2010, and loan agreement dated March 16, 2010	Base rate i.e. 9% per annum	Bullet repayment at the end of 61 months from the date of first disbursement	5,000.00
28.	Bank of Baroda	Term loan of ₹ 10,000 million through sanction letter dated December 9, 2009 as amended by sanction letter dated January 30, 2010, and loan agreement dated December 23, 2009	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	10,000.00
29.	State Bank of Travancore*	Term loan of ₹ 3,000 million through sanction letter dated January 20, 2010, as amended by sanction letter dated November 1, 2010, and loan agreement dated February 22, 2010	BPLR minus 4.35% = 8.90% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	3,000.00
30.	State Bank of Mysore	Term loan of ₹ 2,000 million through sanction letter dated February 8, 2010 and loan agreement dated March 8, 2010	BPLR minus 4.35% = 8.65% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	2,000.00
31.	Indian Bank	Term loan of ₹ 5,000 million through sanction letter dated July 9, 2010 and term loan agreement dated July 12, 2010	Base rate plus 0.10% = 9.10% per annum (floating)	Bullet repayment at the end of 5 years from the date of first disbursement	5,000.00
32.	Vijaya Bank	Term loan of ₹ 2,500 million through sanction letter dated October 15, 2010, and agreement dated December 6, 2010	Base rate i.e. 9% per annum (floating)	Repayment by payment at the end of 7 years from the date of first disbursement	2,500.00
33.	Vijaya Bank	Term loan of ₹ 7,000 million through sanction letter dated July 26, 2010, and agreement dated July 28, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 7 years from the date of first disbursement	7,000.00
34.	The Ratnakar Bank Limited	Term loan of ₹ 400 million through sanction letter dated August 2, 2010 and medium term loan agreement dated August 20, 2010	Base rate plus 0.25% = 8.25% per annum (floating)	Bullet repayment at the end of 5 years from the date of first disbursement	400.00
35.	Union Bank of India	Term loan of ₹ 20,000 million through sanction	Base rate i.e. 9% per annum	Bullet repayment at the end of 5	10,800.00

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
		letter dated August 5, 2010 and term loan agreement dated August 11, 2010	(floating)	years from the date of first disbursement	
36.	Union Bank of India	Term loan of ₹ 9,000 million through sanction letter dated December 14, 2010 and term loan agreement dated December 20, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 5 years and 4 months from the date of first disbursement	9,000.00
37.	Union Bank of India	Term loan of ₹ 4,000 million through sanction letter dated September 4, 2009 and term loan agreement dated October 22, 2009	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	4,000.00
TOTAL					**150780.00**

** Demand promissory note was executed by our Company in favour of the lender pursuant to the loan documentation.*

(v) Rupee Term Loans (From Financial Institutions)

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1	Life Insurance Corporation of India	Term loan of ₹ 5,000 million through sanction letter dated July 26, 2001 and Term Loan Agreement dated July 30, 2001 as amended by letter dated March 31, 2004	9% per annum	Bullet repayment at the end of 10 years from the date of initial drawdown	5,000.00
2	India Infrastructure Finance Company Limited	Term loan of ₹ 6,300 million through sanction letter dated March 26, 2010 and general loan agreement for refinance dated March 26, 2010	7.85% per annum	Bullet repayment on March 19, 2014	6,300.00
TOTAL					**11,300.00**

(b) Short Term Loans

(i) Rupee Term Loans (From Banks)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
NIL					

(ii) Rupee Term Loans (From Financial Institutions)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
NIL					

(iii) Foreign Currency Loans (FCNR(B) from banks)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010

NIL

(iv) Commercial Paper

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
NIL					

(v) Working Capital Demand Loan/OD/CC/Loan Against FD/Line of Credit

(₹ in Million)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
We avail of certain short term loan in the form of cash credit / working capital demand loan and loan against our fixed deposits from time to time. These loans are availed to meet our working capital requirement.					9712.30

Note: None of the above loans can be recalled by the lenders at any time except Working Capital Demand Loan/OD/CC/Loan against FD/Line of Credit of ₹ 9712.30 million.

Annexure - 7

Statement of Investments

(₹ In Million)

Description	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
A. Long Term Investments (Trade - Unless otherwise specified)						
- Valued at Cost						
1,20,00,000 Equity Shares of ₹ 10/- each fully paid up of PTC Ltd. (Quoted)	120.00	120.00	120.00	120.00	120.00	120.00
21,87,015 Equity Shares of ₹ 10/- each fully paid up of National Power Exchange Ltd. (Unquoted - Non Trade)	0.00	0.00	0.00	8.33	8.33	21.87
17,50,000 Equity Shares (Face value of ₹ 10/- each) of Power Exchange India Ltd. (Unquoted - Non Trade)	0.00	0.00	0.00	0.00	17.50	17.50
6,25,000 Equity Shares (Face value of ₹ 10/- each) of Energy Efficiency Services (P) Ltd. (Unquoted - Non Trade)	0.00	0.00	0.00	0.00	6.25	6.25
4,65,000 Equity Shares of ₹ 10/- each fully paid up of Subsidiaries / Associates (Unquoted - Non Trade)	0.00	5.00	4.00	4.65	4.65	4.65
3,089 14.50% Bonds of ₹ 1,00,000/- each of ICICI Bank Ltd. (Unquoted - Non Trade)	0.00	308.90	308.90	0.00	0.00	0.00
8,330 4% Bonds of ₹ 100/- each of IMP Power Ltd. (Unquoted - Non Trade)	0.00	0.00	0.83	0.83	0.83	0.83
- Valued at Cost (Less diminution, if any, other than temporary)	0.00	0.00	0.00	0.00	0.00	0.00
98,27,883 Units of " Small is Beautiful " Fund of KSK Investment Advisor Pvt. Ltd. (Face value per unit is ₹ 10) (Unquoted - Non Trade)	50.21	159.89	144.67	144.70	120.85	98.28
Less : Provision for diminution	5.10	5.00	2.60	13.17	2.42	1.97
	45.11	**154.89**	**142.07**	**131.53**	**118.43**	**96.31**
- Valued at Cost (NPAs)						
50,000 Equity Shares of ₹ 10/- each fully paid up of subsidiaries (Unquoted - Non Trade)	0.00	0.00	0.00	0.00	0.50	0.50
Less : Provision for contingencies		0.00	0.00	0.00	0.50	0.50
	0.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
B. Current Investments - Valued scrip wise at lower of cost or market Price (Trade - Unless otherwise specified)						
Equity Shares (Quoted)	0.00	0.00	80.12	80.12	38.33	38.33
Less : Provision for diminution	0.00	0.00	0.00	4.41	0.00	0.00
	0.00	**0.00**	**80.12**	**75.71**	**38.33**	**38.33**
C. Application Money pending allotment of Shares	0.00	0.00	0.00	17.50	0.00	107.50
TOTAL	**165.11**	**588.79**	**655.92**	**358.55**	**314.32**	**413.24**

Note : The number of shares/bonds appearing in the description column pertains to the Investments as at 31.12.2010.						
Aggregate Book adjusted value of Quoted Investments	120.00	120.00	200.12	195.71	158.33	158.33
Aggregate Market value of Quoted Investments	709.20	714.60	1267.41	938.62	1426.94	1617.65
Aggregate Book adjusted value of Unquoted Investments	45.11	468.79	455.80	145.34	155.99	147.41
Application Money pending allotment of Shares	0.00	0.00	0.00	17.50	0.00	107.50

Annexure - 8

Statement of Loan Assets

(₹ in Million)

	Description	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
I.	**Secured Loans**						
a	**Considered Good**						
	Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	109503.56	191693.07	226678.85	353091.71	459301.93	516331.07
	RTLs to Independent Power Producers	16033.77	23664.40	25375.47	34805.88	26992.71	38556.83
	Foreign Currency Loans to Independent Power Producers / State Electricity Boards	5733.26	6162.86	5208.49	5878.53	4061.12	3417.95
	Working Capital Loans to State Electricity Boards and State Power Corporations	1774.35	0.00	0.00	0.00	0.00	0.00
	Buyer's Line of Credit	1304.42	1040.39	760.05	479.72	199.39	130.43
	Medium Term Loans	2900.00	2900.00	539.00	308.00	0.00	0.00
	Lease Financing to Borrowers	2532.79	2329.58	2116.74	1915.96	3005.20	3359.07
	RTLs to Equipment Manufacturers	0.00	0.00	62.60	50.08	37.56	28.17
	Translation Loss on Foreign Currency Loans on back to back basis Recoverable from Sub-borrowers/ERMA	1.58	0.00	0.00	0.00	0.00	0.00
	Incomes accrued & due on loans	27.57	250.03	46.23	147.06	19.31	132.39
		139811.30	**228040.33**	**260787.43**	**396676.94**	**493617.22**	**561955.91**
b	**Others**						
	RTL to Independent Power Producers - NPA	89.61	89.18	89.18	89.18	89.18	89.18
	Less: Provision for contingencies	8.96	8.92	17.84	26.76	26.76	89.18
		80.65	**80.26**	**71.34**	**62.42**	**62.42**	**0.00**
	FCLs Independent Power Producers - NPA	415.33	0.00	0.00	0.00	0.00	0.00
	Less: Provision for contingencies	83.07	0.00	0.00	0.00	0.00	0.00
		332.26	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Rupee Loans to Equipment Manufacturers - NPAs	0.00	75.14	0.00	0.00	0.00	0.00
	Less: Provision for contingencies	0.00	7.51	0.00	0.00	0.00	0.00
		0.00	**67.63**	**0.00**	**0.00**	**0.00**	**0.00**
II	**Un Secured Loans**						
a	**Considered Good**						
	RTLs to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	191755.90	184874.65	230267.06	227846.52	266327.07	313582.02
	RTLs to Independent Power Producers	4757.38	4647.34	6662.36	1183.03	8082.54	12509.50
	Working Capital Loans to State Electricity Boards and	16460.75	19318.44	14864.59	16045.41	29489.89	23312.97

	State Power Corporations						
	Foreign Currency Loans to State Electricity Boards and State Power Corporations	725.72	1451.42	1263.40	1287.74	936.49	777.84
	Buyer's Line of Credit	375.99	292.44	1458.88	1187.83	41.78	0.00
	Bills Discounted	155.75	55.88	27.44	0.00	0.00	0.00
	RTLs to Equipment Manufacturers	0.00	0.00	0.00	0.00	0.00	8270.00
	Translation Loss on Foreign Currency Loans on back to back basis Recoverable from Sub-borrowers	816.57	0.00	0.00	0.00	0.00	0.00
	Incomes accrued & due on loans	468.02	88.80	280.55	0.05	0.15	774.33
		215516.08	**210728.97**	**254824.28**	**247550.58**	**304877.92**	**359226.66**
b	**Others**						
	RTLs to State Electricity Boards, State Power Corporations,Central Public Sector Undertakings and State Governments - NPAs	317.33	251.37	42.45	42.45	42.45	42.45
	Less : Provision for contingencies	317.33	251.37	42.45	42.45	42.45	42.45
		0.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Rupee Loans to Equipment Manufacturers - NPAs	87.66	0.00	0.00	0.00	0.00	0.00
	Less : Provision for Contingencies	8.77	0.00	0.00	0.00	0.00	0.00
		78.89	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Working Capital Loans to State Electricity Boards, State Power Corporations - NPAs	0.00	7.40	0.00	0.00	0.00	0.00
	Less : Provision for Contingencies	0.00	0.74	0.00	0.00	0.00	0.00
		0.00	**6.66**	**0.00**	**0.00**	**0.00**	**0.00**
	TOTAL	**355819.18**	**438923.85**	**515683.05**	**644289.94**	**798557.56**	**921182.57**

Annexure - 9

Statement of Current Assets, Loans and Advances

(₹ in Million)

	Description	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
I	**CURRENT ASSETS**						
	A CASH AND BANK BALANCES						
A	(i) Cheques in hand	158.68	14.21	1.16	0.02	12.65	0.04
	(ii) Imprest with postal authority	0.05	0.06	0.02	0.07	0.06	0.06
		158.73	**14.27**	**1.18**	**0.09**	**12.71**	**0.10**
B	In Current Accounts with :-						
	i) Reserve Bank of India	14.75	0.81	0.52	0.50	0.50	0.50
	ii) Scheduled Banks	34.00	418.98	-201.67	25.82	25.46	13.10
		48.75	**419.79**	**-201.15**	**26.32**	**25.96**	**13.60**
c	Fixed Deposits with Scheduled Banks	3440.89	4642.63	6945.05	3901.94	13904.21	7258.79
		3648.37	**5076.69**	**6745.08**	**3928.35**	**13942.88**	**7272.49**
B	**OTHER CURRENT ASSETS**						
A	Interest accrued but not due on Loan Assets	6902.04	11028.93	10524.52	13408.32	15612.75	18213.79
B	Other charges accrued but not due on Loan Assets	1.45	18.06	17.74	17.81	389.59	1053.33
C	Interest accrued but not due on Employee advances	48.12	50.61	51.79	53.60	54.75	51.54
d	Interest Accrued but not due on Deposits and Investments	7.09	8.92	3.02	1.25	50.96	36.34
		6958.70	**11106.52**	**10597.07**	**13480.98**	**16108.05**	**19355.00**
II	**LOANS & ADVANCES**						
	Loans (considered good)						
A	to Employees (Secured)	82.09	114.20	79.30	90.80	89.83	102.40
b	to Employees (Unsecured)	11.73	10.58	51.50	53.67	86.40	126.60
		93.82	**124.78**	**130.80**	**144.47**	**176.23**	**229.00**
	Advances recoverable in cash or in kind or for value to be received						
A	to Subsidiaries (including interest recoverable there on)	19.29	444.31	451.78	666.69	653.93	1247.41
B	to Employees	1.49	3.69	1.52	2.49	4.02	6.95
C	Prepaid Expenses	124.33	85.86	17.61	20.47	15.44	12.74
D	Unamortized financial charges on Commercial Paper	0.00	161.67	0.00	547.55	51.52	0.00
E	Others	738.99	2484.96	1543.80	2017.20	3073.07	3399.74
F	Advance Income Tax and Tax Deducted at Source	6889.01	7359.30	10974.76	16427.58	14951.01	20884.22
G	Advance Fringe Benefit Tax	7.91	18.38	30.33	35.14	12.93	12.93
H	Security Deposits	11.39	44.29	12.91	15.06	14.29	4.46
		7792.41	**10602.46**	**13032.71**	**19732.18**	**18776.21**	**25568.45**
	Loans & Advances (Unsecured - Others)						
a	Others - NPAs	7.07	8.93	8.02	22.67	11.74	10.31
	Less : Provision for	6.82	6.06	7.79	20.48	11.74	10.31

contingencies						
	0.25	**2.87**	**0.23**	**2.19**	**0.00**	**0.00**
Sub total - Loans & advances	**7886.48**	**10730.11**	**13163.74**	**19878.84**	**18952.44**	**25797.45**
TOTAL	**18493.55**	**26913.32**	**30505.89**	**37288.17**	**49003.37**	**52424.94**

Annexure - 10

Statement of Current Liabilities and Provisions

(₹ in Million)

	Description	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
I.	**CURRENT LIABILITIES**						
	Creditors for leased assets	85.84	4.54	4.54	4.54	0.00	0.00
	Unclaimed / Unpaid Bonds	8.81	8.81	8.71	9.61	228.27	82.54
	Unclaimed / Unpaid Interest on Bonds	1.23	2.01	5.23	5.35	40.40	36.91
	Unclaimed Dividend	0.00	0.00	3.17	2.28	5.48	5.11
	Interest Accrued but not due :						
	On Bonds	2482.67	3591.67	6084.56	12880.01	15946.77	22379.97
	On Loans	1056.22	1214.86	1259.75	1166.11	1219.96	1082.00
	On Interest subsidy fund from GoI						433.26
		3538.89	**4806.53**	**7344.31**	**14046.12**	**17166.73**	**23895.23**
	Interest Differential Fund - KFW	347.13	386.11	368.49	341.92	476.05	530.73
	Exchange Risk Management Account	0.00	0.00	0.00	0.00	0.00	0.00
	Less : Exchange Risk Adjustment Account	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Advance received from Subsidiaries (including interest payable thereon)	0.00	2122.44	1249.27	2075.11	1868.63	2410.94
	Funds received from Govt. of India under R-APDRP	0.00	0.00	0.00	0.00	0.00	2610.46
	Amount payable to GoI under R-APDRP	0.00	0.00	0.00	0.00	1.09	30.97
	Other liabilities	897.77	4546.56	2969.94	2061.65	1468.03	1121.21
		4879.67	**11877.00**	**11953.66**	**18546.58**	**21254.68**	**30724.10**
II	**PROVISIONS**						
	Taxation - Income Tax	5578.86	6090.77	8810.54	13579.35	13515.50	20049.56
	Taxation - Fringe Benefit Tax	8.09	18.39	29.11	28.99	7.97	7.97
	Proposed Wage Revision	0.00	0.00	171.19	207.64	50.72	0.00
	Leave Encashment	40.99	48.79	64.71	71.46	128.44	144.63
	Economic Rehabilitation of Employees	28.25	30.41	31.66	12.95	13.11	12.19
	Staff Welfare Expenses	19.04	36.74	69.74	81.64	85.93	96.67
	Gratuity / Superannuation Fund	3.47	0.69	0.76	30.20	45.42	52.75
	Proposed Final Dividend	0.00	1147.77	1147.77	1549.49	1721.65	0.00
	Proposed Interim Dividend	1662.90	0.00				
	Proposed Corporate Dividend Tax	233.22	195.06	195.06	263.33	292.59	0.00
		7574.82	**7568.62**	**10520.54**	**15825.05**	**15861.33**	**20363.77**
	TOTAL	**12454.49**	**19445.62**	**22474.20**	**34371.63**	**37116.01**	**51087.87**

Annexure - 11

Statement of Operating Income

(₹ in Million)

Description	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
Interest on Loans	29304.84	37391.80	47657.77	63423.42	78628.30	72123.38
Less : Penal interest waived to borrowers	7.35	0.07	25.44	0.01	0.01	0.00
	29,297.49	**37,391.73**	**47,632.33**	**63,423.41**	**78,628.29**	**72,123.38**
Prepayment / Interest restructuring Premium on Loans	1056.76	0.00	0.68	89.48	192.27	163.12
Upfront fees on Loans	67.81	12.18	132.08	124.84	220.58	373.46
Service charges on Loans	3.43	0.66	2.45	1.37	1.14	0.54
Management, Agency & Guarantee Fees	144.45	114.14	209.45	412.81	486.23	720.44
Commitment charges on Loans	16.85	12.19	39.28	30.06	45.43	20.89
Less : Commitment charges on Loans waived	0.25	3.04	2.55	0.00	0.00	0.83
	16.60	**9.15**	**36.73**	**30.06**	**45.43**	**20.06**
Income from surplus funds	405.15	387.19	1490.55	1123.97	488.07	509.39
Interest received on Bank A/c Abroad	0.00	0.00	10.82	0.00	0.00	0.00
Lease income	356.29	346.67	239.85	232.95	149.02	160.68
Less : Lease Equilisation	128.88	142.09	2.41	2.73	0.00	0.00
	227.41	**204.58**	**237.44**	**230.22**	**149.02**	**160.68**
Nodal Agency Fees under R-APDRP	0.00	0.00	0.00	78.15	263.40	472.60
Advisory Fees - UMPPs	0.00	0.00	222.55	0.00	135.99	0.00
Income from Consultancy Assignments	10.65	58.99	141.55	0.00	0.00	0.00
TOTAL	**31229.75**	**38178.62**	**50116.63**	**65514.31**	**80610.42**	**74543.67**

Annexure - 12

Statement of Other Income

(₹ in Million)

Description	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010	Nature (Recurring / Non-Recurring)	Related/Non-related to Business
Interest on Income Tax Refund	107.58	115.10	122.57	140.38	132.36	92.14	Non-Recurring	Related
Miscellaneous Income	6.88	71.19	11.34	27.90	19.39	14.95	Non-Recurring	Related
Dividend / Interest Income on Long term Investments	9.60	14.87	57.20	50.96	15.89	15.36	Non-Recurring	Related
Dividend / Interest Income on Current Investments	0.00	0.00	0.27	3.13	1.25	0.88	Non-Recurring	Related
Profit on sale of Long term Investments	0.00	7.98	2.74	0.00	5.26	10.97	Non-Recurring	Related
Profit on sale of Current Investments	0.00	0.00	27.11	0.00	32.58	0.00	Non-Recurring	Related
Profit on sale of Assets	0.01	0.13	0.00	0.00	0.00	0.00	Non-Recurring	Related
TOTAL	**124.07**	**209.27**	**221.23**	**222.37**	**206.73**	**134.30**		

Annexure-13

Statement of Interest & Other Charges

(₹ in Million)

	Description	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
I.	**Interest**						
	On Bonds	7363.29	10724.79	16508.87	27901.25	37009.89	35608.38
	On Loans	8490.37	10313.29	12108.56	10742.56	10513.43	10113.45
	to GOI on Interest Subsidy Fund	1075.44	1075.17	1130.32	979.45	807.02	433.26
	Rebate for Timely Payment to Borrowers	789.54	731.59	857.50	1127.82	1273.58	1159.04
	Swap Premium (Net)	184.09	215.71	187.25	138.86	-423.13	-1224.71
		17902.73	**23060.55**	**30792.50**	**40889.94**	**49180.79**	**46089.42**
II.	**Other Charges**						
	Commitment & Agency Fees	22.24	10.75	16.13	8.47	4.86	4.41
	Financial Charges on Commercial Paper	426.42	276.29	325.28	815.64	644.87	51.52
	Guarantee, Listing & Trusteeship fees	20.91	20.67	19.94	21.19	19.78	13.55
	Management Fees on Foreign Currency Loans	63.09	0.04	6.60	0.00	277.16	280.31
	Bank/Other charges	1.90	1.33	3.89	0.09	0.00	0.00
	Net Translation / Actual Exchange Loss/gain (-) on Foreign Currency Loans	-470.09	-73.87	201.35	2525.30	-1038.43	436.89
	Interest paid on advances received from subsidiaries	0.00	53.52	77.60	71.84	42.80	46.77
	Less : Interest received on advances given to subsidiaries	0.00	2.55	6.56	5.95	8.20	9.83
		0.00	**50.97**	**71.04**	**65.89**	**34.60**	**36.94**
	TOTAL	**17967.20**	**23346.73**	**31436.73**	**44326.52**	**49123.63**	**46913.04**

Annexure - 14

Statement of Bond Issue Expenses

(₹ in Million)

Description	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
Interest on Application Money	37.16	93.36	76.28	381.82	270.59	342.87
Credit Rating Fees	14.31	15.47	18.21	18.10	22.43	15.78
Other Issue Expenses	28.39	24.34	24.13	72.94	106.84	98.47
Stamp Duty Fees	212.68	199.09	269.59	182.99	38.07	25.00
TOTAL	**292.54**	**332.26**	**388.21**	**655.85**	**437.93**	**482.12**

Annexure - 15

Statement of Personnel, Administration and Other Expenses

(₹ in Million)

Description	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
Salaries, Wages and Bonus	165.38	165.09	373.10	302.44	499.90	320.05
Contribution to Provident and other funds	10.97	11.90	12.41	15.42	36.86	36.14
Staff Welfare	52.28	70.46	113.31	29.53	120.82	89.82
Office Rent	45.52	35.20	2.76	3.34	3.47	2.94
Rent for Residential accomodation of employees	20.91	19.33	18.72	22.16	40.60	52.47
Electricity & Water charges	9.23	11.50	8.80	11.09	10.23	8.61
Insurance	0.12	0.07	0.64	1.07	1.20	0.35
Repairs & Maintenance	13.77	11.38	14.08	17.92	23.46	18.94
Stationery & Printing	6.10	6.75	7.73	8.86	3.33	2.74
Travelling & Conveyance	41.96	41.84	50.63	41.11	42.54	35.39
Postage, Telegraph & Telephone	9.63	9.01	8.56	5.08	7.37	4.35
Professional & Consultancy charges	11.84	13.23	6.92	14.43	8.01	12.49
Miscellaneous	81.76	62.25	105.13	71.60	100.92	195.25
Loss on sale of assets	0.54	0.08	1.27	0.15	0.22	0.53
Auditors' remuneration	2.04	1.53	2.44	2.21	2.60	1.95
Expenditure relating to Consultancy Assignment	2.14	1.86	48.82	125.19	0.00	0.00
Donation	0.20	1.00	0.00	0.00	0.00	0.00
Service Tax	0.10	0.11	0.00	6.81	12.59	12.47
Rates & Taxes	0.03	27.29	22.55	30.56	10.23	5.26
Wealth Tax	0.07	0.14	0.06	0.12	0.10	0.00
Contribution to Project Monitoring Center (MoP)	10.00	0.00	12.50	0.00	0.00	0.00
TOTAL	**484.59**	**490.02**	**810.43**	**709.09**	**924.45**	**799.75**

Annexure – 16

Statement of Appropriations

(₹ in Million)

Description	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
Transfer towards Reserve for Bad & Doubtful Debts u/s 36 (1) (viia) (c) of Income Tax Act, 1961	543.43	724.90	904.02	763.73	1249.58	1052.33
Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961	3690.67	5045.05	3089.40	3482.54	5724.52	4407.15
Dividend & Corporate Dividend Tax :						
Interim Dividend Paid	1952.40	1450.00	2869.43	3041.59	3443.30	0.00
Proposed Interim Dividend	1662.90	0.00	0.00	0.00	0.00	0.00
Proposed Final Dividend	0.00	1147.77	1147.77	1549.49	1721.67	0.00
Corporate Dividend Tax paid on Interim Dividend	281.00	203.36	487.66	516.92	585.19	0.00
Proposed Corporate Dividend Tax	233.22	195.06	195.06	263.33	292.60	0.00
General Reserve	980.00	990.00	1210.00	1970.00	2360.00	2020.00
Balance carried to Balance Sheet	623.20	1667.14	3215.22	3011.91	6913.00	11923.98
TOTAL	**9966.82**	**11423.28**	**13118.56**	**14599.51**	**22289.86**	**19403.46**

Annexure - 17

Statement of Deferred Tax Asset / Liability(-)

(₹ in Million)

PARTICULARS	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010
Foreign Exchange Fluctuation Loss/Gain(-)	128.99	411.22	489.4	0	0	0
Provisions	129.63	134.45	80.5	93	70.52	96.01
Accumulated Depreciation :	0.41	3.71	-5.1	-2.6	-1.24	-3.41
Accumulated Amortization :	-0.05	-0.11	-0.1	5.5	-5.27	-9.47
Lease Equilisation	-10.78	-1.75	-0.9	0	0	0
Lease Income	-573.63	-773.14	-716.05	-650.65	-533.46	-894.15
Total	**-325.43**	**-225.62**	**-152.25**	**-554.75**	**-469.45**	**-811.02**

Annexure – 18

Statement of Dividend

(₹ in million)

Description	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010 **
Equity share capital	10304.50	11477.67	11477.67	11477.67	11477.67	11477.67
Amount of Dividend:						
Interim / Proposed Interim	3615.30	1450.00	2869.43	3041.59	3443.30	--
Final	0.00	1147.77	1147.77	1549.49	1721.67	--
Total	**3615.30**	**2597.77**	**4017.20**	**4591.08**	**5164.97**	**--**
Rate of Dividend	35.08%	22.63%	35.00%	40.00%	45.00%	--
Corporate Dividend Tax	514.22	398.42	682.72	780.25	877.79	

** For the FY 2010-11, an Interim dividend of 35% i.e. ₹ 3.50 per Equity Share of ₹ 10 each amounting to ₹ 4017.18 million was paid on 31.01.2011.

Annexure – 19

Capitalization Statement

(₹ in million)

Description	As at 31.03.2006	As at 31.03.2007	As at 31.03.2008	As at 31.03.2009	As at 31.03.2010	As at 31.12.2010	As adjusted for proposed issue(*)
Debts							
Short term debt	21716.60	23110.00	24800.00	14000.00	23251.22	9712.30	(*)
Long term debt	247531.60	312731.82	381678.12	507601.45	647832.88	754752.74	(*)
Total Debt	**269248.20**	**335841.82**	**406478.12**	**521601.45**	**671084.10**	**764465.04**	(*)
Shareholders' Funds							
Share Capital	10304.50	11477.67	11477.67	11477.67	11477.67	11477.67	(*)
Reserves & Surplus	71008.40	87946.46	96365.08	105593.26	121840.38	141250.49	(*)
(-) Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00	(*)
Net Reserves(Net of Revaluation)	71008.40	87946.46	96365.08	105593.26	121840.38	141250.49	(*)
(-) Reserve for bad and doubtful debts u/s 36(1)(vii a)(c) of IT Act,1961	4808.87	5533.77	6437.78	7201.51	8451.09	9506.88	(*)
Net Worth	**76504.03**	**93890.36**	**101404.97**	**109869.42**	**124866.96**	**143221.28**	(*)
Long Term Debt /Net Worth	**3.24**	**3.33**	**3.76**	**4.62**	**5.19**	**5.27**	**(*)**

(1) Short Term debt represents debt which are raised for a tenure of less than 12 months

(2) Long Term debt represents debts other than short term debts as defined in clause (1) above

(3) $\frac{\text{Long Term Debt}}{\text{Net worth}} = \frac{\text{Long Term Debt}}{\text{Net worth at the end of the period.}}$

(*) As this is an issue of Equity Shares by way of Book Building Process, the post issue figures will be updated after the discovery of issue price.

Annexure – 20

Summary of Accounting Ratios

(Amount ₹ in million)

Description	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	Nine months ended 31.12.2010
Net Profit after tax	9966.82	11423.28	13118.56	14599.51	22289.86	19403.46
Weighted average number of shares outstanding during the year	1030450000	1042663793	1147766700	1147766700	1147766700	1147766700
Net Worth	76504.03	93890.36	101404.97	109869.42	124866.96	143221.28
Average Net Worth	68064.02	85197.20	97647.67	105637.20	117368.19	134044.12
Accounting Ratios						
(*)Basic & Diluted Earning Per Share (₹)	9.67	10.96	11.43	12.72	19.42	16.91
Net Assets Value Per Share (₹)	74.24	90.05	88.35	95.72	108.79	124.78
Return on Average Net Worth(%) **	14.64%	13.41%	13.43%	13.82%	18.99%	19.30%

(*) EPS is not annualised
** RoNW annualized for Nine months ended 31.12.2010.

Formulae:

Basic & Diluted Earning Per Share = $\frac{\text{Net Profit after Tax}}{\text{Weighted average number of shares outstanding during the year}}$

Net Assets Value Per Share = $\frac{\text{Net Profit after Tax}}{\text{Net worth at the end of the period}}$

Return on Average Net Worth = $\frac{\text{Net Profit after Tax}}{\text{Average Net worth\#}}$ X 100

\# (Net worth at the beginning of the period + Net worth at the end of the period) / 2

Annexure-21

Statement of Related Party Transaction (Standalone)

Power Finance Corporation Limited

(₹ in Million)

Name of Party	Relationship	Nature of Transaction	Payments For the Year / Period ended					
			31-Dec-10	31-Mar-10	31- Mar- 09	31-Mar-08	31-Mar-07	31-Mar-06
Satnam Singh	CMD	Managerial Remuneration	3.13	4.68	1.55	-	-	-
V K Garg	CMD	Managerial Remuneration	-	-	2.99	2.30	1.56	0.78
Satnam Singh	Director	Managerial Remuneration	-	0.69	1.10	2.28	1.75	1.29
V S Sexena	Director	Managerial Remuneration	-	0.00	0.00	1.37	1.62	1.62
Shyam Wadhera	Director	Managerial Remuneration	-	-	1.38	2.18	1.52	1.28
M K Goel	Director	Managerial Remuneration	3.15	5.15	2.28	1.26	-	-
Rajiv Sharma	Director	Managerial Remuneration	2.91	3.45	0.07	-	-	-
R Nagarajan	Director	Managerial Remuneration	2.66	1.92	-	-	-	-

Annexure-22

Statement of Contingent Liability Details

Power Finance Corporation Limited

(₹ In million)

Nature of Transaction	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10	31-Dec-10
Guarantees issued in foreign currency	1,551.62	1,326.81	1074.7	1,160.80	852.3	725.04
Guarantees issued in Indian currency	0.7	2,245.19	4,000.35	4000.35	4,000.35	4,000.35
Demand Raised by authorities and disputed	98.14	98.53	143.39	143.39	143.39	143.39
Claims not accepted	99.95	0	77.94	77.94	77.94	77.94
Letter of Comfort	23,657.00	10.832.75	7952.1	3948.8	34,142.10	52,309.57
Capital Contract	72.39	0	1.7	0	42.6	39.01
Cess on turnover or Gross Receipt	0	0	214.3	0	0	0

Annexure-23

Statement of Auditors qualification dealt with in restated financial statements

Power Finance Corporation Limited (Standalone)

Sl No.	Financial Year	Auditors Qualification	How dealt with in the restated financial information
1.	31.03.2010 31.03.2009	Reversal of provisions for Deferred tax Liabilities (DTL) on special reserve created up to 31.03.2008 and onwards stopping of creation of DTL on special reserve.	The Company, on the basis of opinion received from the Expert Advisory Committee of the Institute of Chartered Accountants of India, made provision for Deferred Tax Liability for Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act from the Financial Year 2004-05 by charging Profit & Loss Account with ₹ 1428.70 million and by debiting the General Reserves by ₹ 7451.40 million (for creating DTL for the years 1997-98 to 2003-04). For the financial year 2005-06, 2006-07 and 2007-08, the company created DTL on special reserve by charging Profit & Loss A/c. As on 31.03.2008, total amount of DTL created on special reserve worked out to ₹ 12283.80 million (₹ 7451.40 million created out of general reserves and ₹ 4832.40 million created out of respective years Profit & Loss A/c). In FY 2008-09, the Company on receipt of a clarification from Accounting Standard Board of the Institute of Chartered Accountants of India vide letter dtd.02.06.2009, stopped creating DTL on special Reserve and reversed the DTL of ₹ 12283.80 million (₹ 7451.40 million to general reserves and ₹ 4832.40 million to P&L Account). Further, the Comptroller and Auditor General of India vide letter No. CA-IV/80/2010 dated 09.08.2010 stated the following: *"In order to ensure consistency in the accounting treatment of provision of DTL on special reserve created u/s 36(1)(viii) of the Income Tax Act, 1961, this department is of the view that non provision of DTL on special reserve is acceptable in case the company demonstrate their intension of not withdrawal of the reserve by passing a resolution that it has no intention to withdraw this special reserve. In other cases where no such resolution is passed by the management, the provision of DTL on special reserve should be made in the annual accounts."* In the restated financials, the reversal of ₹ 8880.10 million of DTL on Special Reserve (pertaining to FYs 1997-98 to 2004-05) has been adjusted in the opening balances of FY 2005-06 and the DTL on Special reserve created in the financial years 2005-06 to 2007-08 amounting to ₹ 3403.70 million has been reversed to the respective years' Profit & Loss A/c.

Annexure - 24

Statement of changes in Accounting Policies

Power Finance Corporation Limited

1. **Revenue recognition on Non performing assets :-**

During the F.Y. 2008 the accounting policy on reversal of unrealized income on non performing assets which remains due for a period of six months was introduced and the same was subsequently replaced in F.Y. 2009 indicating that any unrealized income recognised before the assets in question became non – performing assets or the income recognised in respect of assets stated in proviso to paragraph 6.2 of Annexure-26 which remained due but unpaid for a period of six months is reversed.

2. **Change in classification of an assets including Lease assets:-**

From the F.Y. 2007-08 an asset including a lease assets in respect of which instalments of loan, interest and /or other charges remained due but unpaid for a period of six months or more is classified as nonperforming assets against earlier norms of twelve months or more.

3. **Classification of an asset into various categories and provisioning norms:-**

The classification of assets into standard assets, sub-standard assets, doubtful assets and Loss assets was revised from F.Y. 2008 due to change in Prudential Norms. Similarly the provisioning norms on the above assets were also revised.

Norms before F.Y.2007-08

a) NPA classification and provisioning norms for assets other than lease
b) The NPAs are further classified into various categories as follows:

i) NPA for a period not exceeding 2 years	:	Sub-standard asset
ii) NPA exceeding 2 years	:	Doubtful asset
iii) When an asset is identified by PFC as loss Asset	:	Loss Asset

The provision against NPAs is made at the rates given hereunder: -

(i) Sub-Standard Assets	:	10%
(ii) Doubtful assets:		

(c) Facilities guaranteed by State / Central Government

Up to 1 year	:	15%
1 – 3 years	:	25%
More than 3 year	:	50%

(d) Others

(i) Unsecured	:	100%
(ii) Secured upto 1 year	:	20%
1-3 years	:	30%
More than 3 years	:	50%

(iii) Loss assets	:	100%

NPA classification and provisioning norms for lease assets

a) The NPAs are further classified into various categories as follows:

i) NPA for a period not exceeding 1 year :Sub-standard asset
ii) NPA exceeding 1 year but upto 3 years :Doubtful asset
iii) NPA exceeding 3 years : Loss Asset

The provision against NPAs is made at the rates given hereunder:-

(i) Sub-Standard Assets : 10%

(ii) Doubtful assets:

NPA for 1 – 2 years : 40%
NPA for 2-3 years : 70%

(iii) Loss assets : 100%

Norms from 2007-08 onwards:

NPA classification and provisioning norms for loans, other credits and lease assets are given as under

i) NPA for a period not exceeding 18 months : Sub-standard asset
ii) NPA exceeding 18 months : Doubtful asset
iii) When an asset is identified by PFC as loss Asset or assets remain doubtful exceeding 36 months, which ever is earlier : Loss Asset

The provision against NPAs is made at the rates given hereunder: -

i) Sub-Standard Assets : 10%
ii) Doubtful assets

(a) Secured, facilities guaranteed by state / central government or by state government undertaking for deduction from plan allocation or loan to state department.

Upto 1 year : 20%
1 – 3 years : 30%
More than 3 year : 100%

(b) Unsecured : 100%

iii) Loss assets 100%

(The entire loss assets shall be written off. In case, a loss asset is permitted to remain in the books for any reason, 100% of outstanding shall be provided for)

4. Employee Benefits:-

During the F.Y. 2006 provisions for gratuity, leave encashment, post retirements medical facilities and economic rehabilitation benefits are accounted for on the basis of actuarial valuation basis carried out at the end of the financial year which has been revised in F.Y. 2007 to include sick leave, earned leave, leave travel concession settlement of allowance after retirement and service award scheme. This was done in afirmity of Accounting Standard 15 (Revised) as notified under Companies (Accounting Standard) Rules, 2006.

5. Recognition of Exchange Translation Loss:-

Translation loss arising on loan assets (back to back basis) was accounted for in separate account to avail the benefits under Income Tax Act without affecting the loan assets. In view of complete with drawl of benefits under Income Tax Act in F.Y. 2007, the policy was revised to give affect in the loan assets by routing it through P&L A/c in accordance with Accounting Standard 11 as notified under Companies

(Accounting Standard) Rules, 2006. Accordingly, financials for the respective financial year have been restated.

Annexure - 25

Statement of tax shelters

(₹ In Million)

Particulars	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2010	9 months ended 31.12.2010 *
Profit before Tax as per books of accounts(A)	**12,417.91**	**14,332.36**	**17,866.39**	**19,967.47**	**30,314.17**	**26,385.93**
Income Tax Rate	33.66%	33.66%	33.99%	33.99%	33.99%	33.2175%
Tax at above rate	**4,179.87**	**4,824.27**	**6,072.78**	**6,786.94**	**10,303.79**	**8,764.75**
Adjustments:						
Permanent Differences :						
Profit / Loss on sale of Fixed Assets	0.53	-0.06	1.23	0.11	0.19	0.51
Donations as per books of accounts	0.20	1.00	0.00	0.00	0.00	0.00
Exempted Income:-						
u/s10(23G)	-1,090.22	0.00	0.00	0.00	0.00	0.00
u/s 10(34) Dividend Income	-9.60	-12.00	-12.63	-16.23	-17.10	-37.69
Reserve for bad & doubtful debts u/s 36(1)(viia)(c)	-543.43	-724.90	-904.02	-763.73	-1,249.58	-1,052.33
Special Reserves u/s 36(1)(viii)	-3,690.67	-5,045.05	-3,089.40	-3,482.54	-5,724.52	-4,407.15
Rental Income	-0.29	-0.27	-0.51	-0.29	-0.40	-0.13
Profit on sale of investment	0.00	-7.98	-29.85	0.00	-37.84	-10.97
Expenses Disallowed under Income Tax Act, 1961	167.13	0.14	28.53	30.80	31.05	27.19
Other Income (Special Reserve claimed & written back due to Prepayment of loans)	0.00	0.00	0.00	0.00	88.39	111.27
Total Permanent Difference (B)	**-5,166.35**	**-5,789.12**	**-4,006.65**	**-4,231.88**	**-6,909.81**	**-5,369.30**
Timing Difference:						
Difference between depreciation as per Companies Act & depreciation as per Income Tax Act, 1961	-1,063.03	-224.92	-56.01	-25.17	-19.32	-1,338.73
Lease Income/ Lease Equalisation	306.82	347.35	211.97	203.52	309.65	233.10
Provision for Expenses	191.38	-122.70	-158.76	36.51	36.13	76.73
Foreign Exchange Fluctuation Loss/Gain(-)	-52.20	185.08	229.97	-1,439.79	0.00	0.00
Total Timing Differences (C)	**-617.03**	**184.81**	**227.17**	**-1,224.93**	**326.46**	**-1,028.90**
Taxable Rental Income(D)	**0.20**	**0.18**	**0.35**	**0.20**	**0.28**	**0.09**
Long Term Capital Gain	0.00	7.98	5.93	0.00	0.00	6.54
Short Term Capital Gain u/s 111A	0.00	0.00	27.11	0.00	0.00	0.00
Short Term Capital Gain other than u/s 111A	0.00	0.00	0.00	0.00	10.88	0.00
Total Capital gain (E)	**0.00**	**7.98**	**33.04**	**0.00**	**10.88**	**6.54**
Donations u/s 80G (F)	**0.10**	**1.00**	**0.00**	**0.00**	**0.00**	**0.00**
Recasted Profit (A)+(B)+(C) + (D) +(E) - (F)	**6,634.63**	**8,735.21**	**14,120.30**	**14,510.86**	**23,741.98**	**19,994.36**
Tax on Income Other than Capital Gain	2,233.22	2,937.59	4,788.26	4,932.24	8,066.20	6,639.45
Tax on Capital Gain	0.00	1.79	4.42	0.00	3.70	1.45
Tax Liability	**2,233.22**	**2,939.38**	**4,792.68**	**4,932.24**	**8,069.90**	**6,640.90**
Tax Adjustment	2.09	14.58	15.97	25.91	36.90	-
Total Tax Liability	**2235.31**	**2953.96**	**4808.65**	**4958.15**	**8106.80**	**6640.90**
Interest u/s 234B/ 234C	0.00	46.71	2.90	0.00	2.81	0.00
Total Tax Liability on recasted profit	**2235.31**	**3000.67**	**4811.55**	**4958.15**	**8109.61**	**6,640.90**

* These are provisional amounts since tax audit u/s 44AB and consequently filing of income tax return for AY 2011-12 is yet to be done.

Annexure - 26

Significant Accounting Policies

Power Finance Corporation Limited

1 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

The preparation of Financial Statements requires the Management to make estimates and assumptions considered in the reported amounts of assets, liabilities (including contingent liabilities), revenues and expenses of the reporting period. The difference between the actual results and the estimates are recognized in the period in which the results are known and / or materialized.

2 RECOGNITION OF INCOME / EXPENDITURE

2.1 Income and expenses (except as stated below) are accounted for on accrual basis.

2.1.1 Income on non-performing assets and assets stated in the proviso to paragraph 6.2, infra is recognized in the year of its receipt. However, any unrealized income recognized before the asset in question became non-performing asset or the income recognized in respect of assets as stated in the proviso to paragraph 6.2, infra which remained due but unpaid for a period more than six months is reversed.

2.1.2 Fee for advisory and prof5essional services for developing Ultra Mega Power Projects is accounted for on transfer of the project to the successful bidder.

2.1.3 Premium on interest restructuring is accounted for in the year in which the restructuring is approved.

2.1.4 Premium on premature repayment of loan is accounted for in the year in which it is received by the Company.

2.1.5 Rebate on account of timely payment by borrowers is accounted for, on receipt of entire amount due on time.

2.1.6 Income under the head carbon credit, upfront fees, lead manager fees, facility agent fees, security agent fee and service charges etc. on loans is accounted for in the year in which it is received by the Company.

2.1.7 The discount / financial charges / interest on the commercial papers and zero coupon bonds (deep discount bonds) are amortized proportionately over the period of its tenure.

2.1.8 Expenditure on issue of shares is charged off to the share premium received on the issue of shares.

2.2 Lease rental is accounted for on accrual basis. Income from Lease Rentals in respect of leases prior to 1.4.2001 is recognized on the basis of implicit interest rate, in the lease, in accordance with Guidance Note on Accounting for Leases issued by the Institute of Chartered Accountants of India. Leases effected from 01.04.2001 are accounted for in accordance with Accounting Standard – 19 on Leases.

2.3 Income from dividend is accounted for in the year of declaration of dividend.

2.4 Recoveries in borrower accounts are appropriated as per the loan agreements.

The Company is raising demand of installments due as per loan agreements. The repayment is adjusted against earliest disbursement irrespective of the rate of interest being charged on various disbursements.

Prior period expenses / income and prepaid expenses upto ₹ 5,000/- are charged to natural heads of account.

(i) Nodal Agency Fees under Restructured Accelerated Power Development and Reforms Programme (R-APDRP) is accounted for @1% of the sanctioned project cost in three steps- 0.40% on sanction of the project, 0.30% on disbursement of the funds and remaining 0.30% after completion of the sanctioned project (for Part-A) and verification of AT&C loss of the project areas (for Part-B).
(ii) The actual expenditure incurred for operationalising the R-APDRP are reimbursable from Ministry of Power, Government of India and accounted for in the period so incurred.

3. FIXED ASSETS/DEPRECIATION

3.1 Fixed assets are shown at historical cost less accumulated depreciation, except the assets retired from active use and held for disposal, which are stated at lower of the book value or net realizable value.

3.2 Additions to fixed assets are being capitalized on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received / approved.

3.3 Depreciation on assets other than leased assets is provided on written down value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

3.4 Depreciation on assets leased prior to 01.04.2001 is provided for on straight line method at the rates prescribed under the Schedule XIV to the Companies Act, 1956 or over the primary balance period of lease of assets, whichever is higher. The value of the net block so arrived at is further adjusted by balance in the lease equalization account. The assets leased after 01.04.2001 are not required to be depreciated as per Accounting Standard – 19.

3.5 Items of fixed assets acquired during the year costing up to ₹ 5,000/- are fully depreciated.

4 INTANGIBLE ASSETS / AMORTIZATION

Intangible assets such as software are shown at cost of acquisition and amortization is done under straight-line method over life of the assets estimated by the Company.

5 INVESTMENTS

5.1 Quoted current investments are valued scrip wise at lower of cost or fair value.

5.2 Unquoted current investments are valued at lower of cost or fair value.

5.3 Long term investments are valued at cost. Provision is made for diminution, other than temporary in the value of such investments. However, diminution in value is reversed when there is rise in the value or if the reason for the reduction no longer exists.

5.4 Investments in mutual fund / venture capital fund are valued at cost, less diminution, if any, other than temporary. However, diminution in value is reversed when there is rise in the value or if the reason for the reduction no longer exists.

6 PROVISIONS/WRITE OFF AGAINST LOANS AND ADVANCES

Prudential Norms

6.1 PFC being a Government owned Non Banking Financial Company (NBFC) is exempt from the RBI directions relating to Prudential Norms. The Company, however, has formulated its own set of Prudential Norms with effect from 1.4.2003, which has been revised from time to time.

In respect of private sector utilities, the Company is applying RBI exposure norms, as advised by RBI, vide letter of December, 2008. Further, RBI exempted PFC from its prudential exposure norms in respect of lending to State / Central entities in power sector till March'2012, vide its letter dated 18.03.2010.

RBI has accorded the status of Infrastructure Finance company (IFC) to PFC, vide its letter dated 28.07.2010. Accordingly, PFC is maintaining CRAR as applicable to IFC.

6.2 As per prudential norms approved by the Board of Directors and the Ministry of Power, an asset including a lease asset, in respect of which installments of loan, interest and / or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any, when the installment and /or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred which remains unpaid for a period of six months or more are classified as Non-Performing Assets (NPA).

However, the following assets would not be classified as non-performing assets and the income on these loans is recognized on receipt basis.

(i) Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated February 1, 2002 read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated. 11.11.2008 are classified in line with RBI guidelines for asset classification of Infrastructure projects, as applicable to banks from time to time.

(ii) A facility which is backed by the Central / State Government guarantee or by the State Government undertaking for deduction from central plan allocation or a loan to State department, for a period not exceeding 12 months from the date from which Company's dues have not been paid by the borrower.

(iii) A loan disbursed to an integrated power entity which is bifurcated on account of division of states, the company shall follow the government order issued for division of assets and liabilities, unless the same is stayed by any court and the case is pending in the court.

(iv) Non servicing of part of dues disputed by the borrower for a period not exceeding 12 months from the date from which the company's dues have not been paid by the borrower. The disputed income shall be recognized only when it is actually realized. Any such disputed income already recognized in the books of accounts shall be reversed. Disputed dues means amount on account of financial charges like commitment charges, penal interest etc. and the disputed differential income on account of interest reset not serviced by the borrower due to certain issues remains unresolved. A dispute shall be acknowledged on case to case basis with the approval of the Board of Directors.

6.3 NPA classification and provisioning norms for loans, other credits and lease assets are given as under

(i) NPA for a period not exceeding 18 months	:	Sub-standard asset
(ii) NPA exceeding 18 months	:	Doubtful asset
(iv) When an asset is identified as loss asset or assets remain doubtful asset exceeding 36 months, which ever is earlier	:	Loss asset

6.4 Provision against NPAs is made at the rates indicated below: -

(i) Sub-standard assets : 10%

(ii) Doubtful assets:

(a) Secured portion / facility including that guaranteed by the state / central government or by the state government undertaking for deduction from plan allocation or loan to state department.

Up to 1 year	:	20%
1 – 3 years	:	30%
More than 3 years	:	100%

(b) Unsecured : 100%

(iii) Loss assets : 100%

The entire loss assets shall be written off. In case, a loss asset is permitted to remain in the books for any reason, 100% of outstanding shall be provided for.

For the purpose of assets classification and provisioning –

(i) facilities granted to Government sector entities are considered loan-wise.
(ii) facilities granted to Private sector entities are considered borrower -wise.

7 FOREIGN EXCHANGE TRANSACTIONS:

7.1 The following transactions are accounted for at the exchange rates prevailing on the date of the transaction as per Accounting Standard – 11.

(i) Expenses and income in foreign currency; and
(ii) Amounts borrowed and lent in foreign currency.

7.2 The following balances are translated in Indian Currency at the exchange rates prevailing on the date of closing of accounts as per Accounting Standard – 11.

(i) Foreign currency loan liabilities to the extent not hedged.
(ii) Funds kept in foreign currency account with banks abroad.
(iii) Contingent liabilities in respect of guarantees given in foreign currency.
(iv) Income earned abroad but not remitted / received in India.
(v) Loans granted in foreign currency.
(vi) Expenses and income accrued but not due on foreign currency loans / borrowing.

7.3 Where ever the Company has entered into a forward contract or an instrument that is, in substance a forward exchange contract, the difference between the forward rate and exchange rate on the date of transaction is recognized as income or expenses over the life of the contract as per Accounting Standard – 11.

7.4 In case of loan from KFW, Germany, exchange loss, if any, at the year-end is debited to Interest Differential Fund Account – KFW as per loan agreement.

8 GRANTS FROM GOVERNMENT OF INDIA:

8.1 Where grants are first disbursed to the grantee, the same are shown as amount recoverable from the Govt. of India and are squared up on receipt of amount.

8.2 Where grants are received in advance from Govt. of India, the same are shown as current liabilities till the payments are released to the grantee.

9 INTEREST SUBSIDY FUND

9.1 Interest subsidy for eligible borrowers received from the Ministry of Power, Govt. of India under Accelerated Generation & Supply Programme (AG & SP) on net present value (NPV) basis is credited to Interest Subsidy Fund on receipt and is passed on to the borrowers over the eligible period of loan on respective dates of interest demands. Any excess / shortfall in the Interest Subsidy Fund is refunded or adjusted / charged off at the completion of respective scheme.

9.2 Interest Subsidy Fund is credited at the year-end with interest on the outstanding balance in the subsidy fund by debiting Profit & Loss account, at rates specified in the Scheme.

10 R-APDRP FUND

10.1 Loans received from the Government of India under Re-structured Accelerated Power Development & Reforms Programme (R-APDRP) as a Nodal agency for on lending to eligible borrowers are back to back arrangements with no profit or loss arising to the Company.

11 INCOME/RECEIPT/EXPENDITURE ON SUBSIDIARIES

11.1 Expenditure incurred on the subsidiaries is debited to the account "Amount recoverable from concerned subsidiary".

11.2 Expenses in respect of man days (employees) are allocated to subsidiaries and administrative overheads are apportioned to subsidiaries on estimated basis. Direct expenses are booked to respective subsidiaries.

11.3 Interest on amount recoverable from Subsidiaries is accounted for at the rate of interest applicable for project loan / scheme (generation) to state sector borrower (category A) as per the policy of the Company.

11.4 Amounts received by subsidiaries as commitment advance from power procurers are parked with the Company as inter-corporate loan and interest is provided on unused portion of these loans at the mutually agreed interest rates.

11.5 Request for Qualification (RFQ) document / Request for Proposal (RFP) document developed for subsidiaries (incorporated for UMPP) are provided to subsidiary companies at a price equivalent to sale proceeds of RFQ / RFP document received by the subsidiary companies from the prospective bidders. The same is accounted for as income of the company on receipt from subsidiary company.

12 EMPLOYEE BENEFITS

12.1 **Provident Fund, Gratuity and post retirement benefits**

Company's contribution paid / payable during the financial year towards Provident Fund is charged in the Profit and Loss Account. The Company's obligation towards gratuity to employees and post retirement benefits such as medical benefits, economic rehabilitation benefit, and settlement allowance after retirement are actuarially determined and provided for as per Accounting Standard – 15 (Revised).

12.2 **Other Employee Benefits**

The Company's obligation towards sick leave, earned leave, service award scheme are actuarially determined and provided for as per Accounting Standard – 15 (Revised)

13 INCOME TAX

13.1. Income Tax comprising of current tax is determined in accordance with the applicable tax laws and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) in accordance with Accounting Standard – 22 on Accounting for Taxes on Income of the Institute of Chartered Accounts of India.

Deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognized using tax rates that have been enacted or substantially established by the balance sheet date. Deferred Tax Assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

13.2. Since the Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference. The Company does not create any deferred tax liability on the said reserve in accordance with the clarification of the Accounting Standard Board of the Institute of Chartered Accountants of India**.**

14 CASH FLOW STATEMENT

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard – 3 on Cash Flow Statement.

Annexure: 27

Notes on adjustments made in the Restated Financials

I. Reconciliation of Net Profit as per audited accounts and restated accounts:

(₹ in millions)

Description	Nine months ended 31.12.2010	Year ended 31.03.2010	Year ended 31.03.2009	Year ended 31.03.2008	Year ended 31.03.2007	Year ended 31.03.2006
Net profits as per Audited Accounts	**20120.44**	**23572.43**	**19699.59**	**12067.57**	**9861.38**	**9709.51**
Add / Less : Adjustments on account of						
Change in Accounting Policies						
Change in prudential norms	0.00	0.00	0.00	104.46	101.82	(206.29)
Change in ERMA policy	0.00	0.00	0.00	0.00	(1015.64)	0.00
TOTAL	0.00	0.00	0.00	104.46	(913.82)	(206.29)
PPA & Provisions						
Prior period adjustments	(0.37)	(1.75)	2.15	(53.06)	31.06	(103.70)
Excess provisions adjustments	(3.72)	(75.25)	78.97	(1.67)	1.67	(3.77)
Provision for Tax adjustments (earlier years)	(104.51)	(1394.78)	(352.01)	(15.55)	128.49	(2.10)
TOTAL	(108.60)	(1471.78)	(270.89)	(70.28)	161.22	(109.57)
Other adjustments						
Nodal Agency Fees u / R-APDRP	(341.55)	436.75	(95.19)	0.00	0.00	0.00
Expenses u / R-APDRP	(158.94)	128.75	30.19	0.00	0.00	0.00
Prepayment premium	(46.97)	46.97	0.00	0.00	0.00	0.00
Interest Income on Loan Assets	(179.21)	105.77	36.17	(175.70)	(16.98)	(24.25)
Interest on IT Refunds	(121.99)	(411.98)	(39.36)	115.48	115.10	107.58
Donations	0.00	(49.83)	49.83	0.00	0.00	0.00
TOTAL	(848.66)	256.43	(18.36)	(60.22)	98.12	83.33
Tax impact for above adjustments						
Provision for Tax adjustments	240.28	(67.22)	(12.04)	27.16	396.09	(10.09)
Provision for DTL adjustments	0.00	0.00	33.59	(10.07)	31.43	(54.95)
TOTAL	240.28	(67.22)	21.55	17.09	427.52	(65.04)
DTL on Special Reserve	0.00	0.00	(4832.38)	1059.94	1788.86	554.88
Net profits as per Restated Accounts	**19403.46**	**22289.86**	**14599.51**	**13118.56**	**11423.28**	**9966.82**

II. Other Notes:

1. Deferred Tax Liability on Special Reserve

The Company, on the basis of opinion received from the Expert Advisory Committee of the Institute of Chartered Accountants of India, made provision for Deferred Tax Liability (DTL) for Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act from the Financial Year 2004-05 by charging Profit & Loss Account with ₹ 1428.70 million and by debiting the General Reserves by ₹ 7451.40 million (for creating DTL for the years 1997-98 to 2003-04). For the financial year 2005-06, 2006-07 and 2007-08, the company created DTL on special reserve by charging Profit & Loss A/c. As on 31.03.2008, total amount of DTL created on special reserve worked out to ₹ 12283.80 million (₹ 7451.40 million created out of general reserves and ₹ 4832.40 million created out of respective years Profit & Loss A/c).

In FY 2008-09, the Company on receipt of a clarification from Accounting Standard Board of the Institute of Chartered Accountants of India vide letter dtd.02.06.2009, stopped creating DTL on special Reserve and reversed the DTL of ₹ 12283.80 million (₹ 7451.40 million to general reserves and ₹ 4832.40 million to P&L Account).

Further, the Comptroller and Auditor General of India vide letter No. CA-IV/80/2010 dated 09.08.2010 stated the following:

"In order to ensure consistency in the accounting treatment of provision of DTL on special reserve created u/s 36(1) (viii) of the Income Tax Act, 1961, this department is of the view that non provision of DTL on special reserve is acceptable in case the company demonstrate their intension of not withdrawal of the reserve by passing a resolution that it has no intention to withdraw this special reserve. In other cases where no such resolution is passed by the management, the provision of DTL on special reserve should be made in the annual accounts."

In the restated financials, the reversal of ₹ 8880.10 million of DTL on Special Reserve (pertaining to FYs 1997-98 to 2004-05) has been adjusted in the opening balances of FY 2005-06 and the DTL on Special reserve created in the financial years 2005-06 to 2007-08 amounting to ₹ 3403.70 million has been reversed to the respective years' Profit & Loss A/c.

In the restated financials relating to the intial public offer (IPO) of the Company in February 2007, the DTL on special reserve was created by charging the profit and loss account. In the restated financials relating to the proposed follow on public offer (FPO) of the Company, the DTL on special reserve has not been created and the DTL created in the earlier years has been reversed for the reasons and the manner explained above.

2. Nodal Agency Fees

Pending finalization of norms for payment of nodal agency fee, etc. the same has not been accounted for in F.Y.2009-10. On finalization of norms by MoP, GOI, vide Office Memorandum No.: 14/03/2008-APDRP dated 20th August, 2010, the Company has recognised in the books of accounts, during the nine month ended 31.12.2010, nodal agency fee income ₹ 814.15 million in respect of sanctions and disbursements done in 2008-09, 2009-10 and in nine months ending 31.12.2010 In the restated summary statements, the nodal agency fees / re-imbursement of expenditure were accounted for in the respective years.

3. Provision on Non Performing Assets

The Company was making provisions for Non Performing Assets as per the Prudential Norms approved by its Board of Directors. The same have been modified in the FY 2007-08. In the Restated Summary Statements, provisions for earlier years have been made on the assumption of the policy for the FY 2010-11 being applicable in earlier years as well. Accordingly, adjustments for Provision for Contingencies have been made in the Restated Summary Statements.

4. Prior Period Items / Other adjustments

Items of income/expenses identified and booked as Prior Period items and excess provisions written back have been adjusted in the Restated Summary Statements, in respective years. Further donation refunded has been adjusted in respective years.

5. Income on Cash basis

As per accounting policy, the Company recognizes premium on premature prepayment of loan in the year in which it is received by the Company. In the restated summary statements, the premium on premature prepayment of loan is accounted for in the year in which the borrower has remitted the principal amount and interest ceases to be charged.

As per accounting policy, the income on Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/ 2001-02 dated February 1, 2002 read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated 11.11.2008 is recognized in the year of its receipt. In restated summary statements, such income received and accounted for on receipt basis, has been restated and adjusted in the respective years to which it belongs.

Further, the income pertaining to previous years recognized in the current year, as per Accounting Standard – 9 has been restated in respective years.

6. Exchange Risk Administration Fund (ERAF Trust)

The Corporation created a Trust in 1993 in the name of “Exchange Risk Administration Fund (ERAF Trust)” for the purpose of managing the foreign Exchange Risk. The Corporation and its borrowers who have availed the foreign currency loans, contributed to ERAF. However, due to withdrawal of Section 10(23E) and 10 (14A) of the Income Tax Act, 1961 with effect from 1.04.2002, the Corporation as well as its borrowers did not make further contributions to the ERAF. The amount received from ERAF Trust comprising of contribution of PFC, Karnataka Electricity Board – Post Repayment Fund (KEB-PRPF), A.P. State Electricity Board (APSEB) and Interest Differential Fund (IDF) of KfW Loan, had been taken in the books of Corporation under the head Exchange Risk Management Account (ERMA).

Further, in Finance Act 2007, Section 36(1)(x) of the I.T. Act has also been deleted. The ERAF Trust was liquidated on 30.09.2006. Pursuant to withdrawal of all tax benefits in respect of Exchange Risk Management Accounts and liquidation of ERAF Trust as above, the Corporation closed the ERMA account which was shown as current liability till FY 2005-06 and accordingly, an amount of ₹ 1015.64 million was transferred to Profit and Loss A/c. The above amount has been restated and adjusted in the opening balance of FY 2005-06.

7. Provision for Tax / Refunds of Tax / Deferred Tax

For the purpose of restated financials, provisions for Income tax and deferred tax have been recomputed on the basis of restated profits applying the income tax rates of respective years. In the case of adjustments up to 31st March, 2005, the same have been carried out in the opening balances of FY 2005-06.

Provisions / refunds of tax (including interest there upon) for earlier years have been considered under respective years.

Annexure-28

Notes on adjustment not made for restated financial statements

1. As per revised AS-15, actuarial valuation of additional components such as sick leave, Leave travel concession, settlement allowance after retirement and services award scheme was made from F.Y. 2006-07 onwards. Further, the effect on the actuarial valuation due to wage revision from 01.01.2007 has been considered in the year of implementation of wage revision i.e. in the F.Y. 2009-10 (for Executives) and F.Y. 2010-11 (for non-executives).

   The actuarial valuation for the relevant financial years have not been re-obtained, as a result said employee benefits have not been restated in the relevant year to that extent.

Annexure-29

Notes on Restated Financial Statements

Power Finance Corporation Limited

1. The Company is a government company engaged in extending financial assistance to power sector.

2. The amounts pertain to the period ended nine months ending on 31.12.2010, whereas previous year figures pertain to FY 2009-10.

3. Contingent liabilities:

(i) Default guarantees issued by the Company in foreign currency :

a) EURO 0.533 million equivalents to ₹ 32.22 million (previous year EURO 0.710 million equivalents to ₹ 43.50 million).
b) US $ 15.30 million equivalent to ₹ 692.82 million (previous year US $ 17.745 million equivalent to ₹ 808.80 million).

(ii) Default guarantee issued by the Company in Indian Rupee: ₹ 4000.00 million (previous year ₹ 4000.00 million).

(iii) Bank guarantee issued by the Company in Indian Rupee: ₹ 0.35 million (previous year ₹ 0.35 million).

(iv) The additional demand raised by Income Tax Department of ₹ 92.40 million, ₹ 5.74million, ₹ 0.39 million and ₹ 44.85 million. for Assessment Years 2005-06, 2006-07, 2007-08 and 2008-09 respectively are being contested. The management does not consider it necessary to make any provision, as the probability of outflow of resources is negligible.

(v) Claims against the Company not acknowledged as debts are ₹ 77.94 million (previous year ₹ 77.94 million).

(vi) Outstanding disbursement commitments to the borrowers by way of Letter of Comfort issued against loans sanctioned, ₹ 52,309.57 million as at 31.12.2010 (previous year ₹ 34,142.10 million).

4. Estimated amount of contract remaining to be executed on account of capital contracts is ₹ 39.01million (previous year ₹ 42.60 million).

5. Additional demands raised by the Income Tax Department (net of relief granted by Appellate Authorities) amounting to ₹ 225.77 million for Assessment Year 2001-02 to 2008-09 were paid, provided for and are being contested.

6. On bifurcation of the erstwhile state of Madhya Pradesh into Madhya Pradesh and Chhattisgarh, the Government of India (GOI), Ministry of Power (MoP) through the Gazette of India Extraordinary – MoP, New Delhi notification dated 04.11.2004 had decided to divide the liability and assets of erstwhile MPEB into MPSEB and CSEB in the ratio of 90:10. Since PFC loans are project specific and the amount disbursed actually goes into creation of assets of the projects, PFC took up the matter with MoP and had requested MoP to review and revise the order. On project specific basis, the liability for the principal amount for CSEB worked out to ₹ 1,066.87 million, against ₹ 1,014.77 million on the basis of the of ratio of 90:10. Thus, CSEB restricted the servicing of its loan up to ₹ 1014.77 million. MoP vide its letter no. 42/8/2000 – R&R (Vol-V) (pt.) dated 21.10.2010 had again clarified that, the division would be in the ratio of 90:10, as already notified. Due to this clarification, principal liability of ₹ 52.09 million would now be shown as liability due from MPSEB. Since MPSEB has been unbundled into various power utilities, the matter has been taken up with successor utilities of MPSEB. Necessary accounting entries will be passed on receipt of reply from them.

7. A project under implementation having principal outstanding of ₹ 7,000.00 million (previous year ₹ 3,250.00 million) has been considered as standard asset in terms of RBI circular No. DBS.FID.No.C – 11 /

01.02.00 / 2001-02 dated 1.02.2002 read with D.O. letter DBS.FID No.1285 / 01.02.00 / 2001-02 dated 14.05.2002 (thereby treating the asset as standard till June, 2008), and RBI letter no. DBOD, BP.No.7675 / 21.04.048 / 2008-09 dated 11.11.2008 (which advised that the date of commencement of commercial operation should be 31.03.2009, instead of the deemed date of completion of the project i.e. June 2006 as fixed by an independent group setup by RBI, as decided at the time of actual financial closure of the project in September 2006). Based on above, read with RBI Master Circular DBOD No. BP. BC.3 / 21.04.141 / 2009-10 dated 01.07. 2009, the asset may be treated as standard asset not exceeding two years from the date of completion of the project (i.e. 2 years from 31.3.2009). However, the Company recognizes the interest on this loan on receipt basis in terms of the accounting policy and as per prudential norms approved by the MoP.

Further, the Company has approved and finalized the amendments to the Financial Realignment Plan (FRP), inter-alia, determining the scheduled project Commercial Operation Date (COD) as 01.01.2011. Financial Realignment Plan (FRP) has been accepted by the project management and implemented.

As per FRP, the Project Company will issue Zero Coupon Bonds (ZCB) (towards interest outstanding for the period from 01.10.2001 to 31.10.2005) valuing ₹ 1,038.78 million (excluding waiver of interest, penal interest etc. amounting to ₹ 86.40 million). During the period, the amount of ₹ 758.30 million (including the dues of previous year of ₹ 232.30 million and the guarantee fee for current year of ₹ 33.50 million) became due on the loan as per FRP, out of which ₹ 747.40 million were received.

Out of ₹ 747.40 million, interest income of ₹ 179.21 million pertaining to earlier financial years was transferred to respective years in the restated financials as explained in the para no. II(5) of annexure 27 notes to adjustments made in the restated financials.

The outstanding of ₹ 10.91 million being guarantee fee due as on 31.12.2010 and ₹ 1,038.78 million against ZCB have not been recognized, as per accounting policy.

8. Interest Subsidy under Accelerated Generation & Supply Programme (AG&SP) (including interest upto 31st December, 2010) amounting to ₹ 262.65 million (previous year ₹ 246.70 million), became recoverable in respect of one project, as the project was not completed till 31.03.2007 and the subsidy was withdrawn by the MoP. The interest subsidy of ₹ 262.65 million (previous year ₹ 246.70 million) is payable to the MoP and will be paid on its receipt.

9. The Company is not required to create bond redemption reserve in respect of bonds by virtue of the department of Company affairs' circular of 18.04.2002, according to which the financial institutions within the meaning of Section 4A of the Companies Act, 1956 were not required to create Bond Redemption Reserve in case of privately placed debentures.

The Company is not required to maintain reserve fund under section 45 – IC of the Reserve Bank of India Act, 1934 by transferring 20 percent of its net profits, as it is exempted by RBI vide its letter dated 24.01.2000.

10.1 Investment in equity share capital of companies incorporated in India as subsidiaries / associates / joint venture companies including companies promoted as Special Purpose Vehicles (SPV) for ultra mega power projects are given below:-

SL	Name of the companies	Date of investment	No. of shares subscribed	% of ownership	Amount (₹ in million)
A	**Subsidiary Company**				
1.	PFC Consulting Limited (*)	09.04.2008	50,000	100%	0.50
	Sub-Total (A)		50,000		0.50
B	**Subsidiary Companies promoted as SPVs for Ultra Mega Power Projects (**)**				
1.	Coastal Maharashtra Mega Power Limited	05.09.2006	50,000	100%	0.50
2.	Orissa Integrated Power Limited	05.09.2006	50,000	100%	0.50
3.	Coastal Karnataka Power Limited	14.09.2006	50,000	100%	0.50
4.	Coastal Tamil Nadu Power Limited	31.01.2007	50,000	100%	0.50
5.	Bokaro-Kodarma Maithan Transmission Company Limited (***)	13.02.2007	50,000	100%	0.50

6.	Chhattisgarh Surguja Power Limited	31.03.2008	50,000	100%	0.50
7.	Sakhigopal Integrated Power Limited	27.01.2010	50,000	100%	0.50
8.	Ghogarpalli Integrated Power Limited	27.01.2010	50,000	100%	0.50
9.	Tatiya Andhra Mega Power Limited	27.01.2010	50,000	100%	0.50
	Sub-Total (B)		**4,50,000**		**4.50**
C	**Joint venture Companies (*)**				
1	National Power Exchange Limited (****)	18.12.2008 03.09.2010	8,33,000 13,54,015	16.66%	8.33 13.54
2.	Energy Efficiency Services Limited (*****)	21.01.2010	6,25,000	25%	6.253
	Sub-Total (C)		**28,12,015**		**28.12**
D	**Associate companies (*)**				
1.	Power Equity Capital Advisors (Private) Limited	15.04.2008	15,000	30%	0.15
	Sub-Total (D)		15,000		0.15
	TOTAL (A) + (B) + (C) + (D)		**33,27,015**		**33.27**

(*)The financial statements are consolidated as per Accounting Standard 21 – Consolidated Financial Statements, Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures and Accounting Standard – 23 Accounting For Investment in Associates in Consolidated Financial Statements.

(**)The subsidiary companies were incorporated as SPVs under the mandate from the Government of India for development of ultra mega power projects (UMPPs) and independent transmission projects with the intention to hand over the same to successful bidder on completion of the bidding process.

(***)The project of BKMTCL had been transferred to Power Grid Corporation of India Limited (PGCIL). Hence, the process of striking off the name of BKMTCL is under progress. Pending striking off the name, a provision of ₹ 0.50 million had been made against the equity investment in BKMTCL.

(****) Power Finance Corporation Limited (PFC), NTPC Limited, NHPC Limited and Tata Consultancy Services Limited (TCS) have jointly promoted National Power Exchange Limited (NPEL). NPEL will carry out the business of providing a platform for trading of power through an organized exchange. NPEL has not commenced its operation.

(*****)Energy Efficiency Services Limited (EESL) has been jointly promoted by PFC, NTPC, PGCIL and Rural Electrification Corporation Limited (REC) with equal participation in equity capital for implementing energy efficiency projects. Further, the Company has paid ₹ 107.50 million towards additional subscription to equity shares; the allotment of equity shares is awaited from EESL.

10.2 The Company's share of assets, liabilities, contingent liabilities and capital commitment as at 31.12.2010 and income and expenses for the period in respect of joint venture entities based on audited accounts are given below:

(₹ in Million)

SL	Particulars	As at 31.12.2010			As at 31.03.2010		
		NPEL	EESL	Total	NPEL	EESL	Total
	Ownership (%)	16.66	25		16.66	25	
A	Assets						
	- Long term assets	0.04	0.39	0.43	0.20	-	0.20
	- Current assets	17.66	219.58	237.24	7.30	67.00	74.30
	Total	17.70	219.97	237.67	7.50	67.00	74.50
B	Liabilities						
	- Long term liabilities	-	-	-	-	-	-
	- Current Liabilities	0.95	3.29	4.24	2.00	2.80	4.80
	Total	0.95	3.29	4.24	2.00	2.80	4.80
C	Contingent liabilities	-	-		-	-	
D	Capital commitments	-	-		-	-	
		For the period			Previous Year		
E	Income	0.48	7.54	8.03	0.30	0.02	0.32
F	Expenses	2.60	1.72	4.32	3.00	3.00	6.00

10.3 The details of amount recoverable (including interest thereon) from the respective subsidiaries are given below:

(₹ in million)

Name of the Subsidiary Companies	Amount as on 31.12.2010	Amount as on 31.03.2010	Maximum during the period	Maximum During the previous year
Coastal Maharashtra Mega Power Limited	48.33	42.80	48.33	42.80
Orissa Integrated Power Limited	558.54	136.70	558.54	136.70
Coastal Karnataka Power Limited	20.51	18.30	20.51	18.30

Coastal Tamil Nadu Power Ltd.	169.19	117.70	169.19	111.70
Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	393.43	330.80	393.43	330.80
Sakhigopal Integrated Power Limited	5.69	2.40	5.69	2.40
Ghogarpalli Integrated Power Limited	4.66	2.40	4.66	2.40
Tatiya Andhra Mega Power Limited	47.04	8.80	47.04	8.80
Total	**1247.39**	**653.90**	**1247.39**	**653.90**

10.4 The details of amounts payable to subsidiaries (including interest) in respect of amounts contributed by power procurers and other amounts payable are given below:

(₹ in million)

Name of the subsidiary companies	Amount as on 31.12.2010	Amount as on 31.03.2010	Maximum during the period	Maximum During the previous year
PFC Consulting Limited	0.68	18.60	0.68	18.60
Coastal Maharashtra Mega Power Limited	448.20	429.60	448.20	429.60
Orissa Integrated Power Limited	513.49	480.50	513.49	480.50
Coastal Tamil Nadu Power Ltd.	491.03	468.80	491.03	468.80
Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	450.48	419.60	450.48	419.60
Sakhigopal Integrated Power Limited	173.92	51.50	173.92	51.50
Ghogarpalli Integrated Power Limited	162.01	0.00	162.01	0.00
Tatiya Andhra Mega Power Limited	171.10	0.00	171.10	0.00
Total	**2,410.91**	**1868.60**	**2410.91**	**1,868.60**

10.5(i) Investment in "Small is Beautiful" Fund: -

The Company has outstanding investment of ₹ 98.28 million (previous year ₹ 120.85 million) in units of Small is Beautiful Fund. The face value of the Fund is ₹ 10 per unit. The NAV as on 31.03.2010 was ₹ 9.80 per unit and as on 31.12.2010, ₹ 9.88 per unit. As investment in Small is Beautiful Fund is long term investment, the fluctuation in NAV in the current scenario is considered as temporary.

(ii) Investment in equity (unquoted) in Power Exchange India Limited:-

Power Exchange India Ltd. (PXIL) has been promoted by National Stock Exchange (NSE) and National Commodity and Derivatives Exchange Limited (NCDEX). The authorized capital has been enhanced from ₹ 500 million to ₹ 1,000 million in September 2010. The paid up capital of PXIL is ₹ 400.00 million, as on 31.12.2010. The Company has subscribed ₹ 17.50 million of the paid up capital consisting of 17,50,000 equity shares of ₹ 10 each in to the equity capital of PXIL.

11. Interest Differential Fund (IDF) – KFW

The agreement between KFW and PFC provides that the IDF belongs to the borrowers solely and will be used to cover the exchange risk variations under this loan and any excess will be used in accordance with the agreement. The balance in the IDF fund has been kept under separate account head titled as Interest Differential Fund – KFW and shown as a liability. The total fund accumulated as on 31.12.2010 is ₹ 530.73 million (previous year ₹ 476.00 million) after adjusting the translation loss of ₹ 116.79 million (previous year ₹ 137.30 million).

12. Foreign currency liabilities not hedged by a derivative instrument or otherwise:-

Currencies	Amount (in million)	
	31.12.2010	31.03.2010
USD	452.05	427.43
EURO	26.66	27.23
JPY	21,231.04	1,590.51

13. (a) <u>Asset under finance lease after 01.04.2001:</u>

(i) The gross investment in the leased assets and the present value of the minimum value receivable at the balance sheet date has been given in the table below with the description as total of future minimum lease payments and present value of the lease payments amounting to ₹ 5,662.59 million and ₹ 3,679.58 million respectively. The reconciliation of these figures has also been indicated under the head 'Unearned finance income' with an amount of ₹ 1983.01 million.

The future lease rentals are given below:-

(₹ in million)

Particulars	As on 31.12.10	As on 31.03.10
Total of future minimum lease payments (Gross Investments)	5,662.59	2,050.10
Present value of lease payments	3,679.58	1,606.30
Unearned finance income	1,983.01	443.80
Maturity profile of total of future minimum lease payments (Gross Investment)		
Not later than one year	835.65	450.70
Later than one year and not later than 5 years	2,578.21	1,569.90
Later than five years	2,248.73	29.50
Total	5,662.59	2,050.10
Break up of Present Value of Lease Payments		
Not later than one year	440.00	292.60
Later than one year and not later than 5 years	1,622.57	1,284.90
Later than five years	1,617.01	28.80
Total	**3,679.58**	**1,606.30**

(ii) The Company had sanctioned an amount of ₹ 889.00 million in the year 2004 as finance lease for financing wind turbine generator (commissioned on 19.07.2004) which was reduced to ₹ 888.49 million in December 2006. The gross investment stood at the level of ₹ 494.90 million as on 31.12.2010. The lease rent is to be recovered within a period of 15 Years, starting from 19.07.2004, which comprises of 10 years as a primary period and 5 years as a secondary period.

(iii) The Company had sanctioned an amount of ₹ 984.40 million in the year 2004 as finance lease for financing wind turbine generator (commissioned on 18.5.2004). The gross investment stood at ₹ 521.96 million as on 31.12.2010. The lease rent is to be recovered within a period of 20 years, starting from 18.05.2004, which comprises of 10 years as a primary period and maximum of another 10 years as a secondary period.

(iv) The Company had sanctioned an amount of ₹ 935.10 million in the year 2004 as finance lease for financing wind turbine generator (commissioned on 09.06.2005). The gross investment stood at ₹ 695.18 million as on 31.12.2010. The lease rent is to be recovered within a period of 19 years 11 months, starting from 09.06.2005, which comprises of 10 years as a primary period and maximum of 9 years and 11 months as a secondary period.

(v) The Company had sanctioned an amount of ₹ 2,289.38 million in the year 2008 as finance lease for financing wind turbine generator. The gross investment stood at ₹ 3,950.55 million as on 31.12.2010. The lease rent is to be recovered within a period of 20 years, starting from 01.01.2011, which comprises of 12 years as a primary period and maximum of 8 years as a secondary period.

b) Operating Lease:

The Company's operating leases consists:-

Premises for offices and for residential use of employees are lease arrangements, and are usually renewable on mutually agreed terms, and are cancellable. Rent for residential accommodation of employees include ₹ 52.50 million (previous year ₹ 40.60 million) towards lease payments, net of recoveries in respect of premises for residential use of employees. Lease payments in respect of premises for employees are shown as rent for residential accommodation of employees in as shown under Personnel, Administration and Other Expenses. Lease payments in respect of premises for offices are shown as office rent as shown under – Personnel, Administration and Other Expenses.

14. (i) Subsidy under Accelerated Generation & Supply Programme (AG&SP):

The Company is claiming subsidy from Govt. of India at net present value calculated at indicative interest rates in accordance with the GOI's letter vide D.O.No.32024 / 17 / 97 – PFC dated 23.09.1997 and O.M.No.32024 / 23 / 2001 – PFC dated 07.03.2003, irrespective of the actual repayment schedule, moratorium period and duration of repayment. The amount of interest subsidy received and to be passed on to the borrower is retained as Interest Subsidy Fund Account. The impact of difference between the indicative rate and period considered at the time of claims and at the time of actual disbursement can be ascertained only after the end of the respective schemes. However on the basis of the projections made for each project (based upon certain assumptions that these would remain same over the projected period of each loan / project), the Company estimated the net excess amount of ₹ 1,803.00 million and ₹ 2,245.50 million (excluding an amount of ₹ 176.52 million recoverable from Irrigation Department of Government of Maharashtra) as at 31.12.2010 for IX & X plan respectively under AG&SP schemes and there is no shortfall. This net excess amount is worked out on overall basis and not on individual basis & may vary due to change in assumptions, if any during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre payment, interest rate reset etc. Any excess / shortfall in the interest subsidy fund will be refunded or adjusted / charged off at the completion of the respective scheme.

(ii) The amount of ₹ 5,706.60 million (Previous year ₹ 6634.90 million) under the head Interest Subsidy Fund, represents the amount of subsidy received from Ministry of Power, Govt. of India which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following : -

(₹ in million)

Particulars	As on 31.12.2010	As on 31.03.10
Opening balance of Interest Subsidy Fund	6634.90	9089.40
Add : - Received during the period : - Interest credited during the period (excluding ₹ 0.26 million pertaining to previous years)	-- --	-- 804.40
Less : Interest subsidy passed on to borrowers Refunded to MoP: (c) Estimated net excess against IX Plan (d) Due to non- commissioning of Project in time	928.30 -- --	1693.60 1500.00 65.30
Closing balance of interest subsidy fund	***5706.60**	**6634.90**

* The amount does not include interest accrued but not due on fund up to 31.12.2010 amounting to ₹ 433.26 million. This amount is shown as current liability and will be added to fund account at the year end.

15. (i) The Company has been designated as the Nodal Agency for operationalisation and associated service for implementation of the Re-structured Accelerated Power Development and Reforms Programme (R-APDRP) during 11th plan by the, MoP, GOI under it's overall guidance.

Projects under the scheme are being taken up in two parts. Part-A includes the projects for establishment of baseline data and IT applications for energy accounting as well as IT based customer care centers. Part-B includes regular distribution strengthening projects. GoI provide 100% loan for Part A and up to 25% (up to 90% for special category States) loan for Part B. Balance funds for Part- B projects can be raised by the utilities from PFC / REC / multi-lateral institutions and / or own resources. The loans under Part- A alongwith interest thereon is convertible into grant as per R-APDRP guidelines. Similarly, upto 50% (up to 90% for special category states) loan against Part –B project would be convertible in to grant as per R-APDRP guidelines. Enabling activities of the programme is covered under Part-C.

The loans under R-APDRP are routed through the Company for disbursement to the eligible utilities. The amount so disbursed but not converted in to grants as per R-APDRP guidelines will be repaid along with interest to the GOI on receipt from the borrowers.

The details are furnished below :

(₹ in million)

Particulars	Amount recoverable from borrowers & payable to GOI		R-APDRP Fund		Amount payable to GOI (Interest earned on Fixed Deposit)	
	As at 31.12.2010	As at 31.03.10	As at 31.12.2010	As at 31.03.10	As at 31.12.2010	As at 31.03.10
Opening balance	16,460.90	3,251.00	0.00	0.00	1.09	0.00
Additions during the year	9,990.15	13,209.90	12,600.60	13209.90	21.22	1.10

Disbursements / changes during the year	0.00	0.00	9,990.15	13209.90	0.00	0.00
Interest accrued but not due	3,067.65	1097.00	0.00	0.00	8.66	0.00
Closing balance	**29,518.70**	**17,557.90**	**2610.45**	**0.00**	**30.97**	**1.10**

(*) ₹ 2,610.45 million is the undisbursed amount as on date and has been shown as liability.

(ii) Pending finalization of norms for payment of nodal agency fee, etc. the accounting policy therefor was held in abeyance in 2009-10 and fee etc. had not been accounted for in 2009-10. On finalization of norms by MoP, GOI, vide Office Memorandum No.: 14/03/2008-APDRP dated 20th August, 2010, the Company has recognised in the books of accounts, during the nine month ended 31.12.2010, nodal agency fee income ₹ 814.15 million (previous year NIL) in respect of sanctions and disbursements done in 2008-09, 2009-10 and in nine months ending 31.12.2010.

In the restated financials out of ₹ 814.15 million an amount of ₹ 341.55 million was transferred to earlier years (financial year 2009-10 – ₹ 263.40 million and financial year 2008-09 – ₹ 78.15 million) as explained in para no. II (2) of annexure 27 - Notes to Adjustments made in the restated financials.

(iii) During the nine months ended 31.12.2010, the Company has recognized ₹ 297.14 million as amount reimbursed / reimbursable from the Ministry of Power, Govt. of India, towards the actual expenditure incurred in 2008-09, 2009-10 and in nine months ending 31.12.2010) on various activities for operationalising the programme.

In the restated financials out of ₹ 297.14 million an amount of ₹ 158.94 million was transferred to earlier years (financial year 2009-10 – ₹ 128.75 million and financial year 2008-09 – ₹ 30.19 million) as explained in para no. II (2) of annexure 27 - Notes to Adjustments made in the restated financial.

(iv) As on 31.12.2010, the total amount of nodal agency fees and reimbursement of expenditure recognised by PFC has been as under:-

(₹ in million)

	9 months ending 31.12.2010	Financial year 2009-10	Financial year 2008-09
Nodal agency fees	472.60	263.40	78.15
Reimbursement of expenditure	138.20	128.75	30.19

As per Office Memorandum No.: 14/03/2008-APDRP dated 20th August, 2010 of the GOI, MoP, the total amount receivable against the nodal agency fee plus the reimbursement of actual expenditure will not exceed ₹ 8,500 million or 1.7 % of the likely outlay under Part A & B of R-APDRP, whichever is less million

16. The Company has no outstanding liability towards Micro, Small and Medium enterprises.

17. The value of lease hold land aggregating to ₹ 383.30 million (previous year ₹ 383.30 million) comprises of amount of ₹ 318.30 million (previous year ₹ 318.30 million) paid towards cost of land to Land and Development Office (L&DO), Ministry of Urban Affairs, Govt. of India, stamp duty liability of ₹ 24.70 million (previous year ₹ 24.70 million) and capitalization of ground rent of ₹ 40.30 million (previous year ₹ 40.30 million) up to the date of completion of building. In accordance with Memorandum of Agreement (MOA) executed with L&DO, the lease deed is yet to be signed. Pending execution of perpetual lease deed, (which does not have limited useful life) the value of leasehold land is not amortized and / or no provision for depreciation has been made on the said leasehold land.

18. Liabilities and Assets denominated in foreign currency have generally been translated at TT selling rate of SBI at year end as given below: -

S. No.	Exchange Rates	31.12.2010	31.03.2010
1	USD / INR	45.2800	45.5800

2	JPY / INR	0.5585	0.4900
3	EURO / INR	60.4500	61.3100

In-case of specific provision in the loan agreement for a rate other than SBI TT selling rate, the rate has been taken as prescribed in the respective loan agreement.

19. Disclosures as per Accounting Standard-15:-

A. Provident fund

The Company pays fixed contribution to provident fund at prescribed rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the profit and loss account. The obligation of the Company is to make such fixed contribution and to ensure a minimum rate of return to the members as specified by GOI. Any short fall for payment of interest to members as per specified rate of return has to be compensated by the Company. The Company estimates that no liability will take place in this regard in the near future and hence no further provision is considered necessary.

B. Gratuity

The Company has a defined gratuity scheme and is managed by a separate trust. The provision for the same has been made on actuarial valuation based upon total number of years of service rendered by the employee subject to a maximum amount of ₹ 1 million.

C. Post Retirement Medical Scheme (PRMS)

The Company has Post-Retirement Medical Scheme (PRMS), under which retired employees and the dependent family members are provided medical facilities in empanelled hospitals. They can also avail of reimbursement of out-patient treatment subject to a ceiling fixed by the Company.

D. Terminal Benefits

Terminal benefits include settlement in home town for employees & dependents.

E. Leave

The Company provides for earned leave benefit and half-pay leave to the credit of the employees which accrue on half yearly basis @ 15 days and 10 days respectively. 75% of the earned leave is encashable while in service and maximum of 300 days earned leave can be accumulated which is encashable on superannuation / separation. Half pay leave is encashable on separation after 10 years of service or at the time of superannuation subject to a maximum of 300 days. The liability for the same is recognized based on actuarial valuation.

The above mentioned schemes (C, D and E) are unfunded and are recognized on the basis of actuarial valuation.

The summarised position of various defined benefits recognized in the profit and loss account, balance sheet are as under {Figures in brackets ( ) represents to previous year}

i) Expenses recognised in Profit and Loss Account

(₹ in million)

	Gratuity	PRMS	Leave
Current Service Cost	6.67 (8.00)	1.92 (2.40)	12.15 (12.90)
Interest cost on benefit obligation	6.29 (5.90)	3.62 (2.70)	7.22 (5.40)
Expected return on plan assets	-5.49 (-5.30)	0.00 (0.00)	0.00 (0.00)
Net actuarial (gain)/Loss recognised in the year	9.30	1.31	1.83

	(19.00)	(25.80)	(55.30)
Expenses recognised in Profit & Loss Account	*16.77 (27.60)	6.85 (30.90)	*21.20 (73.60)

(*) Includes ₹ 0.72 million (previous year ₹ 0.80 million) and ₹ 1.11 million (previous year ₹ 1.10 million) for gratuity and leave, respectively allocated to subsidiary companies.

ii) The amount recognized in the Balance Sheet

(₹ in million)

	Gratuity	PRMS	Leave
Present value of obligation as at 31.12.2010 (i)	125.07 (111.80)	69.51 (64.40)	144.63 (128.40)
Fair value of plan assets at 31.12.2010 (ii)	106.76 (84.20)	0.00 (0.00)	0.00 (0.00)
Difference (ii) – (i)	-18.31 (-27.60)	-69.51 (-64.40)	-144.63 (-128.40)
Net Asset/(Liability) recognized in the Balance Sheet	-18.31 (-27.60)	-69.51 (-64.40)	-144.63 (-128.40)

iii) Changes in the present value of the defined benefit obligations

(₹ in million)

	Gratuity	PRMS	Leave
Present value of obligation as at 01.04.2010	111.84 (79.60)	64.43 (36.60)	128.44 (71.50)
Interest Cost	6.29 (5.90)	3.62 (2.70)	7.22 (5.40)
Current Service Cost	6.67 (8.00)	1.92 (2.40)	12.15 (12.90)
Benefits paid	-9.39 (-0.70)	-1.77 (-3.10)	-5.01 (-16.70)
Net actuarial (gain)/loss on obligation	9.66 (19.00)	1.31 (25.80)	1.83 (55.30)
Present value of the defined benefit obligation as at 31.12.2010	125.07 (111.80)	69.51 (64.40)	144.63 (128.40)

iv) Changes in the fair value of plan assets

(₹ in million)

	Gratuity	PRMS	Leave
Fair value of plan assets as at 01.04.2010	83.52 (79.60)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	5.49 (5.30)	0.00 (0.00)	0.00 (0.00)
Contributions by employer	26.78 (0.00)	0.00 (0.00)	0.00 (0.00)
Benefit paid	-9.39 (-0.70)	0.00 (0.00)	0.00 (0.00)
Acturial gain/(loss)	0.36 (0.00)	0.00 (0.00)	0.00 (0.00)
Fair value of plan assets as at 31.12.2010	106.76 (84.20)	0.00 (0.00)	0.00 (0.00)

v) One percent increase / decrease in the inflation rate would impact liability for medical cost of PRMS as under:-

Cost increase by 1% ₹ 1.00 million
Cost decrease by 1% ₹ 0.80 million

vi) During the year, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 16.85 million, to PRMS of ₹ 6.94 million, to leave ₹ 21.20 million and to pension ₹ 16.67 million. (Previous year towards contribution to the Gratuity Trust of ₹ 27.60 million, to PRMS of ₹ 30.90 million, to leave ₹ 73.60 million and to pension ₹ 17.80 million).

E. Other Employee Benefits:-

During the year, provision of ₹ - 0.74 million (previous Year ₹ 0.40 million) has been made for Economic Rehabilitation Scheme for Employees and provision of ₹ 5.61 millions has been made for Long Service Award for Employees (Previous year ₹ 0.10 million reversed) on the basis of actuarial valuation made at the year end by charging / crediting the profit and loss account.

F. Details of the Plan Asset:-

The details of the plan assets at cost as on 31.12.2010 are as follows:-

(₹ in million)

		2010-11 (Up to 31.12.2010)	2009-10
i)	State Government Securities	39.67	13.70
ii)	Central Government Securities	21.69	21.80
iii)	Corporate Bonds / debentures	45.40	48.70
	Total	106.76	84.20

G. Actuarial assumptions

Principal assumptions used for actuarial valuation are:-

Method Used	Projected Unit Credit Method
Discount Rate	7.50 %
Expected rate of return on assets – Gratuity	8.77 %
Future salary increase	5.00 %

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

20. (i) The Company obtains balance confirmation from its borrowers once in a financial year.

(ii) Some of the designated bank accounts opened for making interest payment to bondholders / debenture holders have outstanding balance of ₹ 5.80 million are subject to reconciliation / confirmation.

21. The Capital Funds, Risk Weighted Assets and Capital Risk Adjusted Ratio (CRAR) of the Company are given hereunder:-

Items		9 months ended 31.12.10 (*)	Year ended 31.03.10
i)	Capital Fund – a. Tier I (₹ in million)	1,43,221.28	1,24,866.96
	b. Tier II (₹ in million)	9,506.88	8,451.09
ii)	Risk weighted assets (₹ in million)	8,82,332.84	7,29,800.61
iii)	CRAR	17.31%	18.27%
iv)	CRAR – Tier I Capital	16.23%	17.11%
v)	CRAR – Tier II Capital (**)	1.08%	1.16%

(*) Reserve Bank Of India (RBI), vide their letter No. DNBS.CO. ZMD- N/4984/14.16.009/2009-10 dated 18.03.2010, has advised the Company to assign a risk weight of 20% to State Government guaranteed loans, which have not remained in default for a period of more than 90 days.

(**) Reserve for bad and doubtful debts u/s 36 (i) (viia) (c) of Income Tax Act, 1961 is considered as part of Tier II Capital, as advised by RBI, vide their letter No. DNBS.CO.PD.No. 6774 / 03-10-01/2009-10 dated 17.06.2010.

22. The Company has no exposure to real estate sector as on 31.12.2010.

23. The Company does not have more than one reportable segment in terms of Accounting Standard No. 17 on Segment Reporting.

24. Figures have been rounded off to the nearest million of rupees.

Annexure- 30

Power Finance Corporation Limited (Standalone)

Statement of Auditors qualifications not dealt with in restated financial statements

Sl No.	Financial Year	Auditors Qualification	Management Replies
1.	31.03.2010 31.03.2009 31.03.2008 31.03.2007 31.03.2006	Determination of "Interest Subsidy Fund from GOI for net excess amount received under Accelerated Generation and Supply Program (AG&SP) Scheme from the Ministry of Power, Government of India on over all basis, and not on individual basis and may vary due to change in assumptions, if any, during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre payment, interest rate reset, etc.	The method of claiming Interest Subsidy Fund, utilization, and excess worked out on overall basis based on projections made for loans sanctioned during IX & X plans, etc. The actual/exact excess due to difference between the indicative rate, period and assumptions considered at the time of drawl and at the time of actual disbursement can be ascertained only after the end of the respective schemes. Hence, it does not require restatement. However, the qualification has been dropped in the financial statement for nine months ended 31.12.2010
2.	31.03.2008 31.03.2007 31.03.2006	Disclosure of some of the loan balances shown under loans, advances and other debits/credits in so far as these have since not been confirmed, realised, discharged or adjusted are subject to reconciliation.	Does not require to be restated.
Other Qualification			
3	2009-10	As explained to us, the management is carrying out the physical verification of fixed assets at the yearend in a phased manner, except certain EDP equipments and Furniture & Fixtures for which no physical verification was conducted. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed by the management on such physical verification.	Certain EDP equipments and Furniture & Fixtures are provided to the officers for official use which are normally returned to the company or otherwise written off upon expiry of useful life of the assets. Hence, physical verification of such items has not been considered necessary. Further, amount involved in the said items is also not material. Accordingly no restatement is required.
4.	2009-10	In our opinion and according to the information and explanations given to us, the Company has an internal audit system, which is commensurate with the size and nature of business of the Company. However, the IT Audit needs to be further streamlined and strengthened.	The information system audit is being conducted periodically and also the company is implementing the oracle ERP financials. No restatement is required.
5.	2008-09	The management is carrying out the physical verification of fixed assets at the year end in a phased manner excluding EDP equipments and Furniture & Fixtures lying at residences of the officers of the Company for which no physical verification was conducted. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets.	Furniture & Fixtures and EDP Equipments are provided to the officers as per the Policy of the Company in their respective names and acknowledgement obtained and kept on record. Hence, physical verification on such items has not been considered necessary. Further, the amount involved in said assets is not material. Accordingly no restatement is required.
6.	2008-09	In our opinion and according to the information and explanations given to us, the Company has an internal audit system,	The Information Technology system audit is being conducted periodically and also the company is considering the implementation of ERP. No

		which is commensurate with the size and nature of business of the Company. However, the same needs to be further streamlined and strengthened particularly in relation to IT aspects of the Company.	restatement is required.
7.	2008-09 2007-08	According to the records of the company, there are no dues of income tax / wealth tax/ service tax, etc., which have not been deposited by the company on account of any dispute except the unpaid demand of Income tax of ₹ 179.10 million for the assessment year 2007-08 (Previous year ₹ 53.10 million for the assessment year 2006-07) for which rectification application u/s 154 of the Income Tax Act, 1961 has been moved.	The said demand of ₹ 179.10 million has been deleted by Assessing Officer vide order u/s 154/143(1) dtd 24/09/09. Accordingly no restatement is required.
8.	2007-08	Internal controls with regard to awarding of consultancy assignments by the corporation were found to be lacking.	PFC consulting Ltd., a wholly owned subsidiary of the corporation is incorporated with effect from 25th March, 2008 to perform the work of consultancy and the company is advised to take care of the auditors' observation and strengthen the internal control in this regard. Hence no restatement is required.
9.		According to the records of the company, there are no dues of income tax/ wealth tax/ service tax, etc., which have not been deposited by the company on account of any dispute except the unpaid demand of Income tax of ₹ 53.10 million for the assessment year 2006-07 for which stay application has been moved.	The demand of ₹ 53.10 million for AY 2006-07 has been adjusted by Assessing Officer against the refund granted for AY 1997-98 vide order u/s 254 dtd 27/03/09. Hence no restatement is required.
10.	2007-08 2006-07	In one 'finance lease' transaction, the company had purchased and leased back the assets amounting to ₹ 2,799.92 million from APSEB (now APGENCO). However, sale-deed between PFC and APSEB was executed on 14-02-1997 for part of the amount of ₹ 26,41.03 milion and the execution of supplementary sale deed for the balance amount of ₹ 158.89 million is still pending. However, the lease has since expired on 31st March, 2007 and the commercial terms for continued deployment of these assets are yet to be accepted by the lessee.	The Corporation has purchased assets amounting to ₹ 2800 millions from APSEB (now APGENCO), which in turn were leased out to them. Sale Deed between PFC and APSEB (now APGENCO) was executed on 14.02.97 for the amount of ₹ 264.10 millions only. However, the execution of Supplementary Sale Deed for the balance amount of ₹ 158.89 millions (previous year ₹ 158.89 millions) is pending though the same has been considered for fixing lease rental. In respect of the above, the Corporation approved for extension of secondary lease period @ nominal rental of ₹ 1000/- p.a for the period of 5 years & transfer of assets to APEGENCO. The assets had accordingly beem transferred to APGENCO in fiscal 2009 and the same had been accounted for in the gross block of the assets. There was no qualification from the statutory auditors in FY 2008-09 in this matter. Hence restatement is not required.
11.	2005-06	The management has carried out physical verification of fixed assets in a phased manner, during the years. In our opinion, the frequency of physical verification Is reasonable having regards to the size of the Company and nature of its assets. However, the reconciliation of book records with the physical verification regarding furniture and fixtures and other	The reconciliation of book records with the physical verification is completed and no major discrepancy has been noticed. Accordingly no restatement is required.

		office equipments is in progress.	
12	2005-06	Having regards to the nature of company's business and based on our scrutiny of Company's records and the information and explanations received by us, we report that the Company's activity do not include purchase of inventory and sale of goods. In our opinion and according to the explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of fixed assets. However, in our opinion, the internal controls in the areas of Project follow up and monitoring needs to be strengthened.	The Company is following up and monitoring the projects through nodal officers for each project. As a system, periodical progress reports are being submitted by the project developers to the Nodal Officers. Further, to augment the internal project monitoring systems, two specialized units viz. Corporate Monitoring Unit and Project Management Unit have been established in PFC. No restatement is required.

SELECTED STATISTICAL INFORMATION

*The following information should be read together with our financial statements included in this Draft Red Herring Prospectus as well as the section titled "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" on page 310. Unless otherwise stated, financial information included in this section (i) for fiscal 2006, 2007 and 2008 have been derived from our restated standalone financial statements for fiscal 2006, 2007 and 2008 and (ii) for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010 have been derived from our restated consolidated financial statements for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010 and internally generated statistical data. For further information, see section titled "**Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation –Financial Information**" on page 10 and "**Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of Financial Information**" on page 311.*

NET INTEREST MARGIN ANALYSIS

The following table sets forth, for the periods indicated, the average balances for interest earning assets and interest bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period.

The average balance for interest earning assets and interest-bearing liabilities is calculated as the average of the opening and closing balances of interest earning assets and interest bearing liabilities for the relevant period. Our calculation of average interest earning assets and average interest bearing liabilities may not be comparable to the calculation followed by other Indian banks and financial institutions, which may calculate their average balances based on a daily, fortnightly or monthly averages. We believe that due to the nature of our portfolio, which is concentrated on relatively longer-term assets and liabilities, the volatility of our assets and liabilities is lower than that of most banks and financial institutions.

The following table sets forth for the periods indicated, information relating to the performance of our loan financing business. The average yield on interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost of interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(₹ in million, except percentages)

	Fiscal					
	2006			2007		
	Average balance	Interest income and expense	Average yield/ cost	Average balance	Interest Income and expense	Average yield/ cost
Total interest-earning assets[(1)]	326,598.25	29,151.64	8.9%	399,460.79	37,186.01	9.3%
Total interest-bearing liabilities[(2)]	254,646.42	17,940.29	7.1%	315,766.03	22,820.66	7.2%
Net interest income	-	11,211.35	-	-	14,365.35	-
Net interest margin[(3)]	-	-	3.4%	-	-	3.6%

(₹ in million, except percentages)

	Fiscal					
	2008			2009		
	Average balance	Interest income and expense	Average yield/ cost	Average balance	Interest income and expense	Average yield/ cost
Total interest-earning assets[(1)]	481,270.83	48,663.47	10.1%	583,826.55	63,994.57	11.0%
Total interest-bearing liabilities[(2)]	384,337.72	30,627.77	8.0%	475,604.41	41,442.77	8.7%
Net interest income	-	18,035.70	-	-	22,551.80	-
Net interest margin[(3)]	-	-	3.8%	-	-	3.9%

(₹ in million, except percentages)

	Fiscal			For the nine months ended December 31,		
	2010			2010		
	Average balance	Interest income and expense	Average yield/ cost	Average balance	Interest income and expense	Average yield/ cost

Total interest-earning assets[1]	728,869.05	78,557.79	10.8%	867,087.60	72,489.44	11.2%
Total interest-bearing liabilities[2]	606,323.60	49,377.38	8.1%	726,207.60	45,875.49	8.4%
Net interest income	-	29,180.41	-	-	26,613.95	-
Net interest margin[3]	-	-	4.0%	-	-	4.1%

____
(1) Total interest-earning assets consist of gross loans (excluding lease financing to borrowers and income accrued and due on loans), cash and bank balances (excluding balance under the R-APDRP scheme) and advances to subsidiaries.
(2) Total interest-bearing liabilities consist of loans, interest subsidy fund from GoI and advances received from subsidiaries.
(3) The net interest margin is the ratio of net interest income to average interest-earning assets.

The following table sets forth, for the periods indicated, the allocation of the changes in our interest income and interest expense due to changes in average volume and changes in average rates. The changes in net interest income and interest expense and between periods have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes, which are due to both volume and rate, have been allocated solely to changes in rate.

For further information regarding the impact of changes in interest rates, see section titled "***Management's Discussion and Analysis of Financial Condition and Result of Operations***" on page 310 of this Draft Red Herring Prospectus.

(₹ in million, except percentages)

	Fiscal 2007 vs. Fiscal 2006			Fiscal 2008 vs. Fiscal 2007		
	Net change in interest income or expense	**Change due to change in average volume**[1]	**Change due to change in average rate**[2]	**Net change in interest income or expense**	**Change due to change in average volume**[1]	**Change due to change average rate**[2]
Interest income	8,034.37	6,503.59	1,530.78	11,477.46	7,615.74	3,861.72
Interest expense[3]	4,880.37	4,305.98	574.39	7,807.11	4,955.73	2,851.38
Net interest income	3,154.00	2,197.61	956.39	3,670.35	2,660.01	1,010.34

(₹ in million, except percentages)

	Fiscal 2009 vs. Fiscal 2008			Fiscal 2010 vs. Fiscal 2009		
	Net change in interest income or expense	**Change due to change in average volume**[1]	**Change due to change in average rate**[2]	**Net change in interest income or expense**	**Change due to change in average volume**[1]	**Change due to change average rate**[2]
Interest income	15,331.10	10,369.87	4,961.23	14,563.22	15,898.44	(1,335.22)
Interest expense[3]	10,815.00	7,273.02	3,541.98	7,934.61	11,390.49	(3,455.88)
Net interest income	4,516.10	3,096.85	1,419.25	6,628.61	4,507.96	2,120.65

(1) The change due to a change in average volume was calculated from the change in average balance over the two years multiplied by the average rate in the earlier year, ignoring the variation during the year.
(2) The change due to a change in average rate is the total change less the change due to volume.
(3) Including other charges and resource mobilization expenses.

FINANCIAL RATIOS

The following table sets forth, for the periods indicated, the yields, spreads and net interest margins on our interest-earning assets.

(₹ in million, except percentages)

	Fiscal					For the nine months ended December 31,
	2006	**2007**	**2008**	**2009**	**2010**	**2010**
Interest income	29,151.64	37,186.01	48,663.47	63,994.57	78,557.79	72,489.44
Average interest-earning assets	326,598.25	399,460.79	481,270.83	583,826.55	728,869.05	867,087.60
Interest expense	17,940.29	22,820.66	30,627.77	41,442.77	49,377.38	45,875.49
Average interest-bearing liabilities	254,646.42	315,766.03	384,337.72	475,604.41	606,323.60	726,207.60
Net interest income	11,211.35	14,365.35	18,035.70	22,551.80	29,180.41	26,613.95
Average total assets	341,162.40	421,298.90	507,434.15	615,325.47	766,253.62	912,491.00
Average interest-earning assets as a percentage of average total assets	95.7%	94.8%	94.8%	94.9%	95.1%	95.0%
Average interest-bearing	74.6%	75.0%	75.7%	77.3%	79.1%	79.6%

liabilities as a percentage of average total assets						
Yield[1]	8.9%	9.3%	10.1%	11.0%	10.8%	11.2%
Cost of funds[2]	7.1%	7.2%	8.0%	8.7%	8.1%	8.4%
Spread[3]	1.9%	2.1%	2.1%	2.3%	2.6%	2.7%
Net interest margin[4]	3.4%	3.6%	3.8%	3.9%	4.0%	4.1%

(1) Yield represents the ratio of interest income to average interest-earning assets.
(2) Cost of funds represents the ratio of interest expense and other charges (including resource mobilization expenses) to average interest-bearing liabilities.
(3) Spread is the difference between yield and cost of funds.
(4) Net interest margin is the ratio of net interest income to average interest-earning assets.

The difference between net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest- earning assets, net interest margin is less than the spread.

RETURNS ON EQUITY AND ASSETS

The following table sets forth, for the periods indicated, selected financial ratios:

(₹ in million, except percentages)

	Fiscal					For the Nine months ended December 31,
	2006	**2007**	**2008**	**2009**	**2010**	**2010**
Profit after tax	9,967	11,423	13,119	14,696	22,501	19,470
Average total assets	341,162	421,299	507,434	615,325	766,254	912,491
Average net worth[1]	68,064	85,197	97,648	105,685	117,570	134,385
Profit after tax as a percentage of average total assets	2.9%	2.7%	2.6%	2.4%	2.9%	2.1%
Profit after tax as a percentage of average net worth	14.6%	13.4%	13.4%	13.9%	19.1%	14.5%
Average net worth as a percentage of average total assets	20.0%	20.2%	19.2%	17.2%	15.3%	14.7%

(1) Net worth is defined as Shareholders' fund less Reserve for Bad and Doubtful Debts under section 36(1)(viia)(c) of Income Tax Act, 1961.

GROWTH STATISTICS

The following table sets forth, for the periods indicated, selected growth statistics.

(₹ in million)

	Fiscal				
	2006	**2007**	**2008**	**2009**	**2010**
Loan sanctions	225,017	469,783	694,982	570,300	654,662
Loan disbursements	116,811	140,550	162,111	210,540	258,080
Operating income	31,229.75	38,178.62	50,116.63	65,660.81	81,029.69
Profit after tax	9,966.82	11,423.28	13,118.56	14,695.99	22,500.89
Loan assets	355,819.18	438,923.85	515,683.05	644,289.94	798,557.56
Total assets	375,344.32	467,253.48	547,614.81	683,036.13	849,471.10

CONCENTRATION OF OUTSTANDING LOANS

The following table sets forth the ten individual borrowers to whom we had the greatest amount of loans outstanding as on December 31, 2010:

Borrower	Loans outstanding	% of total outstanding loans as of December 31, 2010
	(₹ in million, except percentages)	
Borrower 1	73,567.74	8.0
Borrower 2	62,544.39	6.8
Borrower 3	58,572.77	6.4
Borrower 4	53,395.29	5.8

Borrower	Loans outstanding	% of total outstanding loans as of December 31, 2010
	(₹ in million, except percentages)	
Borrower 5	50,699.77	5.5
Borrower 6	48,803.04	5.3
Borrower 7	42,290.56	4.6
Borrower 8	42,079.22	4.6
Borrower 9	35,063.44	3.8
Borrower 10	31,120.78	3.4
Total	**498,137.00**	**54.1**

In addition to our exposure to borrowers resulting from our outstanding loans, we may also have exposures to borrowers, including the ten individual borrowers and borrower groups referred to above, in the form of unfunded loan sanctions.

Classification of Assets

We are a non-deposit taking systemically important NBFC and we are regulated by various provisions of Reserve bank of India ("**RBI**"). Classification of Assets are guided by the "Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007" issued by the RBI, which is produced here under,

Various assets class are defined here under:

Standard Assets

A standard asset is the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.

Non-performing Assets

A non-performing asset, or NPA, is defined as an asset that is a substandard asset, a doubtful asset or a loss asset and includes:

- an asset, in respect of which, interest has remained overdue for a period of six months or more;
- a term loan inclusive of unpaid interest, when the installment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;
- a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;
- a bill which remains overdue for a period of six months or more;
- the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/advances, which facility remained overdue for a period of six months or more;
- any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;
- the lease rental and hire purchase installment, which has become overdue for a period of 12 months or more;
- in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes a NPA.

Substandard Assets

A substandard asset is defined as:

- an asset which has been classified as non-performing asset for a period not exceeding 18 months; or

- an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

Provided that the classification of an infrastructure loan as a sub-standard asset shall be done separately in accordance with the provisions of paragraph 20 of "Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007" issued by the RBI.

Doubtful Assets

A doubtful asset is defined as an asset which remains a substandard asset for a period not exceeding 18 months.

Loss Assets

A loss asset is defined as:

- an asset which has been identified as a loss asset by the non-banking financial company or its internal or external auditor or by the Reserve Bank of India during the inspection of the non-banking financial company, to the extent it is not written off by the non-banking financial company; and

- an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

Loans and advances and any other form of credit are classified as standard assets, sub-standard assets, doubtful assets and loss assets.

The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the up gradation.

Provisions/write off Against Loans and Advances

Prudential Norms

Being a government-owned NBFC, we are exempt from the RBI directions relating to prudential norms. We have, however, formulated our own set of prudential norms with effect from April 1, 2003, which have been revised from time to time.

In respect of private sector utilities, we apply RBI exposure norms, as advised by RBI, pursuant to its letter of December 2008. Further, the RBI exempted us from its prudential exposure norms in respect of lending to public sector entities in the power sector until March 2012.

We were granted IFC status in July 2010 and currently maintain CRAR as required for maintaining such IFC status.

As per prudential norms approved by the Board and the MoP, an asset including a lease asset, in respect of which installments of loan, interest and/or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any, when the installment and/or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under the bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred which remains unpaid for a period of six months or more are classified as NPAs.

However, the following assets are not classified as NPAs and the income on these loans is recognized on a receipt basis:

- Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated February 1, 2002, read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated November 11, 2008 are classified in line with RBI guidelines for asset classification of infrastructure projects, as applicable to banks from time to time.
- A facility which is backed by a Central or State Government guarantee or by a State Government undertaking for deduction from central plan allocation or a loan to a State department, for a period not exceeding 12 months from the date from which our dues have not been paid by the borrower.
- A loan disbursed to an integrated power entity which is bifurcated on account of division of states, we are to follow the government order issued for division of assets and liabilities, unless such order is stayed by a court of competent jurisdiction and the case is pending in court.
- Non-servicing of part of the dues disputed by the borrower for a period not exceeding 12 months from the date from which our dues have not been paid by the borrower. The disputed income is recognized only when it is actually realized. Any such disputed income already recognized in the books of accounts is reversed. Disputed dues means amount on account of certain financial charges including commitment charges, penal interest and disputed differential income on account of interest reset not serviced by the borrower due to certain issues remaining unresolved. A dispute shall be acknowledged on a case by case basis with the approval of the Board.

NPA classification and provisioning norms for loans, other credits and lease assets are determined as set out below:

- NPA for a period not exceeding 18 months: Sub-standard asset
- NPA exceeding 18 months: Doubtful asset
- When an asset is identified as a loss asset or assets remain doubtful asset exceeding 36 months, whichever is earlier: Loss asset

Provision against NPAs is made at the rates indicated below:

Sub-standard assets: 10.0%

Doubtful assets:

- Secured portion or facility including that guaranteed by State or Central governments or by a State government undertaking for deduction from planned allocation or a loan to State department.

  Up to 1 year: 20.0%
  1 – 3 years: 30.0%
  More than 3 years: 100.0%

- Unsecured: 100.0%
- Loss assets: 100.0%

The entire loss assets are written off. If a loss asset is permitted to remain in the books for any reason, 100% of the outstanding is provided for.

For the purpose of assets classification and provisioning:

- facilities granted to public sector entities are considered loan-wise; and
- facilities granted to private sector entities are considered borrower-wise.

NPA Analysis

The following table sets forth Information relating to our NPAs relating to our loan assets as of the dates indicated, by sector:

Borrower type	As of March 31,					As of December 31, 2010
	2006	2007	2008	2009	2010	

	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
Public sector	317.33	34.9	258.77	61.2	42.45	32.2	42.45	32.2	42.45	32.2	42.45	32.2.
Private sector	592.60	65.1	164.32	38.8	89.18	67.8	89.18	67.8	89.18	67.8	89.18	67.8
Total	**909.93**	**100.0**	**423.09**	**100.0**	**131.63**	**100.0**	**131.63**	**100.0**	**131.63**	**100.0**	**131.63**	**100.00**

As of March 31, 2008, 2009 and 2010 and December 31, 2010, we had gross NPAs of ₹ 131.63 million, ₹ 131.63 million, ₹ 131.63 million and ₹ 131.63 million as of March 31, 2008, 2009 and 2010 and December 31, 2010, respectively, which represented 0.03%, 0.02%, 0.02% and 0.01% of our total loan assets, respectively, as of such dates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with (i) our restated standalone financial statements as of and for the years ended March 31, 2006, 2007, 2008, 2009 and 2010 and as of and for the nine months ended December 31, 2010 and (ii) our restated consolidated financial statements as of and for the years ended March 31, 2009 and 2010 and as of and for the nine months ended December 31, 2010, all prepared in accordance the Companies Act and Indian GAAP and restated in accordance with the SEBI Regulations, including the schedules, annexures and notes thereto and the reports thereon, included in the section titled "**Financial Statements**" beginning on page 163 of this Draft Red Herring Prospectus.*

*Unless otherwise stated, financial information included in this section (i) for fiscal 2006, 2007 and 2008 have been derived from our restated standalone financial statements for fiscal 2006, 2007 and 2008 and (ii) for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010 have been derived from our restated consolidated financial statements for fiscal 2009 and 2010 and as of and for the nine months ended December 31, 2010. For further information, see section titled "**Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation –Financial Information**" on page 10 and "**Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of Financial Information**" on page 311.*

Indian GAAP differs in certain material respects from U.S. GAAP and IFRS. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those under U.S. GAAP or IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with the Companies Act, Indian GAAP and the SEBI Regulations.

*This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the sections titled "**Risk Factors**" and "**Forward-Looking Statements**" beginning on pages 15 and 14, respectively.*

In this section, unless the context otherwise requires, a reference to the "Company" is a reference to Power Finance Corporation Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Power Finance Corporation Limited and its subsidiaries, joint ventures and associate companies, as applicable in the relevant fiscal period, on a consolidated basis.

Overview

We are a leading financial institution in India focused on the power sector. We were established as an integral part of, and continue to play a strategic role in, the GoI's initiatives for the development of the power sector in India. We work closely with GoI instrumentalities, State governments and power sector utilities, other power sector intermediaries and private sector clients for the development and implementation of policies and structural and procedural reforms for the power sector in India. In addition, we are involved in various GoI programs for the power sector, including acting as the nodal agency for the UMPP program and the R-APDRP and as a bid process coordinator for the ITP scheme.

We provide a comprehensive range of financial products and related advisory and other services from project conceptualization to the post-commissioning stage for our clients in the power sector, including for generation (conventional and renewable), transmission and distribution projects as well as for related renovation and modernization projects. We provide various fund based financial assistance, including project finance, short-term loans, buyer's line of credit and debt refinancing schemes, as well as non-fund based assistance including default payment guarantees and letters of comfort. We also provide various fee-based technical advisory and consultancy services for power sector projects.

We have well-established relationships with the GoI and State governments, regulatory authorities, major power sector organizations, Central and State power utilities, as well as private sector power project developers. We have also strategically expanded our focus areas to include projects that represent forward and backward linkages to the core power sector projects, including procurement of capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development. We also intend to fund power trading initiatives.

Our primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. We currently enjoy the highest credit ratings of "AAA" and "LAAA" for our long-term domestic borrowings and "P1+" and "A1+" for our short-term borrowings from CRISIL (a subsidiary of Standard & Poor's) and ICRA (an affiliate of Moody's), respectively. International credit rating agencies Moody's, Fitch and Standard & Poor's have granted us long-term foreign currency issuer ratings of "Baa3", "BBB-" and "BBB-", respectively, which are at par with the sovereign ratings for India.

We are a listed government company and a public financial institution under the Companies Act. We are registered with the RBI as a non-deposit taking systemically important NBFC ("NBFC") and were classified as an IFC in July 2010. We believe that our NBFC and IFC classification enables us to effectively capitalize on available financing opportunities in the power sector in India. In addition, as a government-owned NBFC, loans made by us to Central and State entities in the power sector are currently exempt from the RBI's prudential lending (exposure) norms that are applicable to other non-government owned NBFCs. However, we follow prudential lending norms and guidelines approved by the MoP with respect to loans made to Central and State entities in the Indian power sector, while our loans made to the private sector are generally consistent with lending (exposure) norms stipulated by the RBI. We believe our classification as an IFC enhances our ability to raise funds on a cost-competitive basis (including through issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to the bondholders), and increase our lending exposures to individual entities, corporations and groups, compared to other NBFCs that are not IFCs.

We have an established track record of consistent financial performance and growth:

- Our total loan assets increased from ₹ 355,819.18 million as of March 31, 2006 to ₹ 798,557.56 million as of March 31, 2010, at a CAGR of 22.4%. Our total loan assets further increased to ₹ 921,182.57 million as of December 31, 2010. As of December 31, 2010, our total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹ 1,580,005 million.

- Our total income increased from ₹ 31,353.82 million in fiscal 2006 to ₹ 81,265.75 million in fiscal 2010, at a CAGR of 26.9%, while our profit after tax increased from ₹ 9,966.82 million in fiscal 2006 to ₹ 22,500.89 million in fiscal 2010, at a CAGR of 22.6%. Our total income and profit after tax were ₹ 74,870.43 million and ₹ 19,470.18 million, respectively, in the nine months ended December 31, 2010.

- We had gross NPAs (relating to our loan assets) of ₹ 131.63 million, ₹ 131.63 million, ₹ 131.63 million and ₹ 131.63 million as of March 31, 2008, 2009 and 2010 and December 31, 2010, respectively, which represented 0.03%, 0.02%, 0.02% and 0.01% of our total loan assets, respectively, as of such dates.

- Our profit after tax as a percentage of average total assets and as a percentage of average net worth were 2.9% and 19.1%, respectively, in fiscal 2010 and 2.1% and 14.5%, respectively, in the nine months ended December 31, 2010.

- Our net worth as of December 31, 2010 was ₹ 143,595.50 million.

- Our capital adequacy ratio was 18.3% and 17.3% as of March 31, 2010 and as of December 31, 2010, respectively.

Presentation of Financial Information

In this Draft Red Herring Prospectus, we have included (i) our restated standalone financial statements for fiscal 2006, 2007, 2008, 2009 and 2010 and the nine months ended December 31, 2010; and (ii) our restated consolidated financial statements for fiscal 2009 and 2010 and the nine months ended December 31, 2010. Our restated consolidated financial statements for fiscal 2009 and 2010 and the nine months ended December 31, 2010 represent consolidation of accounts of (i) our Company, (ii) our wholly-owned subsidiary PFC Consulting Limited, (iii) our joint venture entities National Power Exchange Limited and Energy Efficiency Services Limited, in which we held 16.7% and 25.0% equity interest, respectively, as of December 31, 2010 and (iv) our associate company Power Equity Capital Advisors Private Limited, in which we held a 30.0% equity interest as of December 31, 2010. We commenced preparation of consolidated financial statements in fiscal 2009 following the establishment of our wholly-owned subsidiary PFC Consulting Limited in March 2008. Although we have also established various wholly-owned subsidiaries as SPVs in our role as the nodal agency for the UMPP program and a bid process coordinator for the ITP scheme, these entities are not consolidated in our consolidated financial statements as these are established and held with the intention of ultimately transferring such SPVs to the successful bidders for the relevant UMPP or ITP. This is in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India ("**ICAI**") which stipulates that a subsidiary is required to be excluded from consolidation if control over such entity is intended to be temporary because such entity is established or acquired and held exclusively with the intention of subsequent transfer. Our investments in these subsidiaries are reflected as investments in our consolidated financial statements, are valued at cost, and are adjusted for any provision for diminution or accretion in value.

Our standalone total income in fiscal 2009, 2010 and in the nine months ended December 31, 2010 was ₹ 65,736.68 million, ₹ 80,817.15 million and ₹ 74,677.97 million, respectively, and represented 99.8%, 99.5% and 99.7%, respectively, of our consolidated total income in such periods. Our standalone profit after tax in fiscal 2009, 2010 and in the nine months ended December 31, 2010 were ₹ 14,599.51 million, ₹ 22,289.86 million and ₹ 19,403.46 million, respectively, and as a percentage of our consolidated profit after tax in such periods, was 99.3%, 99.1% and 99.7%, respectively. As of March 31, 2009 and 2010 and as of December 31, 2010, our total assets on an standalone basis was ₹ 682,688.14 million, ₹ 848,622.48 million and ₹ 974,798.73 million, respectively, compared to total assets on a consolidated basis of ₹ 683,036.13 million, ₹ 849,471.10 million and ₹ 975,510.90 million, respectively. Since there are no material differences between our standalone and consolidated restated financial statements, we have presented a comparison of our standalone results of operations in fiscal 2008 with our consolidated results of operations in fiscal 2009.

In addition, we have not prepared, and have not included in this Draft Red Herring Prospectus, any financial statement as of and for the nine months ended December 31, 2009. We have included in this section a comparison of our results of operations in the nine months ended December 31, 2010 with our results of operations in fiscal 2010. For such discussion, increases and decreases in income statement items in the nine months ended December 31, 2010 have been compared to those in fiscal 2010, and to the extent that such income statement items in the nine months ended December 31, 2010 represents more than 75.0% of the corresponding items in fiscal 2010, we have considered such change as a relative increase in such income statement item. Conversely, if any income statement item in the nine months ended December 31, 2010 represents less than 75.0% of the corresponding items in fiscal 2010, we have considered such change as a relative decrease in such income statement item.

Factors Affecting Results of Operations

Interest rate volatility and reset terms

Our results of operations are affected by volatility in interest rates. Our business is dependent on interest income from our lending operations, which contributed 96.8% and 96.3% of our total income in fiscal 2010 and in the nine months ended December 31, 2010, respectively. Substantially all of our lending is in the form of Rupee-term loans under which prepayment of the loans by our borrowers attract prepayment premium. The pre-payment premium may be insufficient to disincentivize the borrower from refinancing the loan with another lender. In addition, while we set the interest rate under our loans and also typically have the option to reset the rate to our prevailing lending rates in accordance with the terms of the relevant loans, typically every three years or ten years, this flexibility is also subject to the borrower's ability to prepay the loan and refinance with another lender. We are therefore subject to re-pricing and pre-payment risks on an ongoing basis as borrowers may take advantage of a decline in interest rates during the life of their loan.

If we re-price loans, our results may be adversely affected in the period in which the re-pricing occurs. If borrowers prepay loans, the return on our capital may be impaired as any prepayment premium we receive may not fully compensate us for the redeployment of such funds elsewhere. When interest rates rise, we may be more susceptible to such increases than our competitors that have access to lower cost funds, particularly if we have a higher portion of floating rate borrowings or borrowings with shorter durations than that of our competitors.

The primary interest rate-related risks we face are from timing difference in the maturity of our fixed rate assets and liabilities, e.g., if in an increasing interest rate environment, our fixed rate liabilities mature prior to our fixed rate assets and therefore require us to incur additional liabilities at a higher interest rate, and repricing risk, e.g., where there is an adverse mismatch between the repricing terms of our loan assets and our loan liabilities.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors.

Our results of operations are also dependent on other factors including factors that are indirectly related to the prevailing interest rate and lending environment, including disbursement and repayment schedules for our loans, the terms of such loans including interest rate reset terms as well as the currency of such loans and any exchange gains or losses relating thereto. We typically experience a significant increase in disbursement of loans in the second half of the fiscal year, particularly with respect to our public sector clients. We review our lending rates periodically based on prevailing market conditions, borrowing cost, yield, spread, competitors' rates, sanctions and disbursements. In addition, the value of any interest rate hedging instruments we may enter into may be affected by changes in interest rates. As of December 31, 2010, 65.2% of our borrowings were at fixed rates while the remaining were at floating rates (i.e., linked to the benchmark prime lending rate/base rate/Repo and other market benchmarks), compared to a large part of our loans which carry fixed interest rates.

Availability of cost effective funding sources and ability to raise capital

Our primary sources of funds are Rupee-denominated bonds and commercial borrowings raised in India. Our ability to price our products depends on our cost of capital. Our cost of funds in fiscal 2008, 2009, 2010 and in the nine months ended December 31, 2010 was 8.0%, 8.7%, 8.1% and 8.4%, respectively, which we believe is competitive but our ability to compete effectively will remain dependent on our timely access to, and the costs associated with raising capital and our ability to maintain a low, effective cost of funds in the future that is comparable or lower than that of our competitors. Following a general decrease in the level of direct and indirect financial support by the GoI to us in recent years, we are significantly dependent upon funding from the equity and debt markets and commercial borrowings and are particularly vulnerable in this regard given the growth of our business. The market for such funds is competitive and our ability to obtain funds on acceptable terms, or at all is subject to various factors beyond our control. Many of our competitors have greater and cheaper sources of funding than we do. Further, many of our competitors may have larger resources or balance sheet strength than us and may have access to considerable financing resources. In addition, since we are a non-deposit taking NBFC, we may have restricted access to funds in comparison to banks and deposit taking NBFCs. While we have generally been able to pass any increased cost of funds onto our customers, we may not be able to do so in the future. If our products are not competitively priced, there is a risk of our borrowers raising loans from other lenders and in the case of financially stronger SPUs and SEBs and private sector borrowers, the risk of their raising funds directly from the market. Our ability to raise capital also depends on our ability to maintain our credit ratings in order to access various cost competitive funding options. We are also dependent on our status as an IFC which enables us, among other things, to further diversify our borrowings through the issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to bondholders and to raise, under the automatic route (without the prior approval of the RBI), ECBs up to US$500.00 million each fiscal year, subject to the aggregate outstanding ECBs not exceeding 50.0% of our Owned Funds.

Project implementation schedules and profitability

We typically advance long term loans to borrowers for utilization in a particular project on the basis that the cash flows from the project, once commissioned, will service the repayment of principal amounts to us. Power projects are subject to a number of risks which are further heightened on account of the long gestation periods for the projects, we fund, particularly generation projects, which represented 75.3% of our total loan assets as of December 31, 2010 (excluding corporate loans and loans for renovation and modernization of power generation projects). Power sector projects carry project-specific as well as general risks, many of which are beyond our control, including: political, regulatory, fiscal, monetary and legal actions and policies that may adversely affect the viability of projects we finance; changes in government and regulatory policies relating to the power sector; delays in the construction and operation of projects we finance; adverse changes in demand for, or the price of, power generated or distributed by the projects we finance; the willingness and ability of consumers to pay for the power produced by projects we finance; shortages of, or adverse price developments for, raw materials and key inputs for power production such as coal and natural gas; increased project costs due to environmental challenges and changes in environmental regulations; potential defaults under financing arrangements of project companies and their equity investors; failure of co-lenders with us under consortium lending arrangements to perform on their contractual obligations; failure of third parties such as contractors, fuel suppliers, sub-contractors and others to perform on their contractual obligations in respect of projects we finance; adverse developments in the overall economic environment in India; adverse fluctuations in interest rates or currency exchange rates; economic, political and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve; delay in obtaining or renewing regulatory or environmental clearances; and delay in acquisition of land for projects we finance. The long-term profitability of power sector projects is also dependent on the efficiency of their operation and maintenance of their assets. Delayed implementation, pre-commissioning issues, inefficient operations and maintenance and similar factors may reduce the profitability of the project, adversely affecting the ability of these projects to repay our loans. In addition, power sector projects may be exposed to unplanned interruptions caused by catastrophic events such as floods, earthquakes, fires, major plant breakdowns, pipeline or electricity line ruptures or other disasters. Such operational disruption could adversely affect the cash flows available from these projects. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in a permanent loss of customers, substantial litigation or penalties and/or regulatory or contractual non-compliance.

If borrowers fail to make payments of interest or principal in a timely manner it may also affect the asset classification as per the terms of applicable prudential norms and consequently we may be unable to recognise revenue from these loans on an accrual basis and may also have to undertake additional provisioning in accordance with applicable prudential norms.

Growth of the Indian power sector and dependence on GoI policy and regulation

We are a financial institution focused on the power sector in India. Our financial results are therefore significantly affected by general economic conditions prevailing in India and in particular by developments in the power sector, including increases in the demand for power and expectations for power-related projects. While we believe that the power sector will continue to be one of the prime driving forces of the Indian economy and that the continued growth of the Indian economy will be met by increased investment in the power sector, both public and private, there can be no assurance that this will be the case.

In addition, we also face certain risks on account of being a government-owned company, operating in a regulated industry in India. We have been involved in, and will continue to be involved in, the development and implementation of various policies and structural and procedural reforms for the power sector in India. Therefore we may, at times, be required to follow the public policy directives of the GoI by financing specific projects or sub-sectors in the public interest, which may not be consistent with our commercial interests.

Our business and industry are also dependent, directly or indirectly, on the policies and support of the GoI in relation to the power industry generally, including with respect to the manner of determination of tariff and other policies and licensing requirements for, and tax incentives applicable to, companies in the power sector, the cost of our capital, the financial strength of our borrowers, the management and growth of our business and our industry and overall profitability including in particular, the financial condition of our borrowers. Historically, the power sector in India has been the preserve of the GoI and State governments, and has been constrained by various factors such as shortages of public funding, political considerations and issues of transparency and accountability.

Power sector focused financial institution with public sector borrower concentration

We are public financial institution focused on the power sector, which has a limited number of borrowers primarily comprising SPUs and SEBs, many of which are loss making entities. Our past exposure has been and future exposure is anticipated to be concentrated towards these borrowers. As of December 31, 2010, our public sector and private sector borrowers accounted for 92.9% and 7.1%, respectively, of our total outstanding loans. In addition, we have granted certain long-term loans to various SEBs. The relevant State governments have restructured certain SEBs into separate entities formed for generation, transmission and/or distribution. As part of the restructuring, all liabilities and obligations of a restructured SEB were transferred to the applicable State government, which in turn transferred them to the newly formed, State government owned transmission, distribution and/or generation companies. Historically, public sector utilities have had a relatively weak financial position and have in the past defaulted on their indebtedness. Consequently, we have had to restructure some of the loans sanctioned to certain SPUs and SEBs, which has involved rescheduling the repayment of their loans.

As of December 31, 2010, our single largest borrower accounted for 8.0% of our total outstanding loans, and our top five and top ten borrowers accounted for, in the aggregate, 32.4% and 54.1%, respectively, of our total outstanding loans. In addition, we have additional exposure to these borrowers in the form of non-fund based assistance. Any financial difficulties on the part of the borrowers to whom we have significant exposure (including the restructured SPUs and SEBs) could increase the level of NPAs in our portfolio and adversely affect our business and financial condition and the price of our Equity Shares.

Tax benefits and incentives

We have received and currently receive tax benefits by virtue of our status as a lending institution, including as a result of our lending within the infrastructure sector, which have enabled us to reduce our effective tax rate. In fiscal 2008, 2009, 2010 and in the nine months ended December 31, 2010 our effective tax liability was 26.9%, 24.8%, 26.8% and 25.2%, respectively, compared to statutory corporate tax rates (including surcharge and cess) of 33.99%, 33.99%, 33.99% and 33.22% in such periods. The availability of these tax benefits is subject to the policies of the GoI, among other things, and there can be no assurances as to the amount of tax benefits that our Company will receive in the future, if any.

Section 36(1)(viia)(c) of the I.T. Act enables us to make a provision of 5.0% of our income computed before making deduction under this clause and chapter VIA of the I.T. Act as provision for bad and doubtful debts. Section 36(1)(viii) of the Income Tax Act has enabled us to make a deduction in respect of special reserve created and maintained of an amount not exceeding 40.0% of profits derived from the business of providing long-term finance. However, for periods subsequent to fiscal 2007, the amount has been reduced to 20.0%. This has had an impact on our results of operations in periods subsequent to fiscal 2007.

In addition, the Finance Minister has presented the Direct Tax Code Bill, 2010 ("DTC Bill") on August 30, 2010, which is proposed to be effective from April 1, 2012. On the finalization of the DTC Bill and on obtaining the approval of the Indian Cabinet, the DTC Bill will be placed before the Indian Parliament for its approval and notification as an Act of Parliament. Accordingly, it is currently unclear what effect the Direct Tax Code would have on our financial statements. However, under the proposed DTC Bill, the deduction under Section 36(1)(viia)(c) and 36(1)(viii) of the I. T. Act, which is currently available to the Company would not be available in the future, which will increase our tax liability.

We also benefit from certain other direct tax benefits provided by the GoI. For further information relating to such tax benefits, see section titled "***Statement of Tax Benefits***" and "***Our Business - Resource Mobilization***" on pages 74 and 110, respectively.

Significant Accounting Policies

Critical accounting policies are those that are important to both the portrayal of our financial condition and results of operations and that also require management's most subjective and complex judgments. In order to provide an understanding about how management forms its judgment about the most appropriate accounting policy to be followed for complex transactions and future events, we identify the following critical accounting policies:

Basis of Preparation

Our financial statements are prepared in accordance with historical cost convention on accrual basis in accordance with Indian GAAP and Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act.

Principles of Consolidation

Our consolidated financial statements are prepared on the following basis:

- The financial statements of the Company and its subsidiary are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements".
- The financial statements of joint venture entities have been combined by applying proportionate consolidation methods on a line by line basis on like items of assets, liabilities, income and expenses after eliminating a proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 – "Financial Reporting of Interests in Joint Ventures".

- The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as our standalone financial statements except as otherwise stated in the notes to the accounts.
- In the case of associates, where the Company directly or indirectly holds more than 20.0% of their equity capital, investments in Associates are accounted for using the equity method in accordance with Accounting Standard (AS) 23 – "Accounting for Investments in Associates in Consolidated Financial Statements".

Income recognition and expenditure

- Income and expenses (except as stated below) are accounted for on an accrual basis.
  - Income on non-performing assets is recognized in the year of its receipt. However, any unrealized income recognized before such asset became a non-performing asset or income recognized which remained due but unpaid for a period of more than six months is reversed.
  - Fees for advisory and professional services for developing UMPPs are accounted for on transfer of the project to the successful bidder.
  - Premium on interest restructuring is accounted for in the year in which the restructuring is approved.
  - Premium on premature repayment of loan is accounted for in the year in which it is received by us.
  - Income from consultancy services is accounted for on the basis of assessment by the management of actual progress of work executed proportionately with respect to the total scope of work in line with the terms of respective consultancy contracts. Consultancy fees are calculated net of service tax as payable under Finance Act, 1994, as amended.
  - Rebate on account of timely payment by borrowers is accounted for on receipt of the entire amount due on time.
  - Income under the head carbon credit, upfront fees, lead manager fees, facility agent fees, security agent fee and service charges on loans is accounted for in the year in which it is received by us.
  - The discount/financial charges/interest on the commercial papers and zero coupon bonds (deep discount bonds) are amortized proportionately over the period of its tenure.
  - Expenditure on issue of shares is charged off to the share premium received on the issue of shares.
- Lease rental is accounted for on accrual basis. Income from lease rentals in respect of leases prior to April 1, 2001 is recognized on the basis of the implicit interest rate, in the lease, in accordance with Guidance Note on Accounting for Leases issued by the Institute of Chartered Accountants of India. Leases effected from April 1, 2001 are accounted for in accordance with Accounting Standard – 19 on Leases.
- Income from dividends is accounted for in the year of declaration of the relevant dividend.
- Recoveries in borrower accounts are appropriated as per the loan agreements.
- We raise demands of installments due as per our loan agreements. The repayment is adjusted against the earliest disbursement, irrespective of the rate of interest being charged on various disbursements.
- Prior period expenses / income and prepaid expenses up to ₹ 5,000.00 are charged to natural heads of account.
- Nodal agency fees under the R-APDRP are accounted for at the rate of 1.0% of the sanctioned project cost in three steps: 0.40% on sanction of the project, 0.30% on disbursement of the funds and the remaining 0.30% after completion of the sanctioned project (for Part-A) and verification of AT&C loss of the project areas (for Part-B). The actual expenditure incurred for bringing into operation the R-APDRP project is reimbursable from the MoP, GoI and accounted for in the period so incurred.
- Expenditure which does not fall under the classification of "Intangible Assets" as defined in AS-26 is fully written off in the same year in which it is incurred.

Fixed assets and depreciation

- Fixed assets are shown at historical cost less accumulated depreciation, except the assets retired from active use and held for disposal, which are stated at the lower of the book value or the net realizable value.
- Additions to fixed assets are being capitalized on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received and approved.
- Depreciation on assets other than leased assets is provided on written down value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act.
- Depreciation on assets leased prior to April 1, 2001 is provided for on straight line method at the rates prescribed under Schedule XIV to the Companies Act or over the primary balance period of lease of assets, whichever is higher. The value of the net block so arrived at is further adjusted by balance in the lease equalization account. The assets leased after April 1, 2001 do not need to be depreciated as per Accounting Standard – 19.
- Items of fixed assets acquired during the year costing up to ₹ 5,000.00 are fully depreciated.

Intangible assets and amortization

Intangible assets such as software are shown at their cost of acquisition and amortization is done under the straight-line method over the life of the assets, as estimated by the Company.

Investments

- Quoted current investments are valued scrip-wise at the lower of cost or fair value.
- Unquoted current investments are valued at the lower of cost or fair value.
- Long-term investments are valued at cost. Provision is made for diminution, other than temporary diminution in the value of such investments. However, diminution in value is reversed when there is a rise in the value or if the reason for the reduction no longer exists.
- Investments in mutual funds or venture capital funds are valued at cost, less diminution, if any, other than temporary diminution. However, diminution in value is reversed when there is a rise in the value or if the reason for the reduction no longer exists.

Provisions and write offs against loans and advances

Prudential Norms

Being a government-owned NBFC, we are exempt from the RBI directions relating to prudential norms. We have, however, formulated our own set of prudential norms with effect from April 1, 2003, which have been revised from time to time.

In respect of private sector utilities, we apply RBI exposure norms, as advised by RBI, pursuant to its letter of December 2008. Further, the RBI exempted us from its prudential exposure norms in respect of lending to public sector entities in the power sector until March 2012.

We were granted IFC status in July 2010 and currently maintain CRAR as required for maintaining such IFC status.

As per prudential norms approved by the Board and the MoP, an asset including a lease asset, in respect of which installments of loan, interest and/or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any, when the installment and/or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under the bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred which remains unpaid for a period of six months or more are classified as NPAs.

However, the following assets are not classified as NPAs and the income on these loans is recognized on a receipt basis:

- Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated February 1, 2002, read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated November 11, 2008 are classified in line with RBI guidelines for asset classification of infrastructure projects, as applicable to banks from time to time.
- A facility which is backed by a Central or State Government guarantee or by a State Government undertaking for deduction from central plan allocation or a loan to a State department, for a period not exceeding 12 months from the date from which our dues have not been paid by the borrower.
- A loan disbursed to an integrated power entity which is bifurcated on account of division of states, we are to follow the government order issued for division of assets and liabilities, unless such order is stayed by a court of competent jurisdiction and the case is pending in court.
- Non-servicing of part of the dues disputed by the borrower for a period not exceeding 12 months from the date from which our dues have not been paid by the borrower. The disputed income is recognized only when it is actually realized. Any such disputed income already recognized in the books of accounts is reversed. Disputed dues means amount on account of certain financial charges including commitment charges, penal interest and disputed differential income on account of interest reset not serviced by the borrower due to certain issues remaining unresolved. A dispute shall be acknowledged on a case by case basis with the approval of the Board.

NPA classification and provisioning norms for loans, other credits and lease assets are determined as set out below:

- NPA for a period not exceeding 18 months: Sub-standard asset
- NPA exceeding 18 months: Doubtful asset
- When an asset is identified as a loss asset or assets remain doubtful asset exceeding 36 months, whichever is earlier: Loss asset

Provision against NPAs is made at the rates indicated below:

Sub-standard assets: 10.0%

Doubtful assets:

- Secured portion or facility including that guaranteed by State or Central governments or by a State government undertaking for deduction from planned allocation or a loan to State department.

  Up to 1 year: 20.0%
  1 – 3 years: 30.0%
  More than 3 years: 100.0%

- Unsecured: 100.0%
- Loss assets: 100.0%

The entire loss assets are written off. If a loss asset is permitted to remain in the books for any reason, 100% of the outstanding is provided for.

For the purpose of assets classification and provisioning:

- facilities granted to public sector entities are considered loan-wise; and
- facilities granted to private sector entities are considered borrower-wise.

Foreign Exchange Transactions

(i) The following transactions are accounted for at the exchange rates prevailing on the date of the transaction in accordance with Accounting Standard – 11:

  - Expenses and income in foreign currency; and

- Amounts borrowed and lent in foreign currency.

(ii) The following balances are translated in Rupees at the exchange rates prevailing on the date of closing of accounts in accordance with Accounting Standard – 11.

- Foreign currency loan liabilities to the extent they are not hedged;
- Funds kept in a foreign currency account with banks abroad;
- Contingent liabilities in respect of guarantees given in a foreign currency;
- Income earned abroad but not remitted or received in India;
- Loans granted in a foreign currency; and
- Expenses and income accrued but not due on foreign currency loans or borrowings.

(iii) Wherever we have entered into a forward contract or an instrument that is, in substance a forward exchange contract, the difference between the forward rate and exchange rate on the date of transaction is recognized as income or expenses over the life of the contract in accordance with Accounting Standard – 11.

(iv) In case of the loan from Kfw, Germany, exchange loss, if any, at the year-end is debited to an interest differential fund account in accordance with our loan agreements with Kfw.

Grants from the GoI

- Where grants are first disbursed to the grantee, these are shown as amounts recoverable from the GoI and are reconciled upon receipt of amount; and
- Where grants are received in advance from the GoI, these are shown as current liabilities until the payments are released to the grantee.

Interest Subsidy Fund

- We receive an interest subsidy for eligible borrowers from the MoP under the AG&SP on a net present value basis. This is credited to the Interest Subsidy Fund on receipt and is passed on to the borrowers over the eligible period of the loan on the relevant dates of interest demands. Any excess or shortfall in the Interest Subsidy Fund is refunded or adjusted / charged off at the completion of the relevant scheme.
- The Interest Subsidy Fund is credited at the year-end with interest on the outstanding balance in the subsidy fund by debiting the profit and loss account, at rates specified in the scheme.

R-APDRP Fund

- Loans received from the GoI, in connection with our role as a nodal agency for the R-APDRP for lending to eligible borrowers are back to back arrangements with no profit or loss arising to us.

Employee Benefits

Provident Fund, Gratuity and Post Retirement Benefits

- Our contribution paid or payable during the fiscal period towards provident fund is charged in the profit and loss account. Our obligation towards gratuity to employees and post retirement benefits such as medical benefits, economic rehabilitation benefit, and settlement allowance after retirement are actuarially determined and provided for in accordance with Accounting Standard – 15 (Revised).

Other Employee Benefits

- Our obligation towards sick leave, earned leave, service award scheme are actuarially determined and provided for in accordance with Accounting Standard – 15 (Revised).

Taxation

- Income tax comprising current tax is determined in accordance with applicable tax laws and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the relevant period) in accordance with Accounting Standard – 22.

- Deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using tax rates that have been enacted or substantially established by the balance sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

- Deferred tax assets have been offset against deferred tax liability to the extent permissible under applicable tax laws.

- Since we passed a Board resolution stating that we had no intention of making withdrawals from the special reserve created and maintained under section 36(1)(viii) of the Income Tax Act, the special reserve created and maintained is not capable of being reversed and therefore became a permanent difference. We do not create any deferred tax liability on the said reserve in accordance with the clarification of the Accounting Standard Board of the ICAI and the opinion of the Comptroller and Auditor General of India.

Performance Indicators

We use a variety of tools to measure our financial performance in any particular fiscal period. These indicators are presented in tabular form in the section titled "***Selected Statistical Information***" on page 303.

Under net interest margin analysis we try to measure the efficiency of our borrowing and lending operations using various measures, including:

- Net interest income, which represents our total interest income net of total interest expense;

- Yield, which is the ratio of income on loan financing to the average interest-earning assets in the relevant period;

- Cost of funds, which is the ratio of interest and other charges to the average interest-bearing liabilities in the relevant period;

- Spread, which is the difference between yield and cost of funds; and

- Net interest margin, which is the ratio of net interest income to average interest-earning assets.

For additional information on the calculation of certain performance indicators included in the discussion that follows, including the definitions thereof, see section titled "***Selected Statistical Information***" on page 303.

Results of Operations

Income

Our revenue, which is referred to herein and in our financial statements as our income, consists of income from operating income and other income.

Our operating income includes interest from power sector loans; premium charged on interest restructuring or prepayment; upfront fees on loans to clients for which we have entered into definitive loan documentation; lease income from our lease financing; service charges on loans; management, agency and guarantee fees, which include lead syndication fees; commitment charges on loans relating to loan funds not drawndown according to agreed schedules; nodal agency fees under the R-APDRP program; advisory fees relating to UMPPs where we have acted as the nodal agency; and income from consultancy assignments and other services for our fee-based consultancy services, which include fees for our role as a bid process coordinator for certain ITPs. Income from surplus funds, including interest on deposits and dividends from mutual fund investments is also included in operating income.

Other income includes dividends and interest income on long-term investments, and to the extent applicable in any fiscal period, any profit on sale of fixed assets, interest on income tax refunds and miscellaneous income.

Expenditure

The most significant component of our expenditure is interest and other charges on our borrowings.

Our expenses include:

- Interest and other charges which include: (i) interest on the bonds issued by us, interest on borrowings from banks and other financial institutions, including multilateral agencies, interest paid to the GoI on the interest subsidy fund under the AG&SP scheme, any rebate for timely repayments extended to our public sector clients; any swap premium (net) relating to rupee and foreign currency derivatives; and (ii) other charges on our borrowings, including commitment and agency fees; financial charges paid on commercial paper; guarantee, listing and trusteeship fees; management fees on foreign currency loans, including foreign currency notes and bonds; bank and other charges; direct overheads for consultancy services; any translation or actual foreign currency loss or gain on our foreign currency loans. Interest paid on commitment advances as adjusted for interest on advances extended to our UMPP SPVs, are also reflected in interest and other charges;

- Bond issue expenses relating to the Rupee-denominated bonds that we issue from time to time, including interest on application money, other issue expenses and stamp duty fees. In addition, any credit rating fees incurred by us are included in bond issue expenses;

- Personnel and administration expenses, which include staff expenses comprising salaries, contributions to provident, gratuity and superannuation funds and staff welfare expenses; establishment expenses comprising rent, rates and taxes, electricity, repairs and maintenance and insurance; other expenses, including travel expenses, printing and stationery, communications, advertising and publicity, audit and other professional fees, directors' fees and miscellaneous expenses;

- Depreciation;

- Amortization of intangible assets relating to certain software;

- Provision for contingencies, including provisions for doubtful loans and debtors; and

- Provision for decline in the value of investments.

Restatement of Audited Financial Statements

We have in this Draft Red Herring Prospectus included (i) our restated standalone financial statements as of and for the years ended March 31, 2006, 2007, 2008, 2009 and 2010 and as of and for the nine months ended December 31, 2010, and (ii) our restated consolidated financial statements as of and for the years ended March 31, 2009 and 2010 and as of and for the nine months ended December 31, 2010. These financial statements are based on our audited standalone and consolidated financial statements for such respective periods, which have been prepared in accordance with the Companies Act and Indian GAAP and have been restated in accordance with the SEBI Regulations. Following is a brief discussion on the restatement adjustments made to our historical audited standalone and consolidated financial statements in the preparation of our restated standalone and consolidated financial statements included in this Draft Red Herring Prospectus. For further information, see Annexures 23, 27, 28 and 30 to our restated consolidated financial statements on pages 204, 215, 218 and 229, respectively, and Annexures 23, 27, 28 and 30 to our restated standalone financial statements on pages 275, 286, 289 and 300, respectively.

Deferred Tax Liability on Special Reserve

Based on an opinion received from the Expert Advisory Committee of the ICAI, we had provided for deferred tax liability for the special reserve created and maintained under Section 36(1)(viii) of the Income Tax Act from fiscal 2005 by charging the profit and loss account and debiting our general reserves. In fiscal 2006, 2007 and 2008, we continued providing for deferred tax liability on the special reserve by charging the profit and loss account. As of March 31, 2008, such deferred tax liability created on the special reserve was ₹ 12,283.80 million. In fiscal 2009, on receipt of clarification from the Accounting Standard Board of the ICAI, we discontinued creation of deferred tax liability on the special reserve and reversed such deferred tax liability of ₹

12,283.80 million.

Our statutory auditors qualified their audit report with respect to our standalone and consolidated financial statements for fiscal 2009 and 2010, to state that the profits and free reserves of the Company were overstated and deferred tax liability had been understated and that the amount of capital considered for the calculation of the capital adequacy ratio was overstated to such extent. For further information on such audit qualification, see *section titled* "***Risk Factors – Our statutory auditors have qualified their reports on our audited standalone financial statements for fiscal 2006, 2007, 2008, 2009 and 2010 and our audited consolidated financial statements for fiscal 2009 and 2010. There can be no assurance that there will not be any similar qualifications to our audited standalone and consolidated financial statements in future periods***." on page 23.

Subsequently, the Comptroller and Auditor General of India by letter dated August 9, 2010 stated that there is no requirement to create any provision for deferred tax liability on special reserve created under Section 36(1)(viii) of the Income Tax Act, if the relevant company does not intend to withdraw such special reserve funds and such intention is demonstrated by passing a Board resolution to such effect. We have passed a Board resolution to the effect that we do not intend to withdraw such special reserve created under Section 36(1)(viii) of the Income Tax Act. No qualification with respect to provision for deferred tax liability was included by our statutory auditors for any period subsequent to March 31, 2010.

In our restated standalone and consolidated financial statements included in this Draft Red Herring Prospectus, (i) the aggregate deferred tax liability on special reserve of ₹ 8,880.10 million relating to fiscal 1998 through fiscal 2005 has been reversed and appropriate adjustments have been made to the opening balances for fiscal 2006 and (ii) the aggregate deferred tax liability on special reserve of ₹ 3,403.70 million relating to fiscal 2006, 2007 and 2008 have been reversed and adjusted to the profit and loss account in the respective fiscal years.

Nodal Agency Fees for R-APDRP

The GoI revised applicable norms relating to payment of nodal agency fees under the R-APDRP scheme in August 2010. We had not accounted for such nodal agency fees in fiscal 2010 as such norms had not been finalized. On the finalization of such norms by the GoI as specified by an MoP office memorandum dated August 20, 2010, we have recognized, in our audited financial statements for the nine months ended December 31, 2010, nodal agency fee income of ₹ 814.15 million. Such nodal agency fee income related to sanctions and disbursements under the R-APDRP scheme made in fiscal 2009, fiscal 2010 and in the nine months ended December 31, 2010. In our restated standalone and consolidated financial statements included in this Draft Red Herring Prospectus, such nodal agency fees (including any reimbursement of expenditure incurred by us with respect to the relevant R-APDRP projects) have been accounted for in the respective fiscal periods.

Provision on NPAs

In fiscal 2007 and subsequently in fiscal 2008, we have modified the prudential norms and applicable accounting policy for creation of provisions for NPAs. In our restated standalone and consolidated financial statements included in this Draft Red Herring Prospectus, prudential norms and applicable accounting policy that are applicable to the nine months ended December 31, 2010, have been applied consistently in the prior periods. Accordingly, adjustments for provisions for contingencies have been made in our restated standalone and consolidated financial statements.

Income on Cash Basis

In the restated standalone and consolidated financial statements, premium on premature payment of loans has been accounted for in the relevant fiscal period in which the borrower has remitted the entire principal amount and interest ceases to be charged. In addition, income on loans in respect of certain projects which are under implementation as specified in certain RBI circulars, is recognized in the fiscal period in which such income is received, and in the restated standalone and consolidated financial statements, such income has been accounted for in the respective fiscal periods in which such amounts have been received.

Other Restatement Adjustments

For further information on the above and other restatement adjustments, including adjustments relating to (i) funds accounted for on liquidation of the Exchange Risk Administration Fund established by us; (ii) prior period items; and (iii) the tax effect of such restatement, see Annexures 27 and 30 to our restated consolidated financial statements on pages 215 and 229, respectively, and Annexures 27 and 30 to our restated standalone financial statements on pages 286 and 286, respectively.

Restatement Adjustments Not Effected

No restatement adjustments have been carried out in our restated standalone and consolidated financial statements with respect to the following:

Actuarial valuation for employee benefits. Although the accounting policy and methodology followed for actuarial valuation of employee benefits in accordance with Accounting Standard 15 has been consistently applied in the relevant fiscal periods, the effect of the actuarial valuation due to the wage revision with effect from January 1, 2007 has been considered in the year of implementation of such wage revision (i.e. in fiscal 2010 for executive employees and fiscal 2011 for non-executive employees). The actuarial valuation for the relevant financial years have not been calculated, and accordingly employee benefits have not been restated to such extent in the relevant fiscal period. For further information, see Annexure 28 of our restated standalone and consolidated financial statements on pages 289 and 218, respectively.

AG&SP Interest Subsidy Fund. Our statutory auditors in their audit report with respect to our audited standalone and consolidated financial statements for fiscal 2006, 2007, 2008, 2009 and 2010, qualified their audit report to state that with respect to the liability shown as interest subsidy fund from GoI received under the AG&SP program from the MoP, GoI, we had estimated the net excess amount on an overall basis and not on an individual basis, and such estimates may vary due to changes in assumptions, if any, during the projected period, such as changes in moratorium period, repayment period, loan restructuring, prepayment, interest rate reset, and therefore the impact of this excess, if any, could not be determined. For further information on such audit qualification, see *section titled* "***Risk Factors – Our statutory auditors have qualified their reports on our audited standalone financial statements for fiscal 2006, 2007, 2008, 2009 and 2010 and our audited consolidated financial statements for fiscal 2009 and 2010. There can be no assurance that there will not be any similar qualifications to our audited standalone and consolidated financial statements in future periods***." on page 23. Since the actual excess amount is ascertainable only after the end of the respective schemes, no restatement adjustments have been reflected in our restated standalone and consolidated financial statements on this account.

In addition, our restated standalone and consolidated financial statements have not been restated for any adjustments with respect to the audit qualification on our standalone and consolidated financial statements for fiscal 2006, 2007 and 2008 with respect to certain balances shown under loans, advances and other debtors/ credits in so far such balances have not been confirmed, realized, discharged or adjusted, and are subject to reconciliation. For further information, see Annexure 30 to our restated consolidated financial statements on page 229, and Annexures 30 to our restated standalone financial statements on page 300.

Summary Results of Operations

The following is a summary of our profit and loss account for the periods indicated:

Particulars	**Fiscal**						**Nine months ended December 31, 2010**	
	2008		**2009**		**2010**			
	(₹ million)	**% of total income**	**(₹ million)**	**% of total income**	**(₹ million)**	**% of total income**	**(₹ million)**	**% of total income**
	(standalone)		**(consolidated)**					
Income								
Operating income	50,116.63	99.6	65,660.81	99.6	81,029.69	99.7	74,706.61	99.8
Other income:	221.23	0.4	236.44	0.4	236.06	0.3	163.82	0.2
Total income	**50,337.86**	**100.0**	**65,897.25**	**100.0**	**81,265.75**	**100.0**	**74,870.43**	**100.0**
Expenditure:								
Interest and other charges	31,436.73	62.5	44,363.96	67.3	49,155.10	60.5	46,935.03	62.7
Bond issue expenses	388.21	0.8	655.85	1.0	437.94	0.5	482.12	0.6
Personnel and administration and other expenses	810.43	1.6	682.23	1.0	1,013.63	1.2	869.68	1.2
Depreciation	44.77	0.1	38.45	0.1	33.99	0.0	31.17	0.0
Amortization of	0.25	0.0	2.83	0.0	4.00	0.0	5.68	0.0

intangible assets								
Provision for contingencies	(206.53)	(0.4)	21.61	0.0	(5.69)	(0.0)	61.00	0.1
Provision for decline in value of investments	(2.39)	(0.0)	14.95	0.0	(15.16)	(0.0)	(0.45)	(0.0)
Preliminary expenses written off	0.00	0.0	0.56	0.0	3.03	0.0	0.00	0.0
Total expenditure	**32,471.47**	**64.5**	**45,780.44**	**69.5**	**50,626.84**	**62.3**	**48,384.23**	**64.6**
Profit before tax	**17,866.39**	**35.5**	**20,116.81**	**30.5**	**30,638.91**	**37.7**	**26,486.20**	**35.4**
Provision for tax	(4,738.18)	(9.4)	(5,412.97)	(8.2)	(8,138.02)	(10.0)	(7,016.02)	(9.4)
Provision for fringe benefit tax	(9.65)	(0.0)	(7.85)	(0.0)	0.00	0.0	0.00	0.0
Profit after tax available for appropriation	**13,118.56**	**26.1**	**14,695.99**	**22.3**	**22,500.89**	**27.7**	**19,470.18**	**26.0**

Nine Months Ended December 31, 2010 Compared to Fiscal 2010

We have not prepared, and have not included in this Draft Red Herring Prospectus, any financial statements as of and for the nine months ended December 31, 2009. We have included in this section a comparison of our results of operations in the nine months ended December 31, 2010 with our results of operations in fiscal 2010. For the discussion below, increases and decreases in income statement items in the nine months ended December 31, 2010 have been compared to those in fiscal 2010, and to the extent that such income statement items in the nine months ended December 31, 2010 represents more than 75.0% of the corresponding items in fiscal 2010, we have considered such change as a relative increase in such income statement item. Conversely, if any income statement item in the nine months ended December 31, 2010 represents less than 75.0% of the corresponding items in fiscal 2010, we have considered such change as a relative decrease in such income statement item.

Total Income

Total income in the nine months ended December 31, 2010 was ₹ 74,870.43 million, or 92.1% of our total income in fiscal 2010, resulting primarily from an increase in operating income as a result of increase in loan assets.

Operating Income

Operating income in the nine months ended December 31, 2010 was ₹ 74,706.61 million, or 92.2% of operating income in fiscal 2010. Operating income represented 99.8% and 99.7% of our total income in the nine months ended December 31, 2010 and fiscal 2010, respectively.

Interest on loans in the nine months ended December 31, 2010 was ₹ 72,123.36 million or 91.7% of our interest income on loans in fiscal 2010. Total loans assets as of December 31, 2010 was ₹ 921,182.57 million, compared to ₹ 798,557.56 million as of March 31, 2010. Our loan assets are presented as adjusted for any provisions for contingencies made in the respective fiscal period. Total disbursements (excluding disbursements on the R-APDRP projects) in the nine months ended December 31, 2010 was ₹ 212,710 million, compared to ₹ 244,870 million in fiscal 2010. Average interest earning assets was ₹ 867,087.60 million in the nine months ended December 31, 2010 compared to ₹ 728,869.05 million in fiscal 2010.

In the nine months ended December 31, 2010, we continued to experience strong demand for debt financing in the power sector as well as favorable GoI policy initiatives and support for the power sector. Our yield was 11.2% in the nine months ended December 31, 2010, compared to 10.8% in fiscal 2010. Our relatively higher yield in the nine months ended December 31, 2010 was due to a combination of several factors, including an increase in our higher interest earning asset portfolio and the effect of the increase in our lending rates in the nine months ended December 31, 2010.

Prepayment/interest restructuring premium on loans in the nine months ended December 31, 2010 was ₹ 163.12 million. Upfront fees on loans in the nine months ended December 31, 2010 was ₹ 373.46 million and the relatively high upfront fees in such period was primarily on account of an increase in private sector projects, for which we have entered into definitive loan documentation. Lease income in the nine months ended December 31, 2010 was ₹ 160.68 million. Lease income in the nine months ended December 31, 2010 was ₹ 160.68

million, compared to ₹ 149.02 million in fiscal 2010. Lease income was relatively higher in the nine months ended December 31, 2010 on account of the commissioning of new leases in the current year.

Management, agency and guarantee fees in the nine months ended December 31, 2010 was ₹ 720.44 million, compared to ₹ 486.23 million in fiscal 2010. The relatively higher management, agency and guarantee fees in the nine months ended December 31, 2010 was due to an increase in lead syndication fees as well as fees and commission received in connection with letters of comfort issued.

Nodal agency fees under R-APDRP in the nine months ended December 31, 2010 was ₹ 472.61 million compared to ₹ 263.40 million in fiscal 2010, on account of our involvement in several R-APDRP projects. In the nine months ended December 31, 2010 and in fiscal 2010, we sanctioned ₹ 123,470 million and ₹ 62,380 million, respectively, and disbursed ₹ 9,990 million and ₹ 13,210 million, respectively, in connection with R-APDRP projects.

We did not transfer any UMPP SPV in the nine months ended December 31, 2010 and did not receive any such income during this period. We received advisory fees of ₹ 135.99 million in fiscal 2010 under the UMPP program, in connection with the transfer of the Jharkhand Integrated Power Limited.

Income from consultancy assignments and other services in the nine months ended December 31, 2010 was ₹ 162.95 million, compared to ₹ 419.24 million in fiscal 2010. The relatively higher income from consultancy assignments and other services in fiscal 2010 related to fees received in connection with our involvement in the East North Interconnection Company Limited ITP.

Interest on surplus funds in the nine months ended December 31, 2010 was ₹ 509.39 million.

Other Income

Other income was ₹ 163.82 million in the nine months ended December 31, 2010, consisting primarily of interest on income tax refund of ₹ 92.14 million and miscellaneous income of ₹ 44.47 million. Other income represented 0.2% of our total income in the nine months ended December 31, 2010.

Expenditure

Total expenditure in the nine months ended December 31, 2010 was ₹ 48,384.23 million or 95.6% of total expenditure in fiscal 2010. As a percentage of total income, total expenditure increased to 64.6% in the nine months ended December 31, 2010 compared to 62.3% in fiscal 2010.

Interest and other Charges

Interest and other charges was ₹ 46,935.03 million in the nine months ended December 31, 2010 or 95.5% of interest and other charges in fiscal 2010. As a percentage of total income, interest and other charges increased to 62.7% in the nine months ended December 31, 2010 compared to 60.5% in fiscal 2010.

Average interest bearing liabilities were ₹ 726,207.60 million in the nine months ended December 31, 2010 compared to ₹ 606,323.60 million in fiscal 2010, reflecting increased borrowings particularly in the form of Rupee-denominated bonds. Our cost of funds in the nine months ended December 31, 2010 was 8.4%, compared to 8.1% in fiscal 2010.

Interest expenditure on bonds in the nine months ended December 31, 2010 was ₹ 35,608.38 million, compared to ₹ 37,009.89 million in fiscal 2010. Bonds outstanding as of December 31, 2010 was ₹ 562,688.94 million as compared to ₹ 466,218.65 million as of March 31, 2010.

Interest expenditure on loans in the nine months ended December 31, 2010 was ₹ 10,113.45 million, compared to ₹ 10,513.43 million in fiscal 2010. While long-term loans outstanding increased from ₹ 181,614.24 million as of March 31, 2010 to ₹ 192,063.80 million as of December 31, 2010, short-term loans decreased from ₹ 23,251.22 million as of March 31, 2010 to ₹ 9,712.30 million as of December 31, 2010. The relative increase in interest expenditure on loans was primarily due to an increase in interest rates on our additional and existing loans applicable in such period.

Interest payments to the GoI on interest subsidy fund was ₹ 433.26 million in the nine months ended December 31, 2010, compared to ₹ 807.02 million in fiscal 2010. The relatively lower interest payments to the GoI on interest subsidy fund was on account of a gradual decrease in the outstanding balance of interest subsidy fund as well as a refund to the GoI of ₹ 1,500.00 million in March 2010.

Rebates for timely payments by public sector borrowers was ₹ 1,159.04 million, compared to ₹ 1,273.58 million in fiscal 2010. Financial charges on commercial paper in the nine months ended December 31, 2010 was ₹ 51.52 million. We incurred management fees on foreign currency loans of ₹ 273.12 million in the nine months ended December 31, 2010, relating to the JPY-denominated foreign currency loan equivalent to U.S.$240.00 million.

In the nine months ended December 31, 2010, we incurred a foreign currency loss of ₹ 436.89 million, compared to a foreign currency gain of ₹ 1,038.43 million in fiscal 2010.

Bond Issue Expenses

Bond issue expenses were ₹ 482.12 million in nine months ended December 31, 2010, compared to ₹ 437.94 million in fiscal 2010. Bond issue expenses were relatively higher in the nine months ended December 31, 2010 primarily due to relatively higher interest expense on application money, including as a result of a general increase in interest rates in the nine months ended December 31, 2010 compared to that in fiscal 2010. We issued bonds aggregating ₹ 124,256.00 million and ₹ 122,833.00 million in the nine months ended December 31, 2010 and fiscal 2010, respectively. As a percentage of total income, bond issue expenses were 0.6% in the nine months ended December 31, 2010 compared to 0.5% in fiscal 2010.

Personnel and Administration and Other Expenses

Our personnel and administrative and other expenses were ₹ 869.68 million in the nine months ended December 31, 2010, compared to ₹ 1,013.63 million in fiscal 2010. Salaries, wages and bonus was ₹ 354.65 million while provident and other funds were ₹ 37.51 million in the nine months ended December 31, 2010. Staff welfare expenses were ₹ 96.40 million in the nine months ended December 31, 2010.

Miscellaneous expenses was ₹ 205.64 million in the nine months ended December 31, 2010 relating primarily to CSR expenses of ₹ 87.84 million.

As a percentage of total income, personnel and administration and other expenses were 1.2% and 1.3% in the nine months ended December 31, 2010 and in fiscal 2010, respectively.

Depreciation

Depreciation was ₹ 31.17 million in nine months ended December 31, 2010.

Amortization of Intangible Assets

Amortization of intangible assets was ₹ 5.68 million in the nine months ended December 31, 2010.

Provision for Contingencies

In the nine months ended December 31, 2010, we made provisions for contingencies of ₹ 61.00 million relating to our NPAs.

Provision for Decline in Value of Investments

We wrote back ₹ 0.45 million of provision for decline in value of investments in the nine months ended December 31, 2010, relating to our investment in the SIB fund.

Profit before Tax

Profit before tax was ₹ 26,486.20 million in the nine months ended December 31, 2010 or 86.4% of our profit before tax in fiscal 2010. As a percentage of total income, our profit before tax was 35.4% in the nine months ended December 31, 2010 as compared to 37.7% in fiscal 2010.

Provision for Taxation

Provision for taxes (including deferred tax liability) was ₹ 7,016.02 million in the nine months ended December 31, 2010.

Profit after Tax

Profit after tax was ₹ 19,470.18 million in the nine months ended December 31, 2010, or 86.5% of our profit after tax in fiscal 2010. As a percentage of total income, profit after tax was 26.0% in the nine months ended December 31, 2010 as compared to 27.7% in fiscal 2010.

Fiscal 2010 compared to Fiscal 2009

Income

Our total income increased by 23.3%, or ₹ 15,368.50 million, from ₹ 65,897.25 million in fiscal 2009 to ₹ 81265.75 million in fiscal 2010, resulting primarily from an increase in operating income as a result of an increase in loan assets.

Operating Income

Our operating income increased by 23.4%, or ₹ 15,368.88 million, from ₹ 65,660.81 million in fiscal 2009 to ₹ 81,029.69 million in fiscal 2010. Operating income represented 99.6% and 99.7% of our total income in fiscal 2009 and 2010, respectively.

Interest on loans increased by 24.0%, or ₹ 15,204.93 million, from ₹ 63,423.39 million in fiscal 2009 to ₹ 78,628.32 million in fiscal 2010. Total loans assets increased by 23.9%, or ₹ 154,267.62 million, from ₹ 644,289.49 million as of March 31, 2009 to ₹ 798,626.77 million as of March 31, 2010. Our loan assets are presented as adjusted for any provisions for contingencies made in the respective fiscal period. Total disbursements (excluding disbursements on the R-APDRP projects) was ₹ 244,870 million in fiscal 2010, compared to ₹ 207,293 million in fiscal 2009. Average interest earning assets increased by 24.8%, or ₹ 145,042.50 million, from ₹ 583,826.55 million in fiscal 2009 to ₹ 728,869.05 million in fiscal 2010.

The general growth in our business was due to several factors, including continued demand for debt financing in the power sector. Our yield however decreased from 11.0% in fiscal 2009 to 10.8% in fiscal 2010, primarily due to a decrease in our lending rates in fiscal 2010 compared to lending rates in fiscal 2009.

Prepayment/interest restructuring premium increased by 114.9%, or ₹ 102.79 million, from ₹ 89.48 million in fiscal 2009 to ₹ 192.27 million in fiscal 2010, primarily on account of significant prepayments in fiscal 2010. Upfront fees on loans increased by 76.7%, or ₹ 95.74 million, from ₹ 124.84 million in fiscal 2010 to ₹ 220.58 million in fiscal 2009, primarily due to the growth in our private sector loan portfolio for which we have entered into definitive loan documentation. Lease income (net of lease equalisation) however, decreased by 35.3%, or ₹ 81.20 million, from ₹ 230.22 million in fiscal 2009 to ₹ 149.02 million in fiscal 2010, primarily on account of resets of lease rentals at lower rates.

Management, agency and guarantee fees increased by 17.8%, or ₹ 73.42 million, from ₹ 412.81 million in fiscal 2009 to ₹ 486.23 million in fiscal 2010, primarily due to an increase in lead syndication fees as well as fees and commission received in connection with letters of comfort issued.

Nodal agency fees under R-APDRP increased by 237.0% from ₹ 78.15 million in fiscal 2009 to ₹ 263.40 million in fiscal 2010, due to significant increase in the projects undertaken by the GoI under the R-APDRP in fiscal 2010. We sanctioned ₹ 19,480 million and ₹ 62,380 million for R-APDRP projects in fiscal 2009 and 2010, respectively, and disbursed ₹ 3,250 million and ₹ 13,210 million in fiscal 2009 and 2010, respectively.

We received advisory fees under UMPP of ₹ 135.99 million in fiscal 2010 in connection with the transfer of the Jharkhand Integrated Power Limited to Reliance Power Limited, the successful bidder, in August 2009. We did not transfer any UMPP SPV in fiscal 2009 and therefore did not receive any such income in fiscal 2009.

Income from consultancy assignments and other services increased by 186.1% from ₹ 146.52 million in fiscal 2009 to ₹ 419.24 million in fiscal 2010, primarily relating to fees received in connection with our involvement in the East North Interconnection Company Limited ITP.

Interest on surplus funds decreased by 56.6%, or ₹ 635.90 million, from ₹ 1,123.97 million in fiscal 2009 to ₹ 488.07 million in fiscal 2010, primarily due to lower interest rates on deposits.

Other Income

Other income remained relatively steady at ₹ 236.06 million in fiscal 2010 compared to ₹ 236.44 million in fiscal 2009. Other income represented 0.4% and 0.3% of our total income in fiscal 2009 and 2010, respectively.

Expenditure

Our total expenditure increased by 10.6%, or ₹ 4,846.40 million, from ₹ 45,780.44 million in fiscal 2009 to ₹ 50,626.84 million in fiscal 2010. As a percentage of our total income, our expenditure decreased to 62.3% in fiscal 2010 compared to 69.5% in fiscal 2009.

Interest and Other Charges

Interest and other charges increased by 10.8%, or ₹ 4,791.14 million, from ₹ 44,363.96 million in fiscal 2009 to ₹ 49,155.10 million in fiscal 2010. As a percentage of total income, interest and other charges decreased to 60.5% in fiscal 2010 compared to 67.3% in fiscal 2009.

Average interest bearing liabilities increased from ₹ 475,604.41 million in fiscal 2009 to ₹ 606,323.60 million in fiscal 2010, reflecting increased borrowings particularly in the form of Rupee-denominated bonds. Our cost of funds in fiscal 2009 and 2010 was 8.7% and 8.1%, respectively.

Interest expenditure on bonds increased by 32.6%, or ₹ 9,108.64 million, from ₹ 27,901.25 million in fiscal 2009 to ₹ 37,009.89 million in fiscal 2010. Bonds outstanding increased from ₹ 368,815.65 million as of March 31, 2009 to ₹ 466,218.65 million as of March 31, 2010.

Interest expenditure on loans decreased by 2.1 %, or ₹ 229.13 million, from ₹ 10,742.56 million in fiscal 2009 to ₹ 10513.43 million in fiscal 2010. While long-term loans outstanding increased from ₹ 138,785.80 million as of March 31, 2009 to ₹ 181,614.23 million as of March 31, 2010, short-term loans increased from ₹ 14,000.00 million as of March 31, 2009 to ₹ 23,251.22 million as of March 31, 2010. Although there was an increase in long-term and short-term loans, interest rates applicable to additional loans availed in fiscal 2010 was at relatively lower interest rates.

Interest payments to the GoI on interest subsidy fund decreased by 17.6%, or ₹ 172.43 million, from ₹ 979.45 million in fiscal 2009 to ₹ 807.02 million in fiscal 2010, on account of a gradual decrease in the outstanding balance under the interest subsidy fund.

Rebates for timely payments by public sector borrowers increased by 12.9%, or ₹ 145.76 million, from ₹ 1,127.82 million in fiscal 2009 to ₹ 1,273.58 million in fiscal 2010. Financial charges on commercial paper decreased by 20.9%, or ₹ 170.77 million, from ₹ 815.64 million in fiscal 2009 to ₹ 644.87 million in fiscal 2010, as in fiscal 2010 we repaid various commercial paper borrowings. We incurred management fees on foreign currency loans of ₹ 270.85 million in fiscal 2010, relating to the syndicated foreign currency loan of U.S.$300.00 million availed in fiscal 2010. We did not incur similar expenditure in fiscal 2009 as we did not raise any such syndicated foreign currency loan in fiscal 2009.

In fiscal 2010, we made foreign currency gain of ₹ 1,038.43 million, compared to foreign currency losses of ₹ 2,525.30 million in fiscal 2009.

Bond Issue Expenses

Bond issue expenses decreased by 33.2%, or ₹ 217.91 million, from ₹ 655.85 million in fiscal 2009 to ₹ 437.94 million in fiscal 2010. We issued bonds aggregating ₹ 128,089.00 million and ₹ 122,833.00 million in fiscal 2009 and 2010, respectively. The decrease in bond issue expenses was due to a decrease in stamp duty fees and a decrease in interest paid on application money due to a general decline in interest rates, offset in part by an increase in other issue expenses, primarily relating to arranger fees for the bond issuances. As a percentage of total income, bond issue expenses decreased to 0.5% in fiscal 2010 compared to 1.0% in fiscal 2009.

Personnel and Administration and Other Expenses

Personnel and administrative and other expenses increased by 48.6%, or ₹ 331.40 million, from ₹ 682.23 million in fiscal 2009 to ₹ 1,013.63 million in fiscal 2010, primarily due to increases in pay and allowances on account of a wage revision. As a percentage of total income, personnel and administration and other expenses increased from 1.0% in fiscal 2009 to 1.2% in fiscal 2010.

Salaries, wages and bonus increased by 71.5%, or ₹ 228.32 million, from ₹ 319.47 million in fiscal 2009 to ₹ 547.79 million in fiscal 2010 primarily due to wage revisions relating to superannuation benefits that were provided in fiscal 2010. Similarly contribution to provident and other funds increased on this account from ₹ 16.03 million in fiscal 2009 to ₹ 39.47 million in fiscal 2010. Staff welfare expenses increased by 324.3% from ₹ 30.59 million in fiscal 2009 to ₹ 129.80 million in fiscal 2010, primarily relating to an increase in medical expenses in fiscal 2010 and a write-back of excess provisions to the economic rehabilitation scheme and leave travel concessions given to employees.

Miscellaneous expenses increased by 42.7% from ₹ 74.22 million in fiscal 2009 to ₹ 105.88 million in fiscal 2010, primarily relating to an increase in grants to State power utilities for various studies and CSR expenses.

Depreciation

Depreciation decreased by 11.6%, or ₹ 4.46 million, from ₹ 38.45 million in fiscal 2009 to ₹ 33.99 million in fiscal 2010.

Amortization of Intangible Assets

Amortization of intangible assets increased from ₹ 2.83 million in fiscal 2009 to ₹ 4.00 million in fiscal 2010.

Provision for Contingencies

In fiscal 2009, we made provisions for contingencies of ₹ 21.61 million relating to our NPAs. In fiscal 2010, there was a net decrease in our provision for contingencies in fiscal 2010 of an amount of ₹ 5.69 million.

Provision for Decline in Value of Investments

In fiscal 2009, we made a provision for decline in value of investments in the SIB fund, whereas in fiscal 2010, there was a write back of such provision of ₹ 15.16 million.

Profit before Tax

Profit before tax increased by 52.3%, or ₹ 10,522.10 million, from ₹ 20,116.81 million in fiscal 2009 to ₹ 30,638.91 million in fiscal 2010. As a percentage of total income, our profit before tax increased from 30.5% in fiscal 2009 to 37.7% in fiscal 2010.

Provision for Taxation

Provision for tax (including deferred tax liability) was ₹ 8,138.02 million in fiscal 2010, compared to ₹ 5,412.97 million in fiscal 2009, reflecting the increase in our profit before tax in fiscal 2010. Fringe benefit tax for fiscal 2009 was ₹ 7.85 million. We did not incur any fringe benefit tax in fiscal 2010 as this was repealed from fiscal 2010.

Profit after Tax

As a result of the foregoing, profit after tax increased by 53.1%, or ₹ 7804.90 million, from ₹ 14,695.99 million in fiscal 2009 to ₹ 22,500.89 million in fiscal 2010.

Fiscal 2009 Compared to Fiscal 2008

*The following is a discussion of our results of operations in fiscal 2008 based on our restated standalone financial statements for fiscal 2008 with our results of operations in fiscal 2009 based on our restated consolidated financial statements for fiscal 2009. For further information see section titled **"Management's Discussion and Analysis of Financial Condition and Results of Operations - Presentation of Financial Information**"* on page 311. *Our standalone total income in fiscal 2009 was ₹ 65,736.68 million and represented 99.8% of our consolidated total income in such period.*

Income

Our total income increased by 30.9 %, or ₹ 15,559.39 million, from ₹ 50,337.86 million in fiscal 2008 to ₹ 65,897.25 million in fiscal 2009, resulting primarily from an increase in operating income as a result of increase in loan assets.

Operating Income

Our operating income increased by 31.0 %, or ₹ 15,544.18 million, from ₹ 50,116.63 million in fiscal 2008 to ₹ 65,660.81 million in fiscal 2009. Operating income represented 99.6% and 99.6% of our total income in fiscal 2008 and 2009, respectively.

Interest on loans increased by 33.1 %, or ₹ 15,765.62 million, from ₹ 47,657.77 million in fiscal 2008 to ₹ 63,423.39 million in fiscal 2009.

Total loans assets increased by 24.9%, or ₹ 128,615.81 million, from ₹ 515,683.05 million as of March 31, 2008 to ₹ 644,289.49 million as of March 31, 2009. Our loan assets are presented as adjusted for any provisions for contingencies made in the respective fiscal period. Total disbursements (excluding disbursements on the R-APDRP projects) was ₹ 207,293 million in fiscal 2009, compared to ₹ 162,110 million in fiscal 2008. Average interest earning assets increased by 21.3%, or ₹ 102,555.72 million, from ₹ 481270.83 million in fiscal 2008 to ₹ 583,826.55 million in fiscal 2009.

The general growth in our business was due to several factors, including continued demand for debt financing in the power sector. Our yield however increased from 10.1% in fiscal 2008 to 11.0% in fiscal 2009, primarily due to an increase in our lending rates in fiscal 2009 compared to lending rates in fiscal 2008.

Prepayment/ interest restructuring premium increased significantly by ₹ 88.80 million, from ₹ 0.68 million in fiscal 2008 to ₹ 89.48 million in fiscal 2009, on account of significant increases in interest restructuring for loans in fiscal 2008. Upfront fees on loans decreased by 5.5%, or ₹ 7.24 million, from ₹ 132.08 million in fiscal 2008 to ₹ 124.84 million in fiscal 2009, due to relatively low volume of private sector loans in fiscal 2009 as well as lower upfront fee rates charged in fiscal 2009. Lease income decreased by 3.0 %, or ₹ 7.22 million, from ₹ 237.44 million in fiscal 2008 to ₹ 230.22 million in fiscal 2009 due to a decrease in our lease finance portfolio in fiscal 2009 as compared to fiscal 2008.

Management, agency and guarantee fees increased by 97.1%, or ₹ 203.36 million, from ₹ 209.45 million in fiscal 2008 to ₹ 412.81 million in fiscal 2009, primarily due to an increase in lead institution fees, lease management fees relating to lease financing and guarantee management fees for projects.

Nodal agency fees under R-APDRP in fiscal 2009 was ₹ 78.15 million. In fiscal 2009, we made sanctions of ₹ 19,480.00 million and disbursed ₹ 3,250.00 million in connection with the R-APDRP scheme. No such sanctions or disbursements took place under the R-APDRP program in fiscal 2008 and we therefore did not record any such income in fiscal 2008.

We received advisory fees of ₹ 222.55 million in fiscal 2008 in connection with the transfer of Coastal Gujarat Power Limited, Sasan Power Limited and Coastal Andhra Power Limited (UMPP SPVs established by us) to the successful bidder. We did not transfer any UMPP SPV in fiscal 2009 and therefore did not receive any such income in fiscal 2009.

Income from consultancy assignments and other services increased by 3.5%, or ₹ 4.97 million, from ₹ 141.55 million in fiscal 2008 to ₹ 146.52 million in fiscal 2009.

Interest on surplus funds decreased by 24.6%, or ₹ 366.58 million, from ₹ 1,490.55 million in fiscal 2008 to ₹ 1,123.97 million in fiscal 2009, primarily due to a decrease in deposits resulting from lower surplus funds in fiscal 2009, offset in part by higher deposit interest rates in fiscal 2009 compared to that in fiscal 2008.

Other Income

Other income increased by 6.9%, or ₹ 15.21 million, from ₹ 221.23 million in fiscal 2008 to ₹ 236.44 million in fiscal 2009. Other income represented 0.4% and 0.4 % of our total income in fiscal 2008 and 2009, respectively.

Expenditure

Our total expenditure increased by 41.0%, or ₹ 13,308.97 million, from ₹ 32,471.47 million in fiscal 2008 to ₹ 45,780.44 million in fiscal 2009. As a percentage of our total income, our expenditure increased from 64.5% in fiscal 2008 to 69.5% in fiscal 2009.

Interest and Other Charges

Interest and other charges, increased by 41.1%, or ₹ 12,927.23 million, from ₹ 31,436.73 million in fiscal 2008 to ₹ 44,363.96 million in fiscal 2009. As a percentage of total income, interest and other charges increased to 67.3 % in fiscal 2009 from 62.5 % in fiscal 2008.

Average Interest Bearing Liabilities increased from ₹ 384,337.72 million in fiscal 2008 to ₹ 475,604.41 million in fiscal 2009, reflecting increased borrowings in the form of Rupee-denominated bonds. Our cost of funds in fiscal 2008 and 2009 was 8.0 % and 8.7 %, respectively.

Interest expenditure on bonds increased by 69.0 %, or ₹ 11,392.40 million, from ₹ 16508.87 million in fiscal 2008 to ₹ 27,901.27 million in fiscal 2009. Bonds outstanding increased from ₹ 247,302.30 million as of March 31, 2008 to ₹ 368,815.65 million as of March 31, 2009.

Interest expenditure on loans decreased by 11.3 %, or ₹ 1366.00 million, from ₹ 12108.56 million in fiscal 2008 to ₹ 10742.56 million in fiscal 2009. While long-term loans outstanding increased from ₹ 134,375.82 million as of March 31, 2008 to ₹ 138,785.80 million as of March 31, 2009, short-term loans decreased from ₹ 24,800.00 million as of March 31, 2008 to ₹ 14,000.00 million as of March 31, 2009.

Interest payments to the GoI on interest subsidy fund decreased by 13.3 %, or ₹ 150.87 million, from ₹ 1130.32 million in fiscal 2008 to ₹ 979.45 million in fiscal 2009 primarily on account of a gradual decrease in the outstanding balance of the interest subsidy fund as well as a refund to the GoI of ₹ 248.30 million in fiscal 2009.

Rebates for timely payments by public sector borrowers increased by 31.5%, or ₹ 270.32 million, from ₹ 857.50 million in fiscal 2008 to ₹ 1,127.82 million in fiscal 2009 resulting from the increase in our public sector loan asset portfolio. Financial charges on commercial paper also increased by 150.8%, or ₹ 490.36 million, from ₹ 325.28 million in fiscal 2008 to ₹ 815.64 million in fiscal 2009.

We incurred foreign currency losses of ₹ 201.35 million and ₹ 2,525.30 million in fiscal 2008 and 2009, respectively.

Bond Issue Expenses

Bond issue expenses increased by 68.9%, or ₹ 267.64 million, from ₹ 388.21 million in fiscal 2008 to ₹ 655.85 million in fiscal 2009. We issued bonds aggregating ₹ 72,583.00 million and ₹ 128,089.00 million in fiscal 2008 and 2009, respectively. The increase in bond issue expenses was primarily due to the significant increase in our bond portfolio. As a percentage of total income, bond issue expenses increased from 0.80% in fiscal 2008 to 1.0% in fiscal 2009.

Personnel and Administration and Other Expenses

Personnel and administrative and other expenses decreased by 15.8%, or ₹ 128.20 million, from ₹ 810.43 million in fiscal 2008 to ₹ 682.23 million in fiscal 2009. Salaries, wages and bonus decreased by 14.4%, or ₹ 53.63 million, from ₹ 373.10 million in fiscal 2008 to ₹ 319.47 million in fiscal 2009. Contribution to provident and other funds increased by 29.2%, or ₹ 3.62 million, from ₹ 12.41 million in fiscal 2008 to ₹ 16.03 million in fiscal 2009, while staff welfare expenses decreased by 73.0%, or ₹ 82.72 million, from ₹ 113.31 million in fiscal 2008 to ₹ 30.59 million in fiscal 2009. This was primarily due to a write-back in fiscal 2009 of excess provision for economic rehabilitation scheme for employees and leave travel concession expenses.

Miscellaneous expenses decreased by 29.4%, or ₹ 30.91 million, from ₹ 105.13 million in fiscal 2008 to ₹ 74.22 million in fiscal 2009. The relatively higher miscellaneous expenses in fiscal 2008 was primarily on account of higher advertising expenses in fiscal 2008.

As a percentage of total income, personnel and administration and other expenses decreased from 1.6% in fiscal 2008 to 1.0% in fiscal 2009.

Depreciation

Depreciation decreased by 14.1%, or ₹ 6.32 million, from ₹ 44.77 million in fiscal 2008 to ₹ 38.45 million in fiscal 2009.

Amortization of Intangible Assets

Amortization of intangible assets increased from ₹ 0.25 million in fiscal 2008 to ₹ 2.83 million in fiscal 2009.

Provision for Contingencies

In fiscal 2008, we wrote-back ₹ 206.53 million in provisions for contingencies compared to fiscal 2009. We made provisions for contingencies of ₹ 21.61 million in fiscal 2009 relating to our NPAs.

Provision for Decline in Value of Investments

In fiscal 2008, we wrote-back ₹ 2.39 million in provision for decline in value of investments in the SIB fund, whereas in fiscal 2009 we had made provision of ₹ 14.95 million.

Profit before Tax

Profit before tax increased by 12.6 %, or ₹ 2250.42 million, from ₹ 17,866.39 million in fiscal 2008 to ₹ 20,116.81 million in fiscal 2009. As a percentage of total income, our profit before tax decreased from 35.5% in fiscal 2008 to 30.5% in fiscal 2009.

Provision for Taxation

Provision for taxes (including deferred tax liability) was ₹ 5,412.97 million in fiscal 2009, compared to ₹ 4,738.18 million in fiscal 2008, reflecting the increase in our profit before tax in fiscal 2009. Fringe benefit tax for fiscal 2008 and 2009 was ₹ 9.65 million and ₹ 7.85 million, respectively.

Profit after Tax

As a result of the foregoing, profit after tax increased by 12.0 %, or ₹ 1577.43 million, from ₹ 13,118.56 million in fiscal 2008 to ₹ 14,695.99 million in fiscal 2009.

Financial Condition

The following table sets forth our net assets as of March 31, 2008, 2009, 2010 and as of December 31, 2010:

Particulars	As of March 31,			As of December 31, 2010
	2008	2009	2010	
	(standalone)	(consolidated)		
	(₹ million)			
Total assets	547,614.81	683,036.13	849,471.10	975,510.90
Total liabilities	439,772.06	565,868.70	715,845.56	822,408.52
Net assets	107,842.75	117,167.43	133,625.54	153,102.38

Our net assets, which we define as our total assets less our total liabilities, increased by 23.9% from ₹ 107,842.75 million as of March 31, 2008 to ₹ 133,625.54 million as of March 31, 2010, and further increased by 14.6% to ₹ 153,102.38 million as of December 31, 2010.

Assets

The following table sets forth the principal components of our assets as of March 31, 2008, 2009, 2010 and December 31, 2010:

	As of March 31,			**As of December 31, 2010**
	2008	**2009**	**2010**	
	(standalone)	**(consolidated)**		
	(₹ million)			
Fixed assets	769.95	751.81	747.92	779.20
Investments	655.92	350.72	300.25	278.13
Loans	515,683.05	644,289.94	798,557.56	921,182.57
Current assets, loans and advances	30,505.89	37,643.66	49,865.37	53,271.00
Total assets	**547,614.81**	**683,036.13**	**849,471.10**	**975,510.90**

Our total assets increased by 78.1% from ₹ 547,614.81 million as of March 31, 2008 to ₹ 975,510.90 million as of December 31, 2010. The most significant element of this increase was a 78.6% increase in loans, as a result of the growth of our business.

Fixed Assets

Fixed assets include freehold and leasehold land, buildings, IT equipment, office and other equipment and furniture and fixtures. Fixed assets increased by 1.2% from ₹ 769.95 million as of March 31, 2008 to ₹ 779.20 million as of December 31, 2010.

Investments

Our investments portfolio primarily include investments in long-term investments, current investments and application money pending allotment of shares. The following table sets forth certain information with respect to our investments as of the dates indicated:

Particulars	**As of March 31,**			**As of December 31, 2010**
	2008	**2009**	**2010**	
	(standalone)	**(consolidated)**		
	(₹ million)			
Long-term investments	575.80	257.51	261.92	239.80
Current investments (valued scrip wise at lower of cost)	80.12	75.71	38.33	38.33
Application money pending allotment of shares	0.00	17.50	0.00	0.00
Total investments[(1)]	**655.92**	**350.72**	**300.25**	**278.13**

(1) The total is net of provisions for dimunition and contingencies

Loans

The following table sets forth certain information relating to our loan assets as of the dates indicated:

Particulars	As of March 31,			**As of December 31, 2010**
	2008	**2009**	**2010**	
	(standalone)_	**(consolidated)**		
	(₹ million)			
Rupee loans	487,189.95	616,143.06	760,102.77	881,321.95
Short-term loans	14,946.29	16,045.41	29,489.89	23,338.80
Foreign currency loans	6,471.90	7,221.00	4,997.60	4,197.10
Others[(1)]	7,074.92	4,880.47	3,967.30	12,324.70
Total	**515,683.05**	**644,289.94**	**798,557.56**	**921,182.57**

(1)	Others include equipment leasing, buyer's line of credit, loans to equipment manufacturers, asset acquisition schemes and debt refinancing schemes. Others also include medium-term Rupee loans.

Our loan assets are presented as adjusted for any provisions for contingencies made in the respective fiscal period.

Current Assets, Loans and Advances

Current assets primarily include receivables under our financing activities. The following table sets forth certain information with respect to our current assets, loans and advances as of the dates indicated:

Particulars	**As of March 31,**			**As of December 31, 2010**
	2008	**2009**	**2010**	
	(standalone)	**(consolidated)**		
	(₹ million)			
Cash and bank balances	6,745.08	4,195.79	14,603.85	7,904.65
Other current assets	10,597.07	13,520.14	16,158.27	19,389.39
Loans and advances	13,163.74	19,927.73	19,103.25	25,976.96
Total assets	**30,505.89**	**37,643.66**	**49,865.37**	**53,271.00**

Cash and bank balances include balances with scheduled banks in fixed deposit, cheques on hand and current accounts with scheduled banks. Current account credit balance was ₹ 201.67 million as of March 31, 2008 while current account deposits of ₹ 46.12 million as of December 31, 2010.

Other current assets include interest accrued on loan assets, other charges accrued on loan assets, interest accrued on employee advances and interest accrued on investments and fixed deposits. Other current assets increased by 83.0% from ₹ 10,597.07 million as of March 31, 2008 to ₹ 19,389.39 million as of December 31, 2010, primarily on account of an increase in our loan assets.

Loans and advances primarily include advance income tax and tax deducted at source, advances (including interest recoverable thereon) given to our subsidiaries (UMPP and ITP SPVs), advances given to employees as well as any prepaid financial charges on commercial paper. Loans and advances increased by 97.3% from ₹ 13,163.74 million as of March 31, 2008 to ₹ 25,976.96 million as of December 31, 2010, primarily due to increases in advance income tax and tax deducted at source as well as increases in advances to our subsidiary SPVs under the UMPP and ITP schemes.

Liabilities

The following table sets forth the principal components of our liabilities as of the dates indicated:

Particulars	**As of March 31,**			**As of December 31, 2010**
	2008	**2009**	**2010**	
	(standalone)	**(consolidated)**		
	(₹ million)			
Loan funds (unsecured)	406,478.12	521,601.45	671,084.11	764,465.04
Deferred tax liability	152.25	554.73	469.29	810.39
Interest subsidy fund from GoI	10,667.49	9,089.38	6,634.87	5,706.64
Current liabilities and provisions	22,474.20	34,623.14	37,657.29	51,426.45
Total liabilities	**439,772.06**	**565,868.70**	**715,845.56**	**822,408.52**

Our total liabilities increased by ₹ 276,073.50 million, or 62.8%, from ₹ 439,772.06 million as of March 31, 2008 to ₹ 715,845.56 million as of March 31, 2010. This consisted primarily of a 65.1% increase in our unsecured loan funds.

Loan funds

Our borrowings reflect various sources, maturities and currencies, and include bonds and term loans, as well as commercial paper. Historically most of our borrowings have been on an unsecured basis. The following table sets forth certain information relating to our Rupee-denominated and foreign currency denominated borrowings as at the respective dates indicated:

	As of March 31,						As of December 31, 2010	
	2008		2009		2010			
	(standalone)		(consolidated)					
	₹ million	% of total	₹ million	% of total	₹ million	% of total	₹ million	% of total
Rupee	384,137.74	94.5	495,706.49	95.0	643,495.47	95.9	726,330.84	95.0
Foreign currency[(1)]	22,340.38	5.5	25,894.96	5.0	27,588.63	4.1	38,134.20	5.0
Total	**406,478.12**	**100.0**	**521,601.45**	**100.0**	**671,084.10**	**100.0**	**764,465.04**	**100.0**
(1) The Rupee equivalents of foreign currency borrowings are based on the bank selling rate at the end of the relevant fiscal period.								

Interest Subsidy Fund from GoI

Interest subsidy fund from the GoI relates to the interest subsidy for eligible borrowers provided by the the MoP under the AG&SP program on a net present value basis, credited to the interest subsidy fund on receipt and is passed on to borrowers over the eligible period of loan on the relevant dates of interest demands. Any excess or shortfall in the interest subsidy fund is refunded or adjusted / charged off at the completion of the respective scheme. The interest subsidy fund is credited at the period-end with interest on the outstanding balance in the subsidy fund by debiting profit and loss account, at rates specified in the scheme.

Current Liabilities and Provisions

Current liabilities primarily include (i) interest accrued but not due on bonds issued by us, on our borrowings and on the interest subsidy fund from the GoI under the AG&SP scheme; (ii) advances received from our subsidiary SPVs under the UMPP and ITP schemes, and funds received from the GoI under the R-APDRP scheme. Other current liabilities include primarily amounts payable to the GoI on account of interest subsidy to be recovered and refunded to the GoI. Current liabilities were ₹ 31,028.85 million as of December 31, 2010, compared to ₹ 11,953.66 million as of March 31, 2008.

Provisions primarily include proposed dividend payments and dividend tax thereon, as well as provisions for income tax, leave encashments, economic rehabilitation of employees, staff welfare expenses and gratuity/ superannuation fund. Our provisions increased 93.9% from ₹ 10,520.54 million as of December 31, 2008 to ₹ 20,397.60 million as of December 31, 2010, primarily due to an increase in provision for income taxes.

Liquidity and Capital Resources

Cash Flows

As of December 31, 2010, we had cash and cash equivalents of ₹ 7,904.65 million. As of March 31, 2010, we had cash and cash equivalents of ₹ 14,603.85 million, compared to ₹ 4,195.79 million and ₹ 6,745.08 million as on March 31, 2009 and 2008 respectively.

Particulars	As of March 31,			As of December 31, 2010
	2008	2009	2010	
	(standalone)	(consolidated)		
	(₹ million)			
Net cash from (used in) operating activities	(62,610.46)	(107,323.28)	(134,020.37)	(96,600.51)
Net cash from (used in) investing activities	(77.33)	272.58	50.09	(148.35)
Net cash from financing activities	64,356.18	104,501.41	144,378.33	90,049.66
Net increase/(decrease) in cash and cash equivalents	1,668.39	(2,549.29)	10,408.05	(6,699.20)

Operating activities

Cash outflows relating to loans we disburse (net of repayments) is reflected in operating activities by way of an increase in loan assets, whereas cash inflows from external funding we procure (net of repayments) to disburse these loans are reflected in financing activities. Therefore, our disbursement of loans is the primary cause of our negative cash flow from operating activities.

Net cash used in operating activities was ₹ 96,600.51 million in the nine months ended December 31, 2010, although net profit before tax and extraordinary items was ₹ 26,486.20 million in such period. The difference was primarily attributable to loans disbursed (net) of ₹ 122,758.75 million, income taxes paid of ₹ 6,735.40 million, an increase in other current assets of ₹ 3,281.28 million and an increase in loans and advances of ₹ 284.96 million, offset in part by a decrease in current liabilities and provisions of ₹ 9,501.82 million.

Net cash used in operating activities was ₹ 134,020.37 million in fiscal 2010, although net profit before tax and extraordinary items was ₹ 30,638.91 million in such period. The difference was primarily attributable to loans disbursed (net) of ₹ 154,960.22 million, income taxes paid of ₹ 8,253.26 million, other current assets of ₹ 2,652.62 million and foreign exchange loss of ₹ 2,482.66 million, offset in part by an increase in current liabilities and provisions of ₹ 2,403.70 million, and a decrease in loans and advances of ₹ 921.45 million.

Net cash used in operating activities was ₹ 107,323.28 million in fiscal 2009, although net profit before tax and extraordinary items was ₹ 20,116.81 million in such period. The difference was primarily attributable to loans disbursed (net) of ₹ 127,013.10 million, income taxes paid of ₹ 5,994.19 million, other current assets of ₹ 2,931.72 million and loans and advances of ₹ 970.59 million, offset in part by an increase in current liabilities and provisions of ₹ 6,774.82 million and foreign exchange gain of ₹ 2,356.59 million.

Net cash used in operating activities was ₹ 62,610.46 million in fiscal 2008, although net profit before tax and extraordinary items was ₹ 17,866.39 million in such period. The difference was primarily attributable to loans disbursed (net) of ₹ 77,027.77 million, income taxes paid of ₹ 5,706.50 million, a write-back of provisions for contingencies of ₹ 206.53 million and an increase in current liabilities and provisions of ₹ 246.46 million, offset in part by a decrease in loans and advances of ₹ 1,036.75 million, a decrease in other current assets of ₹ 678.36 million and foreign exchange gain of ₹ 229.97 million.

Investing activities

Net cash used in investing activities in the nine months ended December 31, 2010 was ₹ 148.35 million, and consisted primarily of other investments of ₹ 98.39 million primarily relating to application money paid for additional equity shares in a joint venture company and purchase of fixed assets of ₹ 69.13 million relating to IT equipment, offset in part by interest received of ₹ 21.01 million.

Net cash from investing activities in fiscal 2010 was ₹ 50.09 million, and consisted primarily of sale of current investments of ₹ 59.38 million, offset in part by an increase in capital work in progress of ₹ 17.25 million and purchase of fixed assets of ₹ 15.63 million.

Net cash from investing activities in fiscal 2009 was ₹ 272.58 million, and consisted primarily of other investments of ₹ 283.07 million relating to maturity proceeds from bonds offset in part by purchase of fixed assets of ₹ 26.43 million.

Net cash used in investing activities in fiscal 2008 was ₹ 77.33 million, and consisted primarily of net increase in other investments of ₹ 65.74 million relating to certain current investments and purchase of fixed assets of ₹ 15.80 million.

Financing activities

Net cash from financing activities in the nine months ended December 31, 2010 was ₹ 90,049.66 million, resulting from ₹ 125,256.00 million privately placed Rupee-denominated bonds issued by us during such period, ₹ 52,550.00 million long-term loans and ₹ 10,458.50 million of foreign currency loans (net). These were offset in part by cash outflows due to redemption of our bonds in an amount of ₹ 28,898.10 million, decrease in loans against fixed deposits (net) of ₹ 7,038.90 million, repayment of short-term loans of ₹ 6,500.00 million, and payment to the GoI interest subsidy fund of ₹ 928.23 million. In the nine months ended December 31, 2010, we also made payment of final dividends in an amount of ₹ 2,007.54 million.

Net cash from financing activities in fiscal 2010 was ₹ 144,378.33 million, resulting from ₹ 122,833.00 million privately placed Rupee-denominated bonds issued by us during such period, ₹ 80,045.00 million long-term loans, ₹ 16,751.20 million loans against fixed deposits (net) and ₹ 4,868.80 million of foreign currency loans (net). These were offset in part by cash outflows due to redemption of our bonds in an amount of ₹ 19,818.60

million, repayment of short-term loans of ₹ 7,500.00 million, and payment to the GoI interest subsidy fund of ₹ 2,454.52 million. In fiscal 2010, we also paid interim dividend of ₹ 4,028.49 million and final dividend of ₹ 1,812.82 million.

Net cash from financing activities in fiscal 2009 was ₹ 104,501.41 million, resulting from ₹ 128,089.00 million privately placed Rupee-denominated bonds issued by us during such period and ₹ 47,500.00 million long-term loans. These were offset in part by repayment of short-term loans of ₹ 10,800.00 million and redemption of our bonds during such period in an amount of ₹ 8,923.00 million, payment to the GoI interest subsidy fund of ₹ ₹ 1,578.10 million and payment of foreign currency loans (net) of ₹ 404.73 million. In fiscal 2009, we also paid interim dividend of ₹ 3,558.60 million and final dividend of ₹ 1,342.83 million.

Net cash from financing activities in fiscal 2008 was ₹ 64,356.18 million, resulting from ₹ 72,583.00 million privately placed Rupee-denominated bonds issued by us during such period, long-term loans of ₹ 43,380.00 million, short-term loans (net) of ₹ 3,400.00 million, and foreign currency loans (net) of ₹ 3,356.10 million. These were offset in part by repayment of long-term loans of ₹ 48,857.10 million, repayment of ₹ 1,710.00 million of loans against fixed deposits, redemption of bonds of ₹ 1,447.00 million and payment to the GoI interest subsidy fund of ₹ 1,648.80 million. In fiscal 2008, we also paid interim dividend of ₹ 3,357.09 million and final dividend of ₹ 1,342.83 million.

Capital Resources

Our primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. Our borrowings reflect various sources, maturities and currencies, and include bonds and term loans, as well as commercial paper.

Equity

In the initial years following the incorporation of our Company, equity contribution from the GoI was an important source of funding. Since fiscal 1988, our Company has become more reliant on other sources of funding, such as borrowings. In February 2007, we made an initial public offering which included a fresh issue of 117,316,700 Equity Shares and resulted in net proceeds to our Company of approximately ₹ 9,971.92 million. Folowing the Issue, the GoI's shareholding will be 73.72% of the fully diluted post-Issue paid up equity capital of our Company.

Rupee and Foreign Currency Borrowings

The following table sets forth certain information relating to our Rupee-denominated and foreign currency denominated borrowings as at the respective dates indicated:

	As of March 31,						As of December 31, 2010	
	2008		2009		2010			
	₹ million	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**
Rupee	384,137.74	94.5	495,706.49	95.0	643,495.47	95.9	726,330.84	95.0
Foreign currency(1)	22,340.38	5.5	25,894.96	5.0	27,588.63	4.1	38,134.20	5.0
Total	**406,478.12**	**100.0**	**521,601.45**	**100.0**	**671,084.11**	**100.0**	**764,465.04**	**100.0**

(1) The Rupee equivalents of foreign currency borrowings are based on the bank selling rate at the end of the relevant fiscal period.

Rupee borrowings

Our primary sources of funds are Rupee-denominated bonds and term loans availed of in India. A significant percentage of our Rupee-denominated borrowings are raised through the issuance of privately placed bonds in India. As of December 31, 2010, we had outstanding borrowings in the form of bonds aggregating ₹ 554,538.54 million and ₹ 162,080.00 million in the form of term loans from Indian banks and financial institutions. In addition, we were recently classified as an IFC, which enables us to further diversify our borrowings through the issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to bondholders.

The following table sets forth certain information relating to our Rupee borrowings as at the respective dates indicated:

Particulars	As of March 31,			As of December 31, 2010
	2008	2009	2010	
	(₹ million)			
Non-taxable bonds[1]	2,755.00	1,250.00	500.00	-
Taxable bonds[2]	232,677.74	353,541.49	457,514.25	554,538.54
Term loans from Indian banks and FIs	148,705.00	140,915.00	185,481.22	171,792.30
Total	384,137.74	495,706.49	643,495.47	726,330.84

(1) Bonds that offer certain tax benefits to the bondholders.
(2) Bonds that do not offer any tax benefits to the bondholders.

In addition, we are proposing a public issue of secured, redeemable, non-convertible long term infrastructure bonds aggregating up to ₹ 53,000.00 million. We have filed a shelf prospectus with the RoC on February 21, 2011. The public issue of bonds opened for subscription on February 24, 2011 and is expected to close on March 22, 2011. For further information, see section titled "***Financial Indebtedness***" on page 344.

Foreign currency borrowings

We have raised foreign currency funds through syndicated loans, loans from multilateral agencies and other sources such as FCNR(B) loans, which are foreign currency loans for specific end uses (such as infrastructure) and at interest rates linked to LIBOR. The following table sets forth certain information relating to our foreign currency borrowings by source, as at the respective dates indicated:

	As of March 31,			As of December 31, 2010
	2008	2009	2010	
	(₹ million)			
ADB I and II	1,859.54	1,822.50	1,136.70	644.42
ADB new loan	812.50	1,104.92	976.55	965.62
Credit Nationale (now Natexis Banque)	1,172.03	1,193.76	1,001.39	918.47
World Bank	24.09	26.17	18.67	16.19
KfW – Portion I	657.06	684.29	588.08	556.06
KfW – Portion II	233.14	221.18	169.08	137.33
Fixed Euro Notes	4,649.76	4,763.16	0.00	0.00
Syndicated loan – IV	0.00	0.00	0.00	0.00
Syndicated loan – V	4,069.46	4,759.98	0.00	0.00
EDC Canada	38.60	0.00	0.00	0.00
FCNR(B) Loans (Long-term)	1,604.40	2,058.00	1,819.75	1,811.20
FCNR(B) Loans (Short-term)	-	-	-	-
USPP	7,219.80	9,261.00	8,204.40	8,150.40
Syndicated bank loan VII	-	-	13,674.00	13,584.00
Syndicated bank loan VIII	-	-	-	11,350.51
Floating rate notes	-	-	-	-
Total	**22,340.38**	**25,894.96**	**27,588.63**	**38,134.20**

We have recently been classified as an IFC. As an IFC, we are also eligible to raise, under the automatic route (without the prior approval of the RBI), ECB up to US$500.00 million each fiscal year, subject to the aggregate outstanding ECBs not exceeding 50.0% of our Owned Funds. In addition, in February 2011 we have availed of a JPY, denominated foreign currency loan equivalent to US$260.00 million. For further information, see section titled "***Financial Indebtedness***" on page 344, respectively.

Credit Ratings

CRISIL and ICRA have granted us the highest credit ratings of "AAA" and "LAAA", respectively, for our long-term domestic borrowings and "P1+" and "A1+", respectively, for our short-term borrowings. International credit rating agencies Moody's, Fitch and Standard & Poor's have provided us long-term foreign currency issuer ratings of "Baa3", "BBB-" and "BBB-", respectively, which are at par with the sovereign ratings for India.

Off-Balance Sheet Arrangements and Financial Instruments

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as of December 31, 2010.

Particulars	As of December 31, 2010
Guarantees issued in foreign currency	725.04
Guarantees issued in Rupees	4,000.35
Demand raised by authorities and disputed	143.39
Claims not accepted	77.94
Letter of comfort	52,309.57
Capital contract	39.01
Total	**57,295.30**

As of December 31, 2010, guarantees issued in foreign currency included €0.53 million (equivalent to ₹ 32.22 million) and U.S.$15.30 million (equivalent to ₹ 692.82 million). Guarantees issued in Rupees were ₹ 4,000.35 million as of December 31, 2010.

We offer comfort letters against our sanctioned term loans to enable the borrower to establish a letter of credit with its banker. The letter of comfort is issued only in cases where it is a prerequisite for engineering, procurement and construction contracts or equipment supply contracts of projects financed by us. When we make a disbursement against a letter of comfort, the amount so disbursed gets converted into a loan asset and value of letter of comfort gets reduced by amount disbursed. The amount outstanding on account of letters of comfort issued by us as of December 31, 2010 was ₹ 52,309.57 million.

For further information on our contingent liabilities as of December 31, 2010, see note 4 of Annexure 29 to our restated consolidated financial statements on page 219. Also refer to "***Outstandiing Litigation and Material Developments***" on page 359.

Undisbursed Approvals

In the ordinary course of our business, we sanction loans that are not reflected in our financial statements unless they are disbursed. As of December 31, 2010, total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹ 1,580,005 million.

Foreign Exchange and Hedging Transactions

We mitigate exchange and interest rate risks in foreign currency liabilities by lending in foreign currency and entering into hedging transactions such as currency forwards, principal only swaps, options, forward rate agreements and interest rate swaps. As at December 31, 2010, we had foreign currency borrowings outstanding of U.S.$541.68 million, JPY 21,477.05 million and €26.66 million (aggregate equivalent to ₹ 38,134.20 million, or 5.0% of our total borrowings as of such date). As of December 31, 2010, we had lent in foreign currency to cover approximately 11.0% of our foreign currency principal exposure. As of December 31, 2010, U.S.$160.00 million has been hedged through interest rate swaps.

Foreign currency liabilities not hedged by a derivative instrument or otherwise as of December 31, 2010 was U.S.$452.05 million, € 26.66 million and JPY 21,231.04 million.

In addition, we have recently borrowed U.S.$260.00 million equivalent in JPY in February 2011 through ECBs and have obtained a waiver from the RBI from its requirement to hedge our foreign currency exposure for these ECBs.

Capital Expenditure

Our business has not in the past required, and is not in the future expected to require, substantial capital expenditure. Our net fixed assets of ₹ 779.20 million as of December 31, 2010 consist mainly of land and buildings, computers, office equipments, and furniture and capital work in progress. Our capital expenditure for the nine month period ended December 31, 2010 was ₹ 72.73 million.

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments consist principally of the following, as of December 31, 2010, classified by maturity:

	Total as of December	Fiscal	Beyond fiscal 2015

	31, 2010						
		2011	2012	2013	2014	2015	
		(₹ million)					
Rupee bonds	554,538.54	9,211.00	54,340.80	97,539.00	26,079.00	27,097.00	3,40,271.74
Rupee denominated long-term loans	162,080.00	5,000.00	35,135.00	0.00	56,395.00	4,500.00	61,050.00
Rupee denominated short-term loans	9,712.30	9,712.30	-	-	-	-	-
Foreign currency loans	38,134.20	2.45	783.06	1,966.42	179.92	17,547.51	17,654.85
Total	**764,465.04**	**23,925.75**	**90,258.86**	**99,505.42**	**82,653.92**	**49,144.51**	**78,704.85**

Related Party Transactions

The principal related parties are our subsidiaries (for purposes of our standalone financial statements) and key management personnel. For information on our related party transactions, see Annexure 21 to our restated consolidated financial statements on page 202.

Significant Developments after December 31, 2010 that may affect our Future Results of Operations

Since December 31, 2010, the following significant events have occurred. We anticipate that each of these events may have an impact on our financial condition and results of operations in future fiscal periods:

- In February 2011, we have availed of a JPY denominated foreign currency loan equivalent to US$260.00 million. For further information, see section titled "***Financial Indebtedness***" on page 344.

- We are in the process of raising secured, redeemable, non-convertible long term infrastructure bonds aggregating up to ₹ 53,000.00 million and have filed a shelf prospectus with the RoC on February 21, 2011. The public issue of bonds opened for subscription on February 24, 2011 and is expected to close on March 22, 2011. For further information, see section titled "***Financial Indebtedness***" on page 344.

- Letters of intent were issued in relation to two of our SPVs for ITPs, for JTCL and BDTCL, to the successful bidder Sterlite Transmission Projects Private Limited on January 19, 2011 and January 31, 2011 respectively. We are currently in the process of transferring these SPVs.

- Under the MoP approved internal prudential norms currently followed by us, we may, typically restructure, reschedule or renegotiate terms of the loan agreements once prior to the commencement of commercial operation of an infrastructure project, provided the project is examined and found to be viable. However, we have submitted a proposal to the MoP to revise our current internal prudential norms, to enable us to restructure, reschedule or renegotiate the terms of our infrastructure loans so that such loans will not be classified as an NPA if the relevant project commences commercial operation within a period of two years (three years for hydro projects) from the original proposed date for commencement of commercial operation, or for any longer period as may be permitted by the RBI under prudential norms applicable to commercial banks.

- Subsequent to December 31, 2010, we have, in the ordinary course of business, approved additional loan sanctions.

Analysis of Certain Changes

Unusual or infrequent events or transactions

Except as discussed in this Draft Red Herring Prospectus, there have been no other events or transactions that, to our knowledge, may be described as "unusual" or "infrequent".

Significant economic changes

Except as discussed in this Draft Red Herring Prospectus, to the best of our knowledge, there have been no significant economic changes that is likely to have a material adverse impact on our operations or financial condition.

Known trends or uncertainties

Our business has been impacted and we expect that it will continue to be impacted by the trends identified above in section titled " ***Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting our Financial Results***" on page 312 and the uncertainties described in the section titled "***Risk Factors***" on page 15. To our knowledge, except as discussed in this Draft Red Herring Prospectus, there are no known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.

Seasonality of business

Our business is not affected by any seasonal changes.

Increase in our revenue

In addition to increase in the volume of our lending and investing activities, the introduction of new products and services in the ordinary course of business would also contribute to increase in our revenue.

Significant regulatory changes

Except as described in the section titled "***Regulations and Policies***" beginning on page 124, there have been no significant regulatory changes that could affect our income from continuing operations.

Future relationship between expenditure and revenues

Except as described in sections titled "***Risk Factors***", "***Our Business***", "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and "***Selected Statistical Information***" on pages 15, 94, 310 and 303, respectively, to the best of our knowledge, there is no future relationship between expenditure and income that will have a material adverse impact on our operations or financial condition.

New products or business segment

We develop new products from time to time based on needs of our clients. Apart from the business initiatives discussed in section titled "***Our Business***" on page 94, we have no current plans to develop new products or establish any new business segments.

Dependence on a few customers

As described in the section titled "***Selected Statistical Information - Concentration of Outstanding Loans***" on page 305, our loans are concentrated in the power sector and to certain borrowers.

Competitive conditions

We expect competition to increase in the infrastructure lending sector due to, among other things, the increase of new participants, as described in section titled "***Our Business***" on page 94 and in the section titled "***Risk Factors***" on page 15.

STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY

Our Equity Shares are listed on the Stock Exchanges with effect from February 23, 2007. There is no change in capital structure since the date of listing of shares of our Company i.e., February 23, 2007. Our Company's stock market data is been given separately for BSE (BSE Code: 532810) and NSE (NSE Code: PFC) below.

The following table sets forth the high and low of closing prices of our Equity Shares on the Stock Exchanges along with the volume of Equity Shares traded on such days and the average closing price of Equity Shares for last three years:

NSE

Year Ending Mar 31	High (₹ per share)	Date of High	Volume on date of high (no. of shares)	Low (₹ per share)	Date of Low	Volume on date of low (no. of shares)	Average price for the year[1] (₹ per share)
2008	288.35	November 14, 2007	3,092,713	101.05	3-Apr-07	1,030,931	189.23
2009	186.55	May 5, 2008	5,948,464	90.65	27-Oct-08	244,403	130.18
2010	282.70	January 14, 2010	849,406	134.50	13-Apr-09	1,187,117	224.19

Source: www.nseindia.com
[1] Average computed based on number of trading days during the year

BSE

Year Ending Mar 31	High (₹ per share)	Date of High	Volume on date of high (no. of shares)	Low (₹ per share)	Date of Low	Volume on date of low (no. of shares)	Average price for the year[1] (₹ per share)
2008	288.50	November 14, 2007	1,307,572	101.00	3-Apr-07	5,232,497	189.23
2009	186.65	May 5, 2008	2,173,420	90.40	27-Oct-08	412,604	130.12
2010	281.75	January 14, 2010	215,358	134.50	13-Apr-09	222,346	224.07

Source: www.bseindia.com
[1] Average computed based on number of trading days during the year

The details relating to the high and low of closing prices recorded on the Stock Exchanges for the six months preceding the date of filing of this Draft Red Herring Prospectus, the volume of Equity Shares traded on the days the high and low prices were recorded, average closing price of our Equity Shares during each such month, the volume of Equity Shares traded during each month and the average number of Equity Shares traded during such trading days, are stated below:

NSE

Month	High (₹per share)	Date of High	Volume on date of high (no. of shares)	Low (₹per shar)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (₹per share)	Volume for the month	Average no. of shares traded during trading days
Sept-10	357.40	14-Sep-10	450,157	337.95	22-Sep-10	528,160	347.50	8,707,025	414,620
Oct-10	380.60	13-Oct-10	383,682	354.25	1-Oct-10	606,047	366.36	9,475,860	451,231
Nov-10	375.20	9-Nov-10	137,148	313.45	26-Nov-10	861,835	351.18	9,239,362	439,970
Dec-10	339.05	2-Dec-10	168,852	297.20	9-Dec-10	395,532	318.60	9,779,686	444,531
Jan-11	308.05	4-Jan-11	679,438	245.20	31-Jan-11	729,957	284.05	14,384,941	719,247
Feb-11	264.05	14-Feb-11	551,920	239.45	24-Feb-11	484,765	252.16	9,635,897	481,795

Source: www.nseindia.com

BSE

Month	High (₹per shar)	Date of High	Volume on date of high (no. of shares)	Low (₹per share)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (₹per share)	Volume for the month	Average no. of shares traded during trading days
Sep-10	357.80	16-Sep-10	103,980	337.55	22-Sep-10	91,668	347.41	1,658,624	78,982
Oct-10	379.90	13-Oct-10	57,162	354.10	1-Oct-10	82,791	366.14	1,278,300	60,871
Nov-10	374.55	9-Nov-10	19,362	312.90	26-Nov-10	142,500	350.94	1,427,951	67,998
Dec-10	337.90	1-Dec-10	40,375	297.55	9-Dec-10	93,555	318.33	1,028,924	46,769
Jan-11	308.70	4-Jan-11	116,702	245.95	27-Jan-10	59,931	283.88	1,533,126	76,656
Feb-11	262.95	14-Feb-11	24,112	239.25	24-Feb-11	27,395	252.11	1,031,688	51,584

Source: www.bseindia.com

The closing price of our Equity Shares was ₹ 331.35 on BSE on August 13, 2010, the trading day immediately following the day on which the Board of Directors of our Company approved the Issue, subject to the approval of the GoI. The closing price of our Equity Shares was ₹ 332.10 on NSE on August 13, 2010, the trading day immediately following the day on which Board of Directors of our Company approved the Issue, subject to the approval of the GoI.

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our Company's aggregate borrowing outstanding as on December 31, 2010:

(in ₹ million)

S. No.	Nature of Borrowing	Amount
1.	Domestic borrowings	171,792.30
2.	Foreign currency borrowings	38,134.20
3.	Bonds	554,538.54
	Total	**764,465.04**

Domestic Borrowings

We avail of term loans from time to time for meeting our ongoing requirement of onward lending and other general corporate purposes. As on the date of this DRHP, all term loans availed by us are unsecured. The details of our domestic borrowings are set forth below:

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1.	United Bank of India*	Term loan of ₹ 2,500 million through sanction letter dated August 24, 2010 and term loan agreement dated September 9, 2010	Base rate i.e. 8.95% per annum	Bullet repayment after 7 years from the date of initial drawdown	₹ 2,500 million
2.	United Bank of India*	Term loan of ₹ 5,000 million through sanction letter dated February 23, 2009 and term loan agreement dated March 13, 2009	BPLR minus 4.57% with a minimum rate of 8.25% per annum until maturity	Bullet repayment after 27 months from the date of initial drawdown	₹ 5,000 million
3.	United Bank of India*	Term loan of ₹ 2,500 million through sanction letter dated June 24, 2009 and term loan agreement dated June 29, 2009	BPLR minus 4.50% (floating) = 8.5% per annum (floating)	Bullet repayment after 4 years from the date of initial drawdown	₹ 2,500 million
4.	China Trust Commercial Bank*	Term loan of ₹ 145 million through sanction letter dated September 25, 2009 and term loan agreement dated October 8, 2009	BPLR minus 4.40% = 8.10% per annum (floating) with a minimum of 7.50% irrespective of BPLR revision downward	Bullet repayment after 48 months from the date of initial drawdown	₹ 145 million
5.	State Bank of Bikaner and Jaipur*	Term loan of ₹ 3,500 million through sanction letter dated November 30, 2010, revised sanction letter dated December 1, 2010 and term loan agreement dated March 12, 2009	Base rate plus 0.25% = 8.50% per annum (floating)	Bullet repayment after 36 months from the date of initial drawdown	₹ 3,500 million
6.	Bank of Maharashtra*	Term Loan of ₹ 2,000 million through sanction letter dated February 23, 2010 and term loan agreement dated February 25, 2010	BPLR minus 4.35% = 8.90% per annum (floating) with monthly rests	Bullet repayment on April 14, 2014	₹ 2,000 million
7.	Bank of Maharashtra*	Term loan of ₹ 3,000 million through sanction letter dated June 8, 2009 and term loan agreement dated June 29, 2009	BPLR minus 4.50% = 8.75% per annum (floating)	Bullet repayment after 4 years from the date of availment	₹ 3,000 million
8.	Bank of Maharashtra*	Term loan of ₹ 2,000 million through sanction letter dated July 19, 2010, revised by	Base rate i.e. 9% per annum (floating)	Bullet repayment on January 7, 2016	₹ 2,000 million

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
		sanction letter dated August 26, 2010 and term loan agreement dated October 7, 2010			
9.	Punjab & Sind Bank*	Term loan of ₹ 3,750 million through sanction letter dated September 6, 2010	Base rate i.e. 9 % per annum (floating)	Bullet repayment at the end of 4 years from the date of initial drawdown	₹ 3,750 million
10.	Punjab & Sind Bank*	Term loan of ₹ 3,350 million through sanction letter dated September 6, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 5 years from the date of initial drawdown	₹ 3,350 million
11.	Punjab & Sind Bank*	Term loan of ₹ 1,900 million through sanction letter dated September 6, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 4 years from the date of initial drawdown	₹ 1,900 million
12.	Syndicate Bank*	Term loan of ₹ 1,800 million through sanction letter dated February 5, 2010 and term loan agreement dated February 22, 2010	BPLR minus 4.10% = 9.15% per annum (floating) with monthly rests	Bullet repayment in lump sump at the end of 48 months from the date of availing of loan	₹ 1,800 million
13.	Syndicate Bank	Term loan of ₹ 1,500 million through sanction letter dated August 16, 2009, term loan agreement dated September 14, 2009	BPLR minus 4.25% = 9% per annum (floating) with monthly rests.	Bullet repayment at the end of 4 years from the date of initial drawdown	₹ 1,500 million
14.	UCO Bank*	Term loan of ₹ 3,500 million through sanction letter dated February 25, 2010 and term loan agreement dated February 26, 2010	BPLR minus 4.00% = 9% per annum (floating) with monthly rests	Bullet repayment in lump sump after 5 years 1 month and 15 days from the date of initial drawdown	₹ 3,500 million
15.	UCO Bank	Term loan of ₹ 4,000 million through sanction letter dated December 29, 2009 and term loan agreement dated December 30, 2009	BPLR minus 4.35% = 8.65% per annum (floating) with monthly rests	Bullet repayment at the end of 4 years from the date of disbursement	₹ 4,000 million
16.	UCO Bank	Term loan of ₹ 5,000 million through sanction letter dated December 23, 2009, term loan agreement dated December 29, 2010	BPLR minus 4.35% = 8.65% per annum (floating) with monthly rests	Bullet repayment at the end of 4 years from the date of initial drawdown	₹ 5,000 million
17.	Andhra Bank	Term loan of ₹ 635 million through sanction letter dated December 14, 2005, term loan agreement dated February 1, 2006	7.35% per annum	Bullet repayment after 66 months from the date of disbursement	₹ 635 million
18.	Life Insurance Corporation of India	Term loan of ₹ 5,000 million through sanction letter dated July 26, 2001 and Term Loan Agreement dated July 30, 2001 as amended by letter dated March 31, 2004	9% per annum	Bullet repayment at the end of 10 years from the date of initial drawdown	₹ 5,000 million
19.	State Bank of Patiala	Term Loan of ₹ 1,000 million through sanction letter dated March 3, 2006 and term loan	7.78% per annum	Bullet repayment 66 months from the date of	₹ 1,000 million

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
		agreement March 8, 2006		disbursement	
20.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated February 16, 2008, and letter of comfort dated February 22, 2008	Base rate i.e. 9% per annum (floating)	Bullet repayment after 3 years from the date of first disbursement	₹ 5,000 million
21.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated December 15, 2009 and letter of undertaking dated December 18, 2009	Base rate i.e. 9% per annum (floating)	Bullet repayment after 4 years from the date of first disbursement	₹ 5,000 million
22.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated April 13, 2010 and letter of comfort dated April 16, 2010	Base rate plus 0.10% = 9.10 % per annum (floating).	Bullet repayment after 5 years from the date of first disbursement	₹ 5,000 million
23.	Canara Bank	Term loan of ₹ 5,000 million through sanction letter dated August 12, 2010 and letter of comfort dated August 19, 2010	Base rate plus 0.20% = 9.20 % per annum (floating)	Bullet repayment after 5 years from the date of first disbursement	₹ 5,000 million
24.	Bank of India	Term loan of ₹ 10,000 million through sanction letter dated March 25, 2009, and letter of comfort dated March 26, 2009	BPLR minus 4.10% = 9.15% per annum (floating)	Bullet repayment after 3 years from the date of first disbursement	₹ 10,000 million
25.	HDFC Bank	Term loan of ₹ 5,000 million through sanction letter dated June 11, 2009, and loan agreement dated June 15, 2009	RBI Repo Rate (floating) plus 175 basis points = 8.00% per annum presently	₹ 2500 million to be repaid on April 15, 2011 and the balance amount to be repaid on July 15, 2011	₹ 5,000 million
26.	HDFC Bank	Term loan of ₹ 5,000 million through sanction letter dated May 11, 2009, as amended by sanction letter dated May 27, 2009 and loan agreement dated May 26, 2009	RBI Repo Rate (floating) plus 165 basis points = 7.90% per annum presently	Bullet repayment after 2 years from the date of first disbursement	₹ 5,000 million
27.	HDFC Bank	Term loan of ₹ 5,000 million through sanction letter dated September 18, 2009 and loan agreement dated September 22, 2009	RBI Repo Rate (floating) plus 320 basis points = 9.45% per annum presently	₹ 2500 million to be repaid on September 24, 2013 and balance amount to be repaid on September 24, 2014	₹ 5,000 million
28.	Bank of Baroda	Term loan of ₹ 5,000 million through sanction letter dated March 15, 2010, and loan agreement dated March 16, 2010	Base rate i.e. 9% per annum	Bullet repayment at the end of 61 months from the first date of disbursement	₹ 5,000 million
29.	Bank of Baroda	Term loan of ₹ 10,000 million through sanction letter dated December 9, 2009 as amended by sanction letter dated January 30, 2010, and loan agreement dated December 23, 2009	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	₹ 10,000 million
30.	State Bank of Travancore*	Term loan of ₹ 3,000 million through sanction letter dated January 20, 2010, as amended by sanction letter	BPLR minus 4.35% = 8.90% per annum (floating)	Bullet repayment at the end of 4 years from the date of first	₹ 3,000 million

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
		dated November 1, 2010, and loan agreement dated February 22, 2010		disbursement	
31.	State Bank of Mysore	Term loan of ₹ 2,000 million through sanction letter dated February 8, 2010 and loan agreement dated March 8, 2010	BPLR minus 4.35% = 8.65% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	₹ 2,000 million
32.	India Infrastructure Finance Company Limited	Term loan of ₹ 6,300 million through sanction letter dated March 26, 2010 and general loan agreement for refinance dated March 26, 2010	7.85% per annum	Bullet repayment on March 19, 2014	₹ 6,300 million
33.	Indian Bank	Term loan of ₹ 5,000 million through sanction letter dated July 9, 2010 and term loan agreement dated July 12, 2010	Base rate plus 0.10% = 9.10% per annum (floating)	Bullet repayment at the end of 5 years from the date of first disbursement	₹ 5,000 million
34.	Vijaya Bank	Term loan of ₹ 2,500 million through sanction letter dated October 15, 2010, and agreement dated December 6, 2010	Base rate i.e. 9% per annum (floating)	Repayment by payment at the end of 7 years from the date of first disbursement	₹ 2,500 million
35.	Vijaya Bank	Term loan of ₹ 7,000 million through sanction letter dated July 26, 2010, and agreement dated July 28, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 7 years from the date of first disbursement	₹ 7,000 million
36.	The Ratnakar Bank Limited	Term loan of ₹ 400 million through sanction letter dated August 2, 2010 and medium term loan agreement dated August 20, 2010	Base rate plus 0.25% = 8.25% per annum (floating)	Bullet repayment at the end of 5 years from the date of first disbursement	₹ 400 million
37.	Union Bank of India	Term loan of ₹ 20,000 million through sanction letter dated August 5, 2010 and term loan agreement dated August 11, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 5 years from the date of first disbursement	₹ 10,800 million
38.	Union Bank of India	Term loan of ₹ 9,000 million through sanction letter dated December 14, 2010 and term loan agreement dated December 20, 2010	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 5 years and 4 months from the date of first disbursement	₹ 9,000 million
39.	Union Bank of India	Term loan of ₹ 4,000 million through sanction letter dated September 4, 2009 and term loan agreement dated October 22, 2009	Base rate i.e. 9% per annum (floating)	Bullet repayment at the end of 4 years from the date of first disbursement	₹ 4,000 million

** Demand promissory note was executed by our Company in favour of the lender pursuant to the loan documentation.*

Significant Terms and Restrictive Covenants

Under the terms of the above mentioned debt facilities, our Company is subject to certain special conditions and restrictive covenants, which include the following:

1. Under some of the debt facilities the tangible net worth shall not, at any time, be less than ₹ 20,000 million, while under some other debt facilites the tangible net worth shall not be less than ₹ 86,000
2. Interest cover shall not, at any time be less than 1.2:1;
3. The secured debt ratio (i.e. ratio of indebtedness secured on permitted encumbrances to tangible net worth) at the end of each financial half year and each financial year shall not exceed 0.80:1;

4. The debt equity ratio at the end of each first financial year and each financial year shall not be more than 10:1;
5. On the occurrence of certain event of default the lender may at its discretion recall the entire outstanding amount along with interest and other charges;
6. The lender reserves the right to cancel the limit without assigning any reasons;
7. The lender, in its discretion, may reduce or otherwise, vary the limits, margins or other conditions or types of credit facilities;
8. Our Company shall intimate the lender of its intention to enter into any scheme of merger, amalgamation, compromise, reconstruction, happening of substantial change in our Company's constitution whereby the effective beneficial ownership or control of our Company shall change;
9. Our Company shall intimate the lender regarding any material change in the management of the business of the Company and amendments in the Company's memorandum and articles of association;
10. Our Company shall require consent of the lender to create or permit any incremental encumbrances, mortagage or charge over all or any of the present or future properties or assets;
11. Our Company shall be obligated to return the amount outstanding upon happening of any substantial change in the constitution of the Company or reduction in ownership of the GoI below 51%;
12. Our Company shall be liable to pay a penalty of 2% if proceeds are used for purpose other than sanctioned for;
13. The lender may at any time and without notice to the Company combine or consolidate all or any of the Company's account and set off or transfer any sum or sums standing to the credit of any account or more of such accounts in or towards satisfaction of any of the lenders liabilities or any other account or any other respect, whether liabilities be actual or contingent, primary or collateral and several or joint; and
14. The lender reserves the right to unconditionally cancel at any time without prior notice the remaining portion of the credit facility availed at the end of the year.

Short Term Loans

We avail of certain short term loans in the form of cash credit/working capital demand loan and loan against our fixed deposits from time to time. These loans are availed to meet our working capital requirement. As on December 31, 2010 we have availed short term loans amounting to ₹ 9,712.30 million. These may be, recalled by the respective lenders at any time. For further details, see section titled "***Financial Statements***" on page 163.

B. Foreign Currency Borrowings of our Company:

The details of our foreign currency borrowings are set forth below:

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
1.	(i) ING Life Insurance and Annuity Company (ii) ING USA Annuity and Life Insurance Company (iii) Prudential Insurance Company of America (iv) Transamerica Life Insurance Company (v) Sun Life Assurance Company of Canada (vi) Sun Life Insurance and Annuity Company of New York (vii) Deutsche Bank Securities,	US$ 180 million 6.61% senior notes issued pursuant note purchase agreement dated August 30, 2007 (for further details see "**Notes**" mentioned below)	• 6.61% per annum on the unpaid amount, payable semi-annually; and • On overdue payment of principal or interest and on make-whole amount @ equal to the higher of (i) 8.61% per annum and (ii) 2% over the rate of interest publicly announced by Bank of America, N.A. as its base or prime rate, payable annually	Principal amount of the Senior Notes is repayable on September 5, 2017	₹ 8,150.40 million (USD 180 miilion)

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
	Inc. (viii) Security Life of Denver Insurance Company (ix) Hare & Co (c/o of Deutsche Bank AG, Loan)				
2.	Asian Development Bank	Loan of $50 million sanctioned by loan agreement dated December 11, 2003 as amended by letter dated December 16, 2005*	LIBOR plus 0.60%	Each disbursed amount along with interest and other charges on the loan payable semi-annually on April 15 and October 15 of each year commencing with 11th and ending on 40th such interest payment date from the maturity fixing date for that disbursement amount	₹ 965.62 million
3	Asian Development Bank	Loan facility of a dollar tranche of US$ 60 million and a JPY tranche of JPY 7,500 million sanctioned by complementary loan agreement dated November 19, 1990. (complementary to the loan agreements dated January 21, 1987 and March 14, 1990 between the Asian Development Bank and the GoI)*	0.50% per annum over the $ LIBOR with respect to the US$ tranche 0.10% per annum over JLTPR** determined in accordance with the agreement with respect to the JPY tranche	US$ Tranche: Repayable in 21 equal instalments payable semi-annually on May 19 and November 19 of each year commencing with the 10th such interest payment date JPY Tranche: Repayable in 13 equal installments payable semi-annually on May 19 and November 19 of each year commencing with the 30th such interest payment date	₹ 644.42 million (JPY 1,153.85 million)
4.	KfW, Frankfurt am Main	Loan facility of Deutsche Mark (“**DM**”) 46.50 million sanctioned vide agreement dated June 19, 1995 pursuant to agreements dated May 4, 1984 and July 17, 1986 between the Government of the Federal Republic of Germany and the GoI consisting of: ● DM 23.25 million (“**Portion I**”) ● DM 23.25 million (“**Portion II**”)*	Portion I: 12% per annum or lending rate of our Company minus 3%, whichever is lower subject to a minimum of 0.75% p.a Portion II: 12% per annum or lending rate of our Company minus 3%, whichever is lower subject to a minimum of 0.85% per annum over the yield of public bonds with a remaining term of ten years as published in the Frank furter A l l g e m e i n e Zetuing A commitment charge @ 1/4 % per annum	Portion I of the loan facility is repayable in 60 equal and consecutive semi-annual instalments on June 30 and December 30 in each year, the first installment being payable on December 30, 2005 Each sub-portion of Portion II of the loan facility is repayable in 20 equal and consecutive semi-annual installments on June 30 and December 30 each year, the first installment being payable on June 30 of the year following the relevant disbursement	Portion I: ₹ 556.06 million Portion II: ₹ 137.33 million

S. No.	Name of Lender(s)/	Facility/ Loan Documentation	Interest Rate	Repayment Terms	Amount Outstanding as December 31, 2010
			on undisbursed loan amount The composite arithmetical rate for the loan not to exceed 2.61% per annum		
5.	Credit National acting on behalf of the French Republic	Treasury loan of franc (FRF) 172.80 million sanctioned by implementation agreement dated June 14, 1990 pursuant to the Financial Protocol dated December 27, 1989 between the French Treasury and the GoI*	2% per annum on the disbursed and not yet repaid amount The interest on over due payment to bear interest @ total rate of 3.5% including the loan interest of 2%	Each disbursement is repayable in 23 years through 46 equal and successive half-yearly installments, commencing from the 126 months after the last day of the calendar half-year of the relevant disbursement	₹ 918.47 million
6.	State Bank of India, acting through its Hong Kong Branch	Syndicate term loan facility of US$ 300 million by a facility agreement dated March 19, 2010	Margin of 1.54% per annum over 6 month US$ LIBOR, payable semi-annually	Bullet repayment on the date falling 60 month after weighted average utilization date as defined in the facility agreement	₹ 13584.01 million (USD 300 million)
7.	The Bank of Tokyo-Mitsubishi UFJ, Limited Mizuho Corporate Bank, Limited Sumitomo Mitsui Banking Corporation	Syndicate term loan facility of JPY denominated ECB of US$ 240 million by a facility agreement dated September 9, 2010	Margin of 1.5% per annum over the respective interest period JPY LIBOR, payable semi-annually	Repayable in three equal installments at the end of the 4th, 5th and 6th year from the average date of drawdown	₹ 11,350.50 million (JPY 20,323.20 million)
8.	The Bank of Tokyo-Mitsubishi UFJ, Limited Mizuho Corporate Bank, Limited Sumitomo Mitsui Banking Corporation	Syndicate term loan facility of JPY denominated ECB of US$ 260 million by a facility agreement dated February 8, 2011	Margin of 1.65% per annum over the respective interest period JPY LIBOR, payable semi-annually	Repayable in two equal installments at the end of the 4th and 6th year from the average date of drawdown	No amount drawn as on December 31, 2010.
9.	International Bank for Reconstruction and Development	Loan in various currencies aggregating to US$ 20 million pursuant to an agreement dated July 7, 1993 as amended vide letter dated June 3, 1997	0.5% over the cost of outstanding borrowings drawn down after June 30, 1982 determined in respect of the preceding six months.	Principal amount repayable in 15 years through 30 half yearly installments, commencing from March 1, 1999.	16.19 million (US$ 0.36 million)
10.	Union Bank of India	Term Loan of US$ 40 million (₹ 1,811.20 million) through sanction letter dated June 2, 2010 and terms loan agreement dated June 7, 2010	LIBOR plus 2.75 = 3.12 per annum	Bullet payment at the end of 2 years from the date of first disbursement	₹ 1,811.20 million

** The loan is secured by a letter of guarantee from or separate guarantee with the GoI, as the case may be.*

***The rate which is uniformly applied by the long term credit banks as their to term prime lending rate in Japan to their JPY loans to their prime customers in Japan with terms exceeding one year to be notified by the JPY tranche agent under the agreement and if no such uniform rate is available, the arithmetic mean of the rates quoted by all long-term credit banks in Japan as their respective long term prime rates applied to their JPY loans with terms exceeding one year to prime customers in Japan.*

Notes:

(1) Under the terms of the note purchase agreement:

(a) Our Company will not consolidate with or merge with any other person, will not and will not permit any material subsidiary to convey, transfer or lease all or substantially all of its assets in, a single transaction or series of transactions subject to certain conditions mentioned in the agreement;
(b) Our Company will not and will not permit any material subsidiary to engage in any business as a result of which the general business of our Company and its material subsidiaries taken as a whole, would be substantially changed from the general business in which our Company is engaged on the date of the agreement;
(c) Our Company will not create or permit to subsist any lien over any of its respective assets or permit any material subsidiary to sell or transfer any of its assets, its respective receivables, enter into title retention agreement or any other arrangement whereby raising the indebtedness or financing the acquisition of an asset; and
(d) Our Company will not permit any material subsidiary to create, assume, incur, guarantee or otherwise become liable in respect of any indebtedness except as permitted such that aggregate amount of all secured debt secured by permitted liens and the aggregate amount of all outstanding indebtedness as permitted not to exceed 20% of consolidated total assets as of the end of preceding fiscal year.

Our Company is also required to comply with certain financial and negative covenants specified under the relevant agreements executed in respect of the aforesaid foreign currency borrowings.

(I) Financial Covenants

Some of the financial covenants to which our Company is subject to under the agreements/ arrangements pertaining to the aforesaid foreign currency borrowings include the following:

(a) Consolidated shareholders' fund shall not be less than ₹ 40,000 million;
(b) The ratio of EBITDA to interest expense for the recently ended period of any relevant period shall not be less than 1.20 to 1.00;
(c) The ratio of secured debt to consolidated shareholders' funds not to be greater than 85%;
(d) The ratio of total outside liabilities to consolidated tangible networth not to be greater than 10:1;
(e) Consolidated current assets to consolidated current liabilities shall not be less than 1:1;
(f) A capital adequacy ratio of not less than 12% calculated in the manner provided in the relevant loan agreement or that calculated in accordance with the RBI guidelines relating to non-banking financial companies for any relevant period;
(g) Our Company can not incur any debt, unless its net revenues for the fiscal year immediately preceding the date of such incurrence shall be at least 1.2 times the estimated maximum debt service requirements of our Company for any succeeding fiscal year on all debt of our Company;
(h) Our Company is required to earn for each of its fiscal year, an annual pretax return of not less than 15% of the beginning of its equity value for that fiscal year; and
(i) The net tangible networth shall not be less than ₹ 60,000 million.

(II) Negative Covenants

Some of the negative covenants to which our Company is subject to under the agreements/ arrangements pertaining to the aforesaid foreign currency borrowings include the following:

(1) Our Company shall not, without the prior consent of the lender(s):

(a) Disburse any sub-loans/or enter into financing arrangements;
(b) Enter into any transaction (s), to sell, lease, transfer or otherwise dispose of any part of its business, assets or revenues;
(c) Enter into any merger or consolidation with any entity or become subject to any kind of reconstruction or reorganization or any scheme or arrangement for any of the foregoing;
(d) Acquire assets or business or make any investment if it may adversely affect the interest of lender under the facility agreement or business or financial condition of

our Company or if such investment not within the core business activity of our Company;

(e) Make any amendment or supplement to the constitutional documents that would affect the rights of any lender or agent under the facility agreement;

(f) Make or grant any loan or advance provide financing to any person or incur any indebtedness other than any drawdown of any loans pursuant to any facilities provided to our Company prior to the date of the facility agreement provided that such facilities having been disclosed to the agent in writing prior to the date of the facility agreement, except in the ordinary course of business; and

(g) Execute any guarantees or indemnities in favor of any person, except in the ordinary course of its business or as may be required within the terms of the facility agreement.

Further, some of our loan agreements contain cross default provisions as per which default under any loan agreement by us will constitute default under such loan agreements.

C. Bonds

Our Company issues secured and unsecured bonds on a private placement basis from time to time. These bonds are listed on the wholesale debt market segment of the NSE and have received a credit rating of 'AAA' grade by CRISIL and grade 'LAAA' by ICRA. The details of the outstanding bonds issued by our Company are set forth below:

(a) Taxable bonds secured by means of guarantee provided by the GoI.

(In ₹ million)

S. No.	Details of Bonds	Amount Raised	Deemed date of Allotment	Name of trustee	Redemption Amount Outstanding (as of December 31, 2010)
	SLR Bonds III Series *	200.00	January 7, 1991	*Coupon Rate:* 11.50% per annum *Maturity and Redemption:* Principal amount to be redeemed on January 7, 2011	200.00
	SLR Bonds Series IV **	220.00	February 10, 1992	*Coupon Rate:* 12.00% per annum *Maturity and Redemption:* Principal amount to be redeemed on February 10, 2012	220.00

** SLR Bonds III Series have been secured by way of guarantee given by the Government of India through letter dated January 3, 1991, issued by the Ministry of Energy. Further, SLR Bonds III Series was redeemed on the due date of maturity.*
*** SLR Bonds Series IV have been secured by way of guarantee given by the Government of India through letter dated January 30, 1992, issued by the MoP.*

(b) Unsecured taxable bonds issued by our Company:

(In ₹million)

S. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
1.	Bonds (2011) Series X	3,009.00	November 23, 2001	*Coupon Rate:* 9.70% per annum *Maturity and Redemption:* In 10 years from the deemed date of allotment	531.00
2.	Bonds (2012) Series XI	7,749.70	February 20, 2002	*Coupon Rate:* 9.25% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	7,440.80
3.	Bonds (2017) Series XIII	1,900.00	May 16, 2002 and May 24, 2002	*Coupon Rate:* 9.60% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed dates of allotment	1,900.00
4.	Debenture	2,500.00	October 3,	*Coupon Rate:* 8.21% per annum	1,750.00

S. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
	(2017) Series XVII		2002	*Maturity and Redemption:* Redeemable in 10 equal annual instalments beginning from the date next to the expiry of the 6th year after an initial moratorium period of 5 years from the date of allotment	
5.	Debenture (2017) Series XVIII	2,500.00	November 13, 2002	*Coupon Rate:* 7.87% per annum *Maturity and Redemption:* Redeemable in 10 equal annual installments beginning from the date next to the expiry of the sixth year after an initial moratorium period of 5 years from the date of allotment	1,750.00
6.	Zero Coupon Bond (2022) Series XIX	1,579.58	December 30, 2002	*Coupon Rate:* Zero coupon bonds having face value of ₹ 0.10 million each, aggregating to ₹ 7500 million, allotted at a discounted aggregate amount of ₹ 1,579.58 million *Maturity and Redemption:* At par at the end of 20 years from the deemed date of allotment	2,946.74
7.	Debenture (2011) Series XXIA	3,010.0	November 2, 2004	*Coupon Rate:* 6.80% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	860.00
8.	Debenture (2014) Series XXIB	1,688.00	November 2, 2004	*Coupon Rate:* 7.00% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	1,688.00
9.	7.00% Bonds 2011 – XXII series	10,407.00	December 24, 2004	*Coupon Rate:* 7.00% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	6,943.00
10.	Debenture (2012) Series XXIII	3,499.00	July 5, 2005	*Coupon Rate:* 7.00% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	2,027.00
11.	Debenture Series XXV	1,7347.00	December 30, 2005	*Coupon Rate:* 7.60% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	17,347.00
12.	Debenture Series XXVI	1,2618.00	February 24, 2006	*Coupon Rate:* 7.95% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	12,618.00
13.	Debenture Series XXVII-A	10,000.00	March 17, 2006	*Coupon Rate:* 8.20% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	10,000.00
14.	Debenture Series XXVII-B	8,500.00	March 17, 2006	*Coupon Rate:* 8.09% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	8,500.00
15.	Debenture Series XXVIII	6,000.00	May 31, 2006	*Coupon Rate:* 8.85% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed date of allotment	6,000.00
16.	Debenture Series XXIX - A	2,500.00	September 7, 2006	*Coupon Rate:* 8.80% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	2,500.00
17.	Debenture	3,000.00	September 7,	*Coupon Rate:* 8.55% per annum	3,000.00

S. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
	Series XXIX – B		2006	*Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	
18.	Debenture (2011) Series XXX	4,800.00	October 9, 2006	*Coupon Rate:* 8.49% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	4,800.00
19.	Debenture Series XXXI-A	14,512.00	December 15, 2006	*Coupon Rate:* 8.78% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	14,512.00
20.	Debenture Series XXXII	5,785.00	February 19, 2007	*Coupon Rate:* 9.25% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	5,785.00
21.	Debenture Series XXXIII-A	1,220.00	March 22, 2007	*Coupon Rate:* 9.80% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	1,220.00
22.	Debenture Series XXXIII-B	5,615.00	March 22, 2007	*Coupon Rate:* 9.90% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,615.00
23.	Debenture Series XXXIV	5,005.00	March 30, 2007	*Coupon Rate:* 9.90% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,005.00
24.	Debenture Series XXXV	5,300.00	May 18, 2007	*Coupon Rate:* 9.96% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,300.00
25.	Debenture Series XXXVI-B	4,363.00	June 15, 2007	*Coupon Rate:* 10.00% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	4,363.00
26.	Debenture Series XXXVIII	18,620.00	September 20, 2007	*Coupon Rate:* 9.80% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	18,620.00
27.	Debenture Series XL-B	5,100.00	December 28, 2007	*Coupon Rate:* 9.22% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	5,100.00
28.	Debenture Series XL-C	6,500.00	December 28, 2007	*Coupon Rate:* 9.28% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	6,500.00
29.	Debenture Series XLI-B	2,650.00	January 15, 2008	*Coupon Rate:* 8.94% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,650.00
30.	Debenture Series XLII-A *	8,250.00	February 15, 2008	*Coupon Rate:* 8.96% per annum to 9.01% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	8,250.00
31.	Debenture Series XLII-B	3,190.00	February 15, 2008	*Coupon Rate:* 8.98% per annum to 9.03% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	3,190.00

S. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
32.	Debenture Series XLIII-A	761.00	March 12, 2008	*Coupon Rate:* 9.30% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	761.00
33.	Debenture Series XLIII-B	2,716.00	March 12, 2008	*Coupon Rate:* 9.30% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,716.00
34.	Debenture Series XLIV	12,603.00	March 25, 2008	*Coupon Rate:* 9.40% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	12,603.00
35.	Debenture Series XLVI	4750.00	May 29, 2008	*Coupon Rate:* Daily NSE overnight Mumbai Interbank Offered Rate (compounded daily) plus 215 bps *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	4,750.00
36.	Debentures Series XLVII-A	4,506.00	June 9, 2008	*Coupon Rate:* 9.55% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	4,506.00
37.	Debentures Series XLVII-B	4,953.00	June 9, 2008	*Coupon Rate:* 9.60% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	4,953.00
38.	Debentures Series XLVII-C	7,807.00	June 9, 2008	*Coupon Rate:* 9.68% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	7,807.00
39.	Debentures Series XLVIII-A	5,715.00	July 15, 2008	*Coupon Rate:* 10.75% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	5,715.00
40.	Debenture Series XLVIII-B	2,174.00	July 15, 2008	*Coupon Rate:* 10.70% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,174.00
41.	Debenture Series XLVIII-C	2,597.00	July 15, 2008	*Coupon Rate:* 10.55% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	2,597.00
42.	Debenture Series XLIX-A	3,136.00	August 11, 2008	*Coupon Rate:* 10.90% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	3,136.00
43.	Debenture Series XLIX-B	4,286.00	August 11, 2008	*Coupon Rate:* 10.85% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	4,286.00
44.	Debenture Series L-A	1,430.00	August 25, 2008	*Coupon Rate:* 10.85% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	1,430.00
45.	Debenture Series L-B	784.00	August 25, 2008	*Coupon Rate:* 10.75% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	784.00
46.	Debenture Series L-C	808.00	August 25, 2008	*Coupon Rate:* 10.70% per annum *Maturity and Redemption:* At par at the end of 7	808.00

S. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				years from the deemed date of allotment	
47.	Debenture Series LI-A	4,952.00	September 15, 2008	*Coupon Rate:* 11.15% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	4,952.00
48.	Debenture Series LI-B	5,940.00	September 15, 2008	*Coupon Rate:* 11.10% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	5,940.00
49.	Debenture Series LI-C	30,244.00	September 15, 2008	*Coupon Rate:* 11.00% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	30,244.00
50.	Debenture Series LII-A	6,627.00	November 28, 2008	*Coupon Rate:* 11.40% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	6,627.00
51.	Debenture Series LII-B	58.00	November 28, 2008	*Coupon Rate:* 11.30% per annum *Maturity and Redemption:* At par at the end of 7 years from the deemed date of allotment	58.00
52.	Debenture Series LII-C	19,506.00	November 28, 2008	*Coupon Rate:* 11.25% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	19,506.00
53.	Debenture Series LIV-A	1,965.00	February 16, 2009	*Coupon Rate:* 8.90% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	1965.00
54.	Debenture Series LV-A	8,770.00	May 11, 2009	*Coupon Rate:* 6.90% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	8,770.00
55.	Debenture Series LV-B	1,469.00	May 11, 2009	*Coupon Rate:* 7.50% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	1,469.00
56.	Debenture Series LVI	5,250.00	July 9, 2009	*Coupon Rate:* 7.20% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	5250.00
57.	Debenture Series LVII-B	25,995.00	August 7, 2009	*Coupon Rate:* 8.60% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	25,995.00
58.	Debenture Series LVIII-A	1,000.00	September 17, 2009	*Coupon Rate:* 7.75% per annum *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	1,000.00
59.	Debenture Series LVIII-B	3,311.00	September 17, 2009	*Coupon Rate:* 8.45% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	3,311.00
60.	Debenture Series LIX-A	2,882.00	October 15, 2009	*Coupon Rate:* 8.45% per annum *Maturity and Redemption:* At par at the end of 5 years from the deemed date of allotment	2,882.00

S. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
61.	Debenture Series LIX-B	12,166.00	October 15, 2009	*Coupon Rate:* 8.80% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	12,166.00
62.	Debenture Series LX-A	1,750.00	November 20, 2009	*Coupon Rate:* 1 year Indian Constant Maturity Treasury Benchmark Rate plus 135 basis points *Maturity and Redemption:* At par at the end of 3 years from the deemed date of allotment	1,750.00
63.	Debenture Series LX-B	9,250.00	November 20, 2009	*Coupon Rate:* 1 year Indian Constant Maturity Treasury Benchmark Rate plus 179 basis points *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	9,250.00
64.	Debenture Series LXI	10,530.00	December 15, 2009	*Coupon Rate:* 8.50% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	10,530.00
65.	Debenture Series LXII A	8,454.00	January 15, 2010	*Coupon Rate:* 8.70% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	8454.00
66.	Debenture Series LXII B	11,726.00	January 15, 2010	*Coupon Rate:* 8.80% per annum *Maturity and Redemption:* At par at the end of 15 years from the deemed date of allotment	11,726.00
67.	Debenture Series LXIII	5,520.00	March 15, 2010	*Coupon Rate:* 8.90% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	5,520.00
68.	Debenture Series LXIV	14,760.00	March 30, 2010	*Coupon Rate:* 8.95% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	14,760.00
69.	Debenture Series LXV	40,125.00	May 14, 2010	*Coupon Rate:* 8.70% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of the 5th, 10th, 15th year respectively from the deemed date of allotment	40,125.00
70.	Debenture Series LXVI-A	5,000.00	June 15, 2010	*Coupon Rate:* 8.65% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	5,000.00
71.	Debenture Series LXVI -B	15,320.00	June 15, 2010	*Coupon Rate:* 8.75% per annum *Maturity and Redemption:* At par at the end of	15,320.00

S. No.	Details of bonds	Amount Raised	Deemed date of allotment	Coupon rate and maturity and redemption	Redemption amount outstanding (as of December 31, 2010)
				15 years from the deemed date of allotment	
72.	Debenture Series LXVI -C	6,330.00	June 15, 2010	*Coupon Rate:* 8.85% per annum *Maturity and Redemption:* At par at the end of 20 years from the deemed date of allotment	6,330.00
73.	Debenture Series LXVII	11,000.00	July 15, 2010	*Coupon Rate:* 7.10% per annum *Maturity and Redemption:* At par at the end of 2 years from the deemed date of allotment	11,000.00
74.	Debenture Series LXVIII-A	1,470.00	August 4, 2010	*Coupon Rate:* 8.25% per annum *Maturity and Redemption:* At par on July 15, 2015	1,470.00
75.	Debenture Series LXVIII –B	14,240.00	August 4, 2010	*Coupon Rate:* 8.70% per annum *Maturity and Redemption:* At par on July 15, 2020	14,240.00
76.	Debenture Series LXIX	9,500.00	September 15, 2010	*Coupon Rate:* 7.89% per annum *Maturity and Redemption:* At par at the end of 2 years from the deemed date of allotment	9,500.00
77.	Debenture Series LXX	15,490.00	November 15, 2010	*Coupon Rate:* 8.78% per annum *Maturity and Redemption:* At par at the end of 10 years from the deemed date of allotment	15,490.00
78.	Debenture Series LXXI	5,781.00	December 15, 2010	*Coupon Rate:* 9.05% per annum *Maturity and Redemption:* At par in 3 equal annual installments. Each bond will comprise 3 detachable, separately transferable redeemable principal parts redeemable at par at the end of 10^{th}, 15^{th} and 20^{th} year respectively from the deemed date of allotment	5,781.00

** Debenture Series XLII-A was redeemed on the due date of maturity.*
*** Debenture Series XLIII-A was redeemed on the due date of maturity.*

(c) Public issue of secured infrastructure bonds

Pursuant to the notification No. 48/2010/F No 149/84/2010-SO (TPL) dated July 9, 2010, issued by Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, Government of India ("Notification"), our Company is proposing a public issue of secured, redeemable, non-convertible long term infrastructure bonds with a face value of ₹ 5,000 each and aggregating upto ₹ 53,000 million. In this regard, our Company has filed a shelf prospectus with the RoC on February 21, 2011. The public issue of bonds opened on February 24, 2011 for subscription and closes on March 22, 2011. The main object of the proposed bond issue is to provide 'infrastructure lending' as defined by the RBI. For further details of the Notification, see section titled "***Regulations and Policies***" on page 124.

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below, there are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings, including those for economic offences, tax liabilities, show cause notices or legal notices against our Company, its Directors, its Subsidiaries and its Joint Ventures and there are no defaults, non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/ financial institutions, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than an unclaimed liability, except as stated below. No disciplinary action has been taken by SEBI or any stock exchange against our Company, our Directors, our Subsidiaries or our Joint Ventures.

The amounts involved in the proceedings described below have been disclosed, to the extent such claims are ascertainable.

Neither our Company nor its Directors, nor Subsidiaries have been declared as willful defaulters by the RBI or any other Governmental authority other than as disclosed below and there are no violations of securities laws committed by them in the past or pending against them or any person or entity connected with them, except as mentioned below. Further, except as disclosed in this section, there are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against any company whose outcome could have a material adverse effect on the position of our Company.

***Contingent liabilities not provided for*:**

We have certain contingent liabilities not provided for in the amounts, as disclosed in our audited restated standalone financial statements, as of and for the years ended March 31, 2006, 2007 and 2008 and our audited restated consolidated financial statements as of and for the years ended March 31, 2009 and 2010 and as of, for the nine months ended December 31, 2010, prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations. For more information, see sections titled "***Financial Statements***" and "***Risk Factors-Our contingent liabilities in the event they were to materialise could adversely affect our business, financial condition, results of operations and trading price of Equity Shares*** " on pages 163 and 29.

I. Litigation involving our Company

1. Litigation against our Company

A. Writ Petitions

There are 4 writ petitions pending against our Company, the details of which are set forth below. No specific relief has been claimed against our Company in any of the writ petitions.

(i) Sterlite Technologies Limited and another filed a writ petition (No. 263 of 2011) before the Gauhati High Court challenging the Assam Power Distribution Company Limited's decision of rejecting the price bid of the petitioner which was made by the petitioner for selection as an I.T. Implementation Agency ("**ITIA**") under the request for proposal. The petitioners alleged that no reasons were disclosed for not considering the bid inspite of reminder letters sent to the respondent and that the rejection order was in violation of the guidelines framed for the R-APDRP scheme. Our Company, being the designated nodal agency for implementation of the R-APDRP has prepared guidelines for selection of ITIA under the guidance of the MoP and has been included as a proforma party to the writ petition.

(ii) Mr. M. Ravi, an employee of our Company, filed a writ petition (No. 8174 of 2010) before the High Court of Delhi challenging the decision of certain respondents including our Company, rejecting his promotion on the ground that a request for Mr. Ravi's promotion could be considered only after the final outcome of the criminal case in which Mr. Ravi was involved. It was alleged by Mr. Ravi that his promotion was rejected in spite of the fact that he was neither under suspension nor any disciplinary proceedings/ criminal prosecution had been initiated against him. Mr. Ravi prayed for an order (i) quashing the aforesaid decision of the respondents rejecting his promotion (ii) directing our Company to promote Mr. Ravi with all consequential and financial benefits from a retrospective date.

(iii) Korea Electric Power Data Network Company Limited, filed a writ petition (No. 311 of 2011) in the High Court of Kerala challenging the order dated December 27, 2010 of the Government of Kerala wherein it cancelled the sanction accorded to the Kerala State Electricity Board to entrust the implementation of the IT system for 43 towns in Kerala under Part A of the R-APDRP scheme to the petitioner. The petitioner also prayed for grant of stay on the aforesaid order. The High Court of Kerala has awarded a stay on the order dated December 27, 2010, by its order dated January 5, 2011. Our Company being the designated nodal agency for implementing the R-APDRP scheme has prepared the guidelines for selection of an ITIA under the guidance of the MoP, has been included as a proforma party to the writ petition.

(iv) The Tata Power Company Limited filed a special leave petition (No. 11586 of 2009) before the Supreme Court of India, against the final judgment and order dated April 13, 2009 of the High Court of Delhi (No. 62 of 2009), dismissing the writ petition filed by The Tata Power Company Limited challenging the award of the contract for the Sasan UMPP by GoI to Reliance Power Limited. The Tata Power Company Limited alleged that the GoI had, subsequent to the award of the contract, made changes in the terms/ basis on which tenders had been invited and made, which conferred enormous benefit to Reliance Power Limited. Our Company, being the nodal agency for implementation of UMPPs, has been included as a proforma party.

B. Criminal Cases

(i) The Union of India filed a criminal miscellaneous writ petition (No. 28928 of 2009) before the Allahabad High Court praying for issuance of directions to the Central Bureau of Investigation to expeditiously complete its investigation pertaining to a fraudulent transfer of securities from a dematerialised account("**Demat**") as well as for further issuance of directions to our Company and certain other respondents to disallow any further transfer of the securities and to freeze the account where the sale proceeds of the aforesaid securities/ bonds are deposited during the pendency of the writ. Our Company has been included as a proforma party as certain bonds issued by it were a part of the securities which were allegedly fraudulently transferred from the Demat account.

C. Civil Cases

(i) Bihar State Hydroelectric Power Corporation Limited ("**BSHPCL**") filed a civil suit for declaration (No. 173 of 2005) in the Court of Sub Judge-1 Civil, Patna to restrain our Company from recovering its dues from BSHPCL in respect of two loans availed by BSHPCL from our Company. BSHPCL alleged that our Company was not entitled to claim more than twice the principal amount of loan from BSHPCL under the provisions of the Bihar Money Lenders Act, 1974. Our Company has filed its reply and no rejoinder has yet been filed by BSHPCL. For further details see section titled *"**Outstanding Litigation and Material Developments - Litigation involving our Company-Litigation by our Company – Civil Cases**"* on page 359.

D. Consumer Complaints

(i) Mr. Bir Singh Kaushik filed a consumer complaint (No. 789) dated December 6, 2010 against our Company before the District Consumer Dispute Redressal Forum, Rohtak under Section 12 of the Consumer Protection Act, 1986, alleging unfair trade practices and deficiency of service on part of our Company in relation of certain bonds issued to Mr. Kaushik which were allegedly redeemed at a lower amount than what he was entitled to, and claiming. the balance amount of ₹ 8,346 along with interest @ 18% per annum and ₹ 55,500 as compensation and litigation expenses.

E. Income Tax Disputes

(i) ***Assessment Year 2000-2001***

The Deputy Commissioner of Income Tax Circle 14(1), New Delhi ("**Assessing Officer**") by assessment order dated January 27, 2003 ("**Assessment Order**") made an addition on account of disallowance of deduction of provision for bad and doubtful debts under Section 36(1)(vii)(a)(c) and special reserve under Section 36 (1)(viii) of the IT Act. Our Company filed an appeal against the Assessment Order before the

Commissioner of Income Tax Appeals (**"CIT (A)"**). The CIT (A), by order dated December 5, 2003 partly allowed the claim. Our Company filed a rectification application under Section 154 of the IT Act before the CIT (A). The CIT (A) through order dated June 11, 2004 (**"Rectification Order"**), disallowed the allocation of expenses on certain ineligible income for the purpose of computing special reserve. Our Company filed an appeal against the Rectification Order, before the ITAT. The ITAT by order dated August 28, 2009 (**"ITAT Order"**), confirmed the Rectification Order. Our Company filed a miscellaneous application under Section 254(2) of the IT Act before the ITAT (**"Application"**). Relying on the orders for the Assessment Year 2002-03 and 2003-04, the ITAT allowed the Application made by our Company and restored the matter to the Assessing Officer to determine the amount of expenses by order dated July 30, 2009 (**ITAT Order 2**). The CIT-Large Tax Payer Unit, New Delhi (**"Department"**) has filed an appeal before the High Court of Delhi on November 17, 2009, against the ITAT Order 2. The matter is presently pending before the High Court of Delhi and the amount in dispute is ₹ 32.20 million.

(ii) ***Assessment Year 2001-2002***

(a) The Additional Commissioner of Income Tax, Range 14, New Delhi (**"Assessing Officer"**) raised a demand by order dated November 28, 2003 (**"Assessment Order"**) on the grounds of disallowance of deduction under Section 36(1)(vii)(a)(c) of provision for bad and doubtful debts, partial disallowance of deduction under Section 36(1)(viii) for special reserve and exempted income under Section 10(23G). Our Company filed an appeal against the Assessment Order before the CIT (A). The CIT (A) through order dated October 1, 2004, partly allowed our claim (**"(CIT (A) Order"**). Our Company filed an appeal against the CIT (A) Order, before the ITAT on December 8, 2004. The ITAT, by order dated June 25, 2009, granted partial relief to our Company. (**"ITAT Order"**). Our Company filed an appeal before the High Court of Delhi (**"High Court"**) against the ITAT Order. The High Court has admitted the appeal and the amount in dispute before the High Court is ₹ 10.14 million.

(b) On the ground that the CIT (A) order disallowed the allocation of expenses on certain ineligible income for the purpose of computing special reserve under Section 36(1)(viii), our Company filed an appeal before the ITAT. The ITAT, by order dated August 28, 2009, confirmed the order of the CIT (A) (**"ITAT Order 2"**). Our Company filed a Miscellaneous Application under Section 254(2) of the IT Act before the ITAT (**"Application"**) against the ITAT Order 2. The ITAT allowed the Application made by our Company and restored the matter to the Assessing Officer to determine the amount of expenses. The CIT-Large Tax Payer Unit, New Delhi (**"Department**") filed an appeal before the High Court of Delhi against the ITAT order. The High Court of Delhi has admitted the matter and the amount in dispute is ₹ 43.28 million.

(iii) ***Assessment Year 2002-2003***

The Additional Commissioner of Income Tax, Range 14, New Delhi (**"Assessing Officer"**) raised a demand by order dated January 30, 2004 (**"Assessment Order"**) on the grounds of disallowance of deduction on provision for bad and doubtful debts under Section 36(1)(vii)(c), partial disallowance of deduction under Section 36(1)(viii) for special reserve and exempted income under Section 10(23G). Our Company filed a rectification application against the Assessment Order under Section 154 of the IT Act before the Assessing Officer. The Assessing Officer by order dated August 27, 2004 rejected the claims of our Company (**"Rectification Order"**). Our Company filed an appeal before the CIT (A) against the Assessment Order. The CIT (A) through order dated October 4, 2004 granted partial relief to our Company (**"CIT (A) Order"**). Against the CIT (A) Order, our Company filed an appeal before the ITAT. The ITAT through order dated August 31, 2009 partly allowed our claim (**"ITAT Order"**). Consequently, our Company filed an appeal against the ITAT Order before High Court of Delhi on January 19, 2010 which has been admitted and the amount in dispute is ₹ 1.40 million.

(iv) ***Assessment Year 2003-2004***

(a) The Additional Commissioner of Income Tax, Range 14, New Delhi (**"Assessing Officer"**) raised a demand by its order dated February 27, 2004 (**"Assessment Order"**) on the grounds of disallowance of deduction on provision for bad and doubtful debts under Section 36(1)(vii)(c), partial disallowance of deduction under Section 36(1)(viii) for special reserve and exempted income under Section 10(23G) of the IT Act. Our Company filed an appeal before the CIT (Appeals) XVII, New Delhi (**"CIT (A)"**) against the Assessment Order. The CIT (A) through its order dated October 4, 2004 granted partial relief to our Company (**"(CIT (A) Order"**). Our Company filed an appeal on December 8, 2004 before the ITAT against the CIT (A) Order. The ITAT granted partial relief to our Company through order dated August 31, 2009 (**"ITAT Order"**). Our Company filed an appeal against the ITAT Order under Section 260A of the IT Act, 1961 on January 19, 2010 before the High Court of Delhi (**"High Court"**). The appeal has been admitted by the High Court and the amount in dispute is ₹ 14.69 million.

(b) On the ground that the ITAT Order did not deal with the issue of allocation of expenses to certain ineligible incomes for the purpose of computing special reserve under Section 36(1)(viii), our Company filed a miscellaneous application under Section 254(2) of the IT Act for rectification before the ITAT (**"Miscellaneous Application"**). The ITAT by its order dated June 18, 2010 allowed the Miscellaneous Application but decided the same against our Company on the ground that the issue was not raised before the CIT (A) and there was no request for admission of the same as an additional ground (**"Rectified Order"**). Our Company has filed an appeal against the Rectified Order, before the High Court of Delhi on November 1, 2010. The matter has been admitted by the High Court and the amount in dispute before the High Court is ₹ 0.8 million.

(v) ***Assessment Year 2005-2006***

(a) The Additional Commissioner of Income Tax, Range-14, New Delhi (**"Assessing Officer"**) by order dated July 27, 2006 (**"Assessment Order"**), raised a demand on the grounds of partial disallowance of deduction under Section 36(1)(vii)(c) of the IT Act of provision for bad and doubtful debts, partial disallowance of deduction under Section 36(1)(viii) of the IT Act for special reserve and exempted income under Section 10(23G) of the IT Act. Our Company filed an appeal (39/CIT(A)XVIII/Del/06-07) before the Commissioner of Income Tax (Appeals) - XVII, New Delhi (**"CIT (A)"**) against the Assessment Order. The CIT (A), by order dated June 28, 2010, ("**CIT (A) Order**") granted partial relief to our Company. Against the CIT (A) Order, our Company filed an Appeal ("**Appeal No.1**") before ITAT on September 1, 2010. Appeal No.1 is presently pending before ITAT and the amount in dispute is ₹ 82.98 million. The matter is yet to be listed.

(b) The Assistant Commissioner of Income Tax, Large Taxpayer Unit, New Delhi (**"Department"**) filed an Appeal (No. 4231/Del-2010) ("**Appeal No.2**") before the ITAT on September 10, 2010 against the CIT (A) Order which amongst others granted a relief of ₹ 211.30 million to our Company by allowing allocation of expenses to ineligible incomes for computing special reserve under Section 36(1)(viii) of the IT Act and exempted income under Section 10(23G) of the IT Act. Appeal No.2 is presently pending before the ITAT. The matter is yet to be listed.

(c) The Assessing Officer, by order dated December 27, 2010 (**"Re-assessment Order"**) re-opened the assessment under Section 147/143(3) of the IT Act for the year 2005-2006 and raised a demand of ₹ 92.40 million ("**Revised Demand**") against our Company on the ground of addition of translation gain and disallowed prior period expenses. Our Company filed an appeal ("**Appeal No.3**") against the Re-assessment Order, before the Commissioner of Income Tax (Appeals), Large Taxpayer Unit (**"CIT(A) LTU"**) and moved an application for stay on the Revised Demand under Section 220 (6) of the IT Act before Assessing Officer. Appeal No. 3 is presently pending before CIT(A) LTU and the next date of hearing is on March 31, 2011.

(vi) ***Assessment Year 2006-2007***

(a) The Additional Commissioner of Income Tax, Range-14, New Delhi (**"Assessing Officer"**) raised a demand by its order dated December 31, 2007 (**"Assessment Order"**) on the grounds of partial disallowance of deduction of provision for bad and doubtful debts under Section 36(1)(vii)(c) of the IT Act, partial disallowance of deduction under Section 36(1)(viii) of the IT Act for special reserve and exempted income under Section 10(23G) of the IT Act. Our Company filed an appeal before the CIT (A) – XVII, New Delhi ("**(CIT (A)"**) against the Assessment Order. The CIT (A), by its order dated June 28, 2010 ("**CIT(A) Order**") granted partial relief to our Company. Our Company filed an appeal on September 1, 2010 ("**Appeal No.1**") against the CIT(A) Order, before the ITAT. The matter is presently pending before ITAT and the amount in dispute is ₹ 55.64 million. The matter is yet to be listed.

(b) The Assistant Commissioner of Income Tax, Large Taxpayer Unit, New Delhi (**"ACIT LTU"**) filed an appeal (No. 4232/Del-2010) ("**Appeal No.2")** before the ITAT on September 10, 2010 against the CIT(A) Order which amongst others granted a relief of ₹ 216.80 million to our Company by allowing allocation of expenses to ineligible incomes for computing special reserve under Section 36(1)(viii) of the IT Act and exempted income under Section 10(23G) of the IT Act. Appeal No.2 is presently pending before the ITAT. The matter is yet to be listed.

(vii)***Assessment Year 2007-2008***

The Deputy Commissioner of Income Tax, Large Taxpayer Unit, New Delhi (**"Assessing Officer"**) raised a demand of ₹ 13.76 million ("**Demand**") against our Company by order dated December 29, 2009 (**"Assessment Order"**) while partly disallowing deduction in relation to the provision for special reserve under Section 36(1)(viii) of the IT Act along with expenses incurred under Section 14A read with Rule 8D of the IT Act in respect to dividend income earned by our Company. Our Company filed an appeal on January 21, 2010 before the Commissioner of Income Tax (Appeals), Large Tax Payer Unit, New Delhi (**"CIT (A) LTU"**) against the Demand Order. The matter is presently pending before the CIT (A) LTU and the next date of hearing is on March 31, 2011.

(viii) ***Assessment Year 2008-2009***

The Additional Commissioner of Income Tax, Large Tax Payer Unit, New Delhi (**"Assessing Officer"**) raised a demand of ₹ 65.15 million ("**Demand**") against our Company by its order dated December 23, 2010 ("**Demand Order**"), while partly disallowing deduction for special reserve under Section 36 (1)(viii) of the IT Act. Against the Demand Order, our Company filed an appeal on January 27, 2010 before the Commissioner of Income Tax (Appeals), Large Tax Payer Unit, New Delhi (**"CIT (A) LTU"**) and filed an application before the Assessing Officer under Section 220 (6) of the IT Act for stay on the Demand. The matter is presently pending before the CIT (A) LTU and the next date of hearing is on March 3, 2011.

2. Adverse findings against our Company as regards compliance with the securities laws

As on the date of this Draft Red Herring Prospectus, there are no adverse findings against our Company as regards compliance with the securities laws.

3. Outstanding litigation against other companies whose outcome could have an adverse effect on our Company

As on the date of this Draft Red Herring Prospectus, there are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against any company whose outcome could have a material adverse effect on the position of our Company.

4. Outstanding dues to small scale undertaking(s) or any other creditors

As on December 31, 2010, our Company did not owe any due for more than 30 days to any small scale undertaking(s) or any other creditors.

5. Proceedings initiated against our Company for economic offences

As on the date of this Draft Red Herring Prospectus, there are no proceedings initiated against our Company for any economic offences.

6. Potential litigation against our Company

As on the date of this Draft Red Herring Prospectus, there are no potential litigation against our Company that we are presently aware of or in connection with which, we have received any notice.

7. Details of past penalties imposed on our Company

As on the date of this Draft Red Herring Prospectus, no penalties have been imposed on our Company by any regulatory or statutory authority.

8. Proceedings initiated by SEBI or the stock exchanges

As on the date of this Draft Red Herring Prospectus, no proceedings have been initiated against our Company by SEBI or the stock exchanges.

9. Litigation by our Company

Civil Cases

(i) Our Company has filed two applications (OA 117 of 2004 and OA 116 of 2004) before the Debt Recovery Tribunal – II, Delhi ("**DRT**") for recovery of debts from BSHPCL along with the Government of Bihar as a respondent, amongst others, praying for a decree for recovering ₹ 58.94 million and ₹ 13.02 million along with accrued penal interest, respectively, in respect of two loans granted to BSHPCL by our Company which were guaranteed by the Government of Bihar. The Company invoked the guarantees provided for by the Government of Bihar on account of BSHPCL defaulting on its loan obligations, which were not honoured by the Government of Bihar. On such failure by the Government of Bihar to honor the guarantees, the Company filed the aforesaid applications before the DRT.

Subsequently, BSHPCL filed two applications (No. 466 of 2005 and 468 of 2005) seeking dismissal of the original applications filed by our Company.

The DRT, by its order dated May 28, 2008, adjourned the matter for September 10, 2008 and directed the parties to approach the GoI for constitution of a committee for resolution of dispute for which a period of three months was granted to the parties. The DRT also directed that failing the constitution of such committee and resolution of dispute within three months, BSHPCL would have 30 days to file its written statement before the DRT. BSHPCL filed two appeals (No. 505 of 2008 and 506 of 2008) before the Debts Recovery Appellate Tribunal, New Delhi ("**DRAT**") against the order dated May 28, 2008 of the DRT.

Due to failure of the parties to constitute such committe within the aforesaid period of three months, the DRT by its order dated November 28, 2008, disallowed BSHPCL from filing a written statement as BSHPCL had failed to file the same within 30 days after the completion of the aforesaid 3 month period. The DRT further directed the matter to be proceeded *ex parte*. BSHPCL filed two appeals (Misc Appeal No. 80/2009 and 81/2009) before the DRAT against the above mentioned order dated November 28, 2008 of the DRT.

Further, BSHPCL made an application seeking constitution of a committee to the Cabinet Secretary, GoI who rejected the same by its order dated March 31, 2009. BSHPCL filed a writ petition (No. 10886/2009) before the High Court of Delhi, amongst others, praying for quashing of the order dated March 31, 2009 of the Cabinet Secretary and further praying that the Cabinet Secretary be directed to sanction the constitution of a committee for resolution of disputes between the parties. The Delhi High Court, by its order dated September 3, 2009, directed the Cabinet Secretary to accord its sanction for constitution of such committee. Thereafter such committee was constituted and the matter is presently pending before it.

(ii) Our Company has filed a suit for recovery (No. 734/04) before the Court of Additional District Judge, Delhi ("**Addl. District Judge**") for ₹ 907,440 against Mr. Mukesh Kumar Gupta, on account of his failing to clear dues outstanding against him. The suit was decreed *ex parte* in favour of our Company by the order of the Addl. District Judge dated December 3, 2005, for an amount of ₹ 907,440 with interest at the rate of 4.5% per annum from the date of suit until the date of decree and future interest at the rate of 4.5% from the date of decree until the date of realization along with the cost of suit. Our Company filed an execution petition (No. 35/2006) before the Court of Civil Judge, Ghaziabad on July 27, 2007.

II. Litigation involving our Directors

1. Litigation against the Directors involving violation of statutory regulations or alleging criminal offence

As on the date of this Draft Red Herring Prospectus, there is no litigation involving any of our Directors involving violation of statutory regulations or alleging criminal offence.

2. Criminal/ civil prosecution against the Directors for any litigation towards tax liabilities

As on the date of this Draft Red Herring Prospectus, there are no criminal/ civil prosecution involving any of our Directors for any litigation towards tax liabilities.

3. Proceedings initiated against our Directors for economic offences

As on the date of this Draft Red Herring Prospectus, there are no proceedings initiated against our Directors for any economic offences.

4. Details of past penalties imposed on our Directors

As on the date of this Draft Red Herring Prospectus, no penalties have been imposed on our Directors by any regulatory or statutory authority.

III. Litigation involving our Subsidiaries/ Joint Ventures

There is no pending litigation against our Subsidiaries/ Joint Ventures.

IV. Material Developments:

There have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances which materially and adversely affect or are likely to affect our performance, profitability or prospects, within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business and except as disclosed in this Draft Red Herring Prospectus no major approvals are required for carrying on our present business.

The main objects clause of the Memorandum of Association and objects incidental to the main objects enable our Company to undertake its existing activities.

A. Approvals related to this Issue

1. The Board has, pursuant to its resolution dated August 12, 2010, authorised this Issue subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act;

2. The shareholders of our Company have, pursuant to their resolution dated September 21, 2010 under Section 81(1)(A) of the Companies Act, authorised this Issue;

3. The Selling Shareholder has approved the Issue and the Offer for Sale through letter dated February 21, 2011;

4. The RBI through letter [•] dated [•] approved the transfer of 57,388,335 Equity Shares of our Company under Offer for Sale portion in favour of residents outside India and further granted its approval for other related matters;

5. In-principle approval from the NSE dated [●]; and

6. In-principle approval from the BSE dated [●].

B. Approvals for our Business

The following are the approvals received by our Company for its business

S. No.	Description	Reference No.	Date of Issue	Date of Expiry
1.	Registration under Section 45–IA of the RBI Act, as an Infrastructure Finance Company*	B-14.0004	July 28, 2010	Not Applicable
2.	Registration under section 45 IA of the RBI Act, 1934 as a NBFC*	14.00004	February 10, 1998	Not Applicable
3.	Permanent Account Number ("PAN") issued by Income Tax Department	AAACP1570H	February 8, 1996	Not Applicable
4.	Service Tax Code	STC No: AAACP1570HST001 Location Code: 041604	June 26, 2007	Not Applicable
5.	Tax Deduction Number issued by the Income Tax Department	DELP08697D	2004	Valid until cancelled
6.	Registration under section 69 of the Finance Act, 1994 on management consultancy, banking and financial service and consulting engineers	1. DLI/ST/MC /624/Power/2001 2. DLI/ST/B&FS/624/Power/2001 3. DLI/ST/CE /624/ Power/2001	1. April 30, 2001 2. April 15, 2004, w.e.f. March 18, 2004 3. August12,2005, w.e.f. July 18, 2005	Not Applicable
7.	Registration under the Rajasthan Sales Tax Act, 1994	08641608994	January 7, 2005 w.e.f. April 1, 2004	Valid until cancelled
8.	Registration under the Central Sales Tax, 1956 for Rajasthan	08641608994(Central)	January 7, 2005, w.e.f. October 30, 2004	Valid until cancelled
9.	Tax payer identification number issued under the Maharashtra Value Added Tax Act, 2002	27620014060V	April 17, 2010 w.e.f. April 1, 2006	Valid until cancelled

S. No.	Description	Reference No.	Date of Issue	Date of Expiry
10.	Tax payer identification (Central) number issued under the Central Sales Tax (Registration & Turnover), Rules 1957 (Maharashtra)	27620014060C	April 17, 2010 w.e.f. April 1, 2006	Valid until cancelled
11.	Certificate of Enrolment under the Maharashtra State Tax on Professionals, Trades, Callings and Employments Act, 1975	99241694479P	July 31, 2009	Valid until cancelled
12.	Certificate of Registration under the Maharashtra State Tax on Professionals, Trades, Callings and Employments Act, 1975	27620014060P	November 6, 2009	Valid until cancelled
13.	Tax deduction number under the Delhi Value Added Tax Act, 2004	07863002828	December 30, 2008	Valid until cancelled
14.	Registration of the PFC Employees Union under the Indian Trade Unions Act, 1926	No. 4153	September 20, 1991	Not applicable
15.	Registration of our Company's Employees Provident Fund under Rule 3(1) of Part A of Schedule IV of the I.T. Act	F. No. CIT.VIII/PF-207/ 90 91/2648	March 3, 1991. w.e.f. March 30, 1989	Not applicable
16.	Exemption from RBI prudential norms	DNBS.CO.ZMD-N/4984/14.16.2009/2009-2010	March 18, 2010	March 31, 2012

** Pursuant to an amendment to the NBFC regulations (Ref: DNBS. (PD).CC.No.12/02.01/99-2000) dated January 13, 2000, the RBI exempted government NBFCs as conforming to section 617 of the Companies Act from applicability of the provisions of the RBI Act relating to maintenance of liquid assets and creation of reserve funds and the directions relating to acceptance of public deposits and prudential norms. Later, the RBI through its notification (No. RBI / 2006-07 / 204 / DNBS.PD / CC. No. 86 / 03.02.089 / 2006-07) dated December 12, 2006 (**"NBFC 2006"**) amended the regulatory framework governing NBFCs among other things relating to CRAR Exposure norms in respect to NBFC-ND-SI (i.e. systemically important non deposit taking non banking financial company is defined as non banking financial company not accepting/holding public deposits and having total assets of ₹ 1,000 million or above as shown in the last audited balance sheet) and proposed to bring all deposit taking and systemically important companies, under the provisions of the said directions which would be in conformity with the existing guidelines, including those contained in the said circular under reference. However, the date from which government owned NBFCs were to fully comply with these guidelines was to be decided later. Such companies including ourselves were therefore, required to prepare a road map for compliance with various elements of the NBFC Regulations, in consultation with the GoI and submit the same to the Reserve Bank of India (Department of Non – Banking Supervision) by March 31, 2007. Consequently, in March 2007, our Company initiated discussions with the MoP, requesting that our Company should be exempted from the applicability of NBFC Regulations. This was taken up by the MoP with the RBI through a series of communications commencing from April 2007, wherein MoP requested RBI to keep our Company outside the purview of NBFC Regulations. In December 2007, RBI directed our Company to submit a road map for compliance with the prudential norms. The MoP through its letter dated June 24, 2008 forwarded the road map prepared by our Company in compliance with the NBFC 2006 to RBI("**Roadmap**"). Under the Roadmap our Company agreed to enforce exposure norms for private sector utilities with immediate effect. In December 2008, RBI advised our Company to enforce RBI exposure norms in respect of private sector utilities. Further RBI through is letter dated July 31, 2009 amongst others, advised PFC that all new transactions entered by PFC after introduction of RBI's prudential guidelines have to be in alignment with RBI's prudential guidelines on exposure norms. Pursuant to a letter dated December 7, 2009, our Company informed RBI that issue of sanction letters to government sector utilites have been put on hold. Later RBI through letter (no.DNBS.CO.ZMD-N/4984/14.16.2009/2009-2010) dated March 18, 2010 agreed to grant our Company an exemption from its prudential exposure norms in respect of lending to Central and State entities in the power sector until March 31, 2012 and advised PFC to indicate roadmap for achieving adherence to the prudential regulations of RBI including further capitalization. Further, our Company is presently classified as an IFC and accordingly, it is also required to comply with eligibility criteria applicable to IFC including the requirement of capital adequacy.*

C. Approvals in relation to Borrowings

The following approvals have been granted by the RBI in relation to our ECBs:

S. No.	Description	Reference No.	Date of Issue
1.	RBI approval with respect to a loan facility consisting of a dollar tranche not exceeding US$ 60 million and a JPY tranche not exceeding JPY 7,500 million from the Asian Development Bank	EC/DEL/Import/2133/57 ECB 432/97-98 and EC/DEL/Import/2150/57 ECB/433/97-98	November 13, 1997 and November 17, 1997
2.	RBI approval with respect to a loan facility of FRF 172.80 million	EC/Del/Import/3806/57 ECB 422/97-98	February 26, 1998
3.	RBI approval with respect to borrowing from the GoI of the rupee equivalent of US$ 1.2 million lent to the GoI of India by the IBRD	EC/DEL/Import/3205/57/ ECB/98-99 No. 40655	February 17, 1999

S. No.	Description	Reference No.	Date of Issue
4.	RBI approval with respect to a loan of US $ 150 million from the Asian Development Bank	DESACS/BPSD/640/04.61.19/2004-05 No. 2003916	October 12, 2004
5.	RBI approval with respect to a loan of DM 46.50 million from KfW, Frankfurt	EC/DEL/Import/1587/57 ECB 5972000-01	December 26, 2000
6.	RBI approval with respect to a private placement in US Markets for USD 180 million from Aegon, ING, Deutsche Bank Global Principal Finance, Prudential, Sun Life, Deutsche Bank Securities Incorporated	FED.CO.ECBD.4571/03.02.766/2007-08	August 28, 2007
7.	RBI approval with respect tol oan of JPY equivalent of USD 240 million from The Bank of Tokyo-Mitsubishi UFJ,Ltd.,Singapore in synidacation with other banks.	DSIM/BPSD/2162/04.61.19/2010-11	September 17, 2010
8.	RBI approval with respect to loan of USD 300 million from State Bank of India and others	FED.CO.ECBD/03.02.766/2009-10	February 15, 2010

D. Approvals in relation to bonds issued by us:

As on December 31, 2010 our Company has the following government secure bonds outstanding. For more details in relation to these bonds please refer to section titled "***Financial Indebtedness***" on page 344

S. No.	Description	Reference No.	Date of Issue
1.	Approval of the RBI in relation to (11.5%) (III series) bonds issued by us*	SYD.PB/2545/M.99/90-91	November 17,1990
2.	Approval of the RBI in relation to (12%) (IV series) bonds issued by us**	SYD.PB/3008/M.99/91-92	November 29, 1991

** Bonds III Series have been redeemed on January 7, 2011 being the due date of maturity*
*** Bonds Series IV are to be redeemed on February 10, 2012 being the date of maturity*

E. Approvals in relation to Intellectual Property

S. No.	Description	Reference No.	Date of Issue	Date of Expiry
1.	Registration of the copyright of Company's logo under Section 45 of the Copyright Act, 1957	A 649691/2003	July 10, 2003	Valid until cancelled
2.	Registration in Class 36 of the PFC logo by the Registrar of Trademarks, Trade Mark Registry, New Delhi, for financial services and providing fund based support for the development of power sector	Trademarks No. 1758496 Certificate No. 934501	February 11, 2011	10 years from the date of application i.e. November 26, 2018
3.	Registration in Class 41 of the PFC logo by the Registrar of Trademarks, Trade Mark Registry, New Delhi, for providing training for development in power sector	Trademarks No 1758495 Certificate No. 934516	February 14, 2011	10 years from the date of application i.e. November 26, 2018
4.	Registration in Class 42 of the PFC logo by the Registrar of Trademarks, Trade Mark Registry, New Delhi, for consultancy services and non fund based support for the development of power sector	Trademarks No. 1758497 Certificate No. 936176	February 14, 2011	10 years from the date of application i.e. November 26, 2018

F. Pending Approvals

1. Our Company through its letter (bearing no. 2:02: 418) dated January 12, 2011 has filed an application for grant of exemption from the EPF Scheme under Section 17(1)(a) of the EPF Act.

2. An application dated February 24, 2011, has been made to the RBI seeking its approval for the proposed transfer of 57,388,335 Equity Shares pursuant to the Offer for Sale in compliance with the applicable foreign exchange rules and regulations and for other related matters.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

1. The Board has, pursuant to its resolution dated August 12, 2010, authorised this Issue subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act;

2. The shareholders of our Company have, pursuant to their resolution dated September 21, 2010 under Section 81(1)(A) of the Companies Act, authorised this Issue;

3. The Selling Shareholder has approved the Issue and the Offer for Sale through letter dated February 21, 2011.

4. The Reserve Bank of India through letter [•] dated [•] has approved the transfer of 57,388,335 Equity Shares of our Company in favour of residents outside India under Offer for Sale portion in this Issue and other related matters.

5. In-principle approval from the NSE dated [●]; and

6. In-principle approval from the BSE dated [●].

Prohibition by SEBI, RBI or Governmental authorities

Our Company, our Promoter and our Directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authorities. Neither our Promoter nor any of our Directors has been or is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by SEBI.

Our Directors are not in any manner associated with the securities market and there has been no action taken by SEBI against our Directors or any entity in which any of our Directors is involved as a promoter or director.

Neither our Company, our Promoter nor our Directors, have been detained as willful defaulters by the RBI or any other government authorities. There are no violations of securities laws committed by any of them in the past, or pending against them.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 27 read with Regulation 26(1) (d) and (e) of the SEBI Regulations, as described below:

(a) The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of issue size is not expected to exceed five times the pre-Issue net worth of our Company as per our audited balance sheet of the preceding financial year; and

(b) Our Company has not changed its name within the last one year. Accordingly, our Company is eligible to undertake the Issue under Regulation 27 read with Regulation 26(1) (d) and (e) of the SEBI Regulations.

In addition, in accordance with Regulation 26(4) of the SEBI Regulations, our Company will ensure that the number of Bidders to whom Equity Shares are Allotted in the Issue will be not less than 1,000; otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days after we become liable to repay it, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum, as prescribed under Section 73 of the Companies Act.

Compliance with Part A of Schedule VIII of the SEBI Regulations, read with Part C of Schedule VIII of the SEBI Regulations

Our Company is in compliance with the provisions specified in Part A of Schedule VIII of the SEBI Regulations, read with Part C of Schedule VIII of the SEBI Regulations. No exemption from eligibility norms has been sought under Regulation 109 of the SEBI Regulations, with respect to the Issue. Further, our Company has not been formed by the conversion of a partnership firm into a company.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, DSP MERRILL LYNCH LIMITED, GOLDMAN SACHS (INDIA) SECURITIES PRIVATE LIMITED, ICICI SECURITIES LIMITED AND JM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS, DSP MERRILL LYNCH LIMITED, GOLDMAN SACHS (INDIA) SECURITIES PRIVATE LIMITED, ICICI SECURITIES LIMITED AND JM FINANCIAL CONSULTANTS PRIVATE LIMITED ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY AND THE SELLING SHAREHOLDER DISCHARGE THEIR RESPONSIBILITIES ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 18, 2011, WHICH READS AS FOLLOWS:

1. **"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THIS DRAFT RED HERRING PROSPECTUS ("DRHP") PERTAINING TO THE SAID ISSUE;**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER;**

WE CONFIRM THAT:

(A) THE DRHP FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE GOVERNMENT OF INDIA AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRHP ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND

DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. WE CONFIRM THAT ALL THE INTERMEDIARIES NAMED IN THE DRHP ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.

4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS- NOTED FOR COMPLIANCE.

5. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRHP WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRHP.-NOT APPLICABLE

6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRHP. NOT APPLICABLE

7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. – NOT APPLICABLE

8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECTS CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECTS CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.

9. WE CONFIRM THAT NECESSARY ARRANGEMENTS WILL BE MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THIS ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT TO BE ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. – NOTED FOR COMPLIANCE

10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THIS DRHP THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. – NOT APPLICABLE

11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.

12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THIS DRHP:

(A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND

(B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME.

13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE. – NOTED FOR COMPLIANCE

14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S EXPERIENCE, ETC.

15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRHP WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY."

THE FILING OF THIS DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THIS DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THIS ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THIS ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTIONS 56, 60 AND 60B OF THE COMPANIES ACT.

Disclaimer from our Company, the Selling Shareholder, the Directors and the Syndicate

Our Company, the Selling Shareholder, the Directors and the Syndicate accept no responsibility for statements made otherwise than those contained in this Draft Red Herring Prospectus or in any advertisements or any other material issued by or at our Company's instance and anyone placing reliance on any other source of information, including our Company's website at www.pfcindia.com or website of any affiliate or associate of our Company or its subsidiaries, would be doing so at his or her own risk.

Our Company confirms that other than the disclosures made in the Draft Red Herring Prospectus, nothing material has changed in respect of disclosures made by it, at the time of initial public offering of 117,316,700 equity shares in 2007, in the Prospectus dated February 12, 2007.

Caution

The BRLMs accept no responsibility, save to the limited extent as provided in the Issue Agreement and the underwriting agreement to be entered into between the Underwriters, our Company and the Selling Shareholder.

All information will be made available by our Company, the Selling Shareholder and the BRLMs to the Bidders and the public at large and no selective or additional information will be made available for a section of the Bidders or the public, in any manner whatsoever, including at road show presentations, in research or sales reports, at Bidding centres or elsewhere.

Neither our Company, the Selling Shareholder nor any member of the Syndicate is liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

Bidders will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholder and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not issue, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Bidder on whether such Bidder is eligible to acquire Equity Shares.

Each of the BRLMs and their respective affiliates may engage in transactions with, and perform services for, our Company, Subsidiaries or affiliates in the ordinary course of business and have engaged, or may in the future engage, in transactions with our Company, Subsidiaries or affiliates, for which they have received, and may in the future receive, compensation.

Disclaimer in respect of jurisdiction

This Issue is being made in India to persons resident in India, including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under applicable laws in India and are authorized to invest in shares, Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their respective constitutions to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the IRDA, provident funds (subject to applicable law) with minimum corpus of ₹ 250 million and pension funds with minimum corpus of ₹ 250 million, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds setup and managed by Department of Posts, GoI and permitted Non-Residents including FIIs and Eligible NRIs and other eligible foreign investors, if any, provided that they are eligible under all applicable laws and regulations to purchase the Equity Shares.

This Draft Red Herring Prospectus will not, however, constitute an offer to sell or an invitation to subscribe for Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.

Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action will be required for that purpose. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of our Company from the date hereof or that the information contained here is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable

state securities laws in the United States. Our Company has not registered and does not intend to register under the U.S. Investment Company Act in reliance on Sections 3(c)(7) thereof.

Accordingly, the Equity Shares are being offered and sold (i) in the United States only to, and only to U.S. persons that are, "qualified institutional buyers" (as defined in Rule 144A and referred to in the Red Herring Prospectus as "U.S. QIBs"; which, for the avoidance of doubt, does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs"), that are also "qualified purchasers" ("QPs") (as defined in Section 2(a)(51) of the U.S. Investment Company Act and the rules and regulations thereunder) acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth herein), reliance on the exemption from registration under the U.S. Securities Act provided by Rule 144A or other available exemption and in reliance on Sections 3(c)(7) of the U.S. Investment Company Act; and (ii) outside the United States to non-U.S. persons in "offshore transactions" as that term is defined in, and in reliance on, Regulation S.

Each purchaser of Equity Shares inside the United States or who is a U.S. person will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB and a QP; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares to a non-U.S. person in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S and under circumstances that will not require our Company to register under the U.S. Investment Company Act.

Each purchaser of Equity Shares outside the United States that is not a U.S. person will be required to represent and agree, among other things, that such purchaser is a non-U.S. person acquiring the Equity Shares in an "offshore transaction" in accordance with Regulation S.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required must agree in terms of the Allotment advice, that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The delivery of this Draft Red Herring Prospectus will not under any circumstances create any implication that there has been no change in the affairs of our Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the BSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the BSE. The disclaimer clause as intimated by the BSE to us, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the NSE. The disclaimer clause as intimated by the NSE to us, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

Filing

A copy of this Draft Red Herring Prospectus will be filed with SEBI at the Securities and Exchange Board of India, SEBI Bhavan, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, Maharashtra, India.

A copy of the Red Herring Prospectus, along with the other documents required to be filed under Section 60B of the Companies Act, will be delivered for registration with the RoC at the office of the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act will be registered with the RoC electronically and delivered for registration at its office situated at the address mentioned below.

Registrar of Companies

National Capital Territory of Delhi and Haryana
4th Floor, IFCI Tower,
61, Nehru Place,
New Delhi - 110 019,
India.
Tel: +91 (11) 2623 5704
Fax: +91 (11) 2623 5702

Listing

Applications have been made to the Stock Exchanges for permission to deal in, and for an official quotation of the Equity Shares being offered as a part of the Fresh Issue. The [●] will be the Designated Stock Exchange with which the Basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days from the date of refusal by stock exchanges, then our Company and every officer in default shall be liable to repay the money, with interest at the rate of 15% per annum on application money as prescribed under section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 Working Days of the Bid Closing Date

Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"*Any person who:*

(a) *makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or*
(b) *otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,*

shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) The Selling Shareholder, the Directors, our Company Secretary and Compliance Officer, the domestic legal counsel to our Company, the domestic legal counsel to the underwriters, the international legal counsel to our Company, the international legal counsel to the underwriters, the Bankers to our Company, the Auditors and the Registrar to the Issue have been obtained; and (b) the Syndicate Members, the Bankers to the Issue, in their respective capacities will be obtained, and would be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Our Auditors have consented to the inclusion of their names as the statutory auditors and of their report on the audited restated financial information and the statement of tax benefits in the form and context in which they appear in this Draft Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus for registration to the RoC.

As the offered Equity Shares have not been and will not be registered under the U.S. Securities Act, Mehra Goel & Co., Chartered Accountants and Raj Har Gopal & Co., Chartered Accountants have not issued and the Company has not filed their consent under the U.S. Securities Act.

Expert opinion

Except for the report of the Auditors of our Company on the audited restated standalone financial statements, as of and for the years ended March 31, 2006, 2007 and 2008 and our audited restated consolidated financial statements as of and for the years ended March 31, 2009 and 2010 and as of, for the nine months ended December 31, 2010, prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and the statement of tax benefits, included in this Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

Issue related expenses

The estimated Issue expenses are as under:

Activity	Amount (₹ million)	% of the Issue Expenses	% of total Issue Size
BRLM fees*	[●]	[●]	[●]
Underwriting commission and selling commission (including commission to SCSBs for ASBA applications)*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Publication of advertisements *	[●]	[●]	[●]
Advisors*	[●]	[●]	[●]
Bankers to the Issue*	[●]	[●]	[●]
Others (listing fees, etc.) *	[●]	[●]	[●]
Total	**[●]**	**[●]**	**[●]**

***** *Will be incorporated at the time of filing of the Prospectus.*

The above-mentioned Issue expenses will be initially borne by our Company. Further, in proportion to the Equity Shares being offered by the Selling Shareholder in the Offer for Sale, the Selling Shareholder shall reimburse to the Company the expenses borne by the Company on behalf of the Selling Shareholder in the manner and in relation to the apportionable items communicated to the Company.

Fees, Brokerage and Selling Commission payable to the Syndicate

The details of fee, underwriting and selling commission and brokerage payable to the members of the Syndicate will be as stated in the engagement letters with the BRLMs, issued by our Company, copies of which will be made available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days during the Bidding Period.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue by our Company and the Selling Shareholder for amongst others processing of application, data entry, printing of Allotment advice or refund orders etc. will be as per the agreement dated March 17, 2011, executed amongst the Registrar to the Issue, our Company and the Selling Shareholder, a copy of which will be made available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days during the Bidding Period.

Particulars regarding Public or Rights Issues during the last five years

In 2007, our Company made an IPO of 117,316,700 Equity Shares for cash at a price of ₹ 85 per Equity Share (including a premium of ₹ 75 per Equity Share) aggregating to approximately ₹ 9,971.92 million, through a prospectus dated February 12, 2007. The IPO comprised a fresh issue of 114,816,700 Equity Shares and a reservation of up to 2,500,000 Equity Shares for subscription by certain eligible employees. The IPO opened on January 31, 2007 and closed on February 6, 2007. Allotment of Equity Shares and dispatch of refunds pursuant to the IPO was made on February 19, 2007. The actual issue expenses for the IPO aggregated to ₹ 325.20 million. Our Company's share of the proceeds of the IPO, after deducting issue expenses, aggregated to approximately ₹ 9,646.72 million. The listing of our Equity Shares pursuant to the IPO took place on February 23, 2007.

Previous issues of Equity Shares otherwise than for cash

Our Company has not issued any Equity Shares for consideration other than cash.

Underwriting Commission, Brokerage and Selling Commission on Previous Issues

The aggregate of underwriting, brokerage lead management and selling commissions paid in relation to the IPO of our Company was approximately ₹ 10.95 million, which was included in the total issue expenses mentioned above.

Promise v/s performance – Last three issues of our Company

Our Company made an IPOof its equity shares in 2007. The objects of the IPO were to (a) augment capital base to meet the future capital requirements arising out of growth in business, and (b) for general corporate purposes. The amount raised from the IPO has been fully utilized by our Company for the aforesaid objects, as stated in the Prospectus dated February 12, 2007.

Promise v/s performance –Last One Issue of Subsidiaries, Associate Companies

None of our subsidiaries and associates have made any public issue of its equity shares in the past.

Outstanding Debentures or Bond Issues

Except as stated in section titled "***Financial Indebtedness***" on page 344, our Company has no outstanding debentures or bonds as on date of this Draft Red Herring Prospectus.

Outstanding Preference Shares

There are no outstanding preference shares issued by our Company.

Partly Paid-up Shares

There are no partly paid up Equity Shares of our Company.

Stock Market Data of the Equity Shares

See section titled "***Stock Market Data for Equity Shares of our Company***" on page 342.

Other Disclosures

The Selling Shareholder and our Directors have not purchased or sold or financed any purchase or sale of securities of our Company, during a period of six months preceding the date of this Draft Red Herring Prospectus.

SEBI has not initiated any action against any entity related to the securities market, with which our Directors are associated.

Status of Investor Complaints

Our Company received a total of 2,280 investor complaints until December 31, 2010 since the IPO. All investor complaints received by our Company since the IPO have been appropriately disposed off. As on March 11, 2011 there were no pending investor complaints.

Mechanism for Redressal of Investor Grievances

The agreement dated March 17, 2011 between the Registrar to the Issue and our Company provides for retention of records with the Registrar to the Issue for a period of at least three years from the last date of dispatch of Allotment advice or refund orders or demat credit or, where refunds are being made electronically, issuance of refund instructions to the clearing system, to enable Bidders to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the Bidder, Bid cum Application Form number, number of Equity Shares Bid for, amount paid on submission of the Bid, name of the Depository Participant, and the Designated Branch or collection centre where the Bid cum Application Form was submitted. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to the relevant SCSB, giving full details such as name, address of the Bidder, number of Equity Shares Bid for, amount paid on submission of the ASBA Bid cum Application Form and, in case of physical ASBA Bid cum Application Forms, the relevant Designated Branch or collection centre of SCSB where such physical ASBA Bid cum Application Form was submitted.

Disposal of Investor Grievances by our Company

Our Company estimates that the average time required by our Company or the Registrar to the Issue for redressal of routine investor grievances will be 10 Working Days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. J.S. Amitabh, Company Secretary, as the Compliance Officer and, in case of any pre- Issue or post-Issue-related problems, he may be contacted at the following address:

Mr. J. S. Amitabh,
Company Secretary, Power Finance Corporation Limited,
'Urjanidhi',
1, Barakhamba Lane,
Connaught Place,
New Delhi - 110 001,
India.
Tel: +91 (11) 2345 6740
Fax: +91 (11) 2345 6786
Email: fpo@pfcindia.com

Disposal of investor grievances by listed companies under the same management as our Company

There is no listed company under the same management as our Company.

Change in Auditors in the past three years

The following are the changes in our auditors in the last three years:

Name of Auditor	Financial Year	Date of Appointment	Reasons for change
K.K. Soni and Co.	2008-09	July 31, 2008	K.K. Soni and Co. was appointed by office of the CAG through its dated July 31, 2008, replacing the previous auditor Bansal Sinha and Co.
K.K. Soni and Co. Raj Har Gopal and Co.	2009-10	August 12, 2009 August 12, 2009	Raj Har Gopal and Co. was appointed jointly with K.K. Soni and Co., by office of the CAG through its dated August 12, 2009.
Mehra Goel and Co. Raj Har Gopal and Co.	2010-11	July 12, 2010 July 12, 2010	K.K. Soni and Co. was replaced with Mehra Goel and Co., who was jointly appointed with Raj Har Gopal and Co. by office of the CAG through its letter dated July 12, 2010.

Capitalization of Reserves or Profits

Our Company has not undertaken any capitalization of reserves or profits since incorporation.

Revaluation of Assets

Our Company has not revalued its assets since its incorporation.

SECTION VII – ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares offered and sold in the Issue will be subject to the provisions of the Companies Act, our Memorandum of Association and Articles of Association, the Equity Listing Agreements, SEBI Regulations, the terms of the SCRA and SCRR, Red Herring Prospectus and the Prospectus, the Bid cum Application Form, the Revision Form, if any, and other terms and conditions as may be incorporated in the Allotment advice and other documents and certificates that may be executed in respect of the Issue. The Equity Shares will also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue and sale of capital and listing of securities, issued from time to time, to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered and sold in the Issue will rank *pari passu* with the existing Equity Shares of our Company, including in respect of dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. See section titled "***Main Provisions of the Articles of Association***" on page 418.

Cost of Offer for Sale

The GoI shall bear the cost of making the offer for sale, as it involves a disinvestment by GoI.

Mode of Payment of Dividend

Our Company will pay dividend, if declared, to our Equity Shareholders, as per the provisions of the Companies Act, the Equity Listing Agreements, our Memorandum of Association and Articles of Association, and any guidelines or directives that may be issued by the GoI in this respect. See section titled "***Dividend Policy***" on page 162.

Face Value and Price Band

The face value of each Equity Share is ₹ 10. At any given point of time there will be only one denomination for the Equity Shares.

The Price Band, Retail Discount, Employee Discount and the Minimum Bid Lot will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs, and published by our Company at least one Working Day prior to the Bid Opening Date, in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located).

Compliance with SEBI Requirements

Our Company will comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable law, the Equity Shareholders will have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive any surplus on liquidation subject to any statutory and preferential claims being satisfied;
- Right of free transferability of their Equity Shares, subject to applicable foreign exchange regulations and other applicable law; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Equity Listing Agreements and our Memorandum of Association and Articles of Association.

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture, lien, transfer, transmission, consolidation and splitting, see section titled "***Main Provisions of Our Articles of Association***" on page 418.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares will be Allotted only in dematerialized form. As per the SEBI Regulations, the trading of our Equity Shares will only be in dematerialized form. Since trading of our Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allotment in the Issue will be only in electronic form in multiples of one Equity Share, subject to a minimum Allotment of [•] Equity Shares.

The Price Band, Retail Discount, Employee Discount and the minimum Bid lot for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs, and published by our Company at least one Working Day prior to the Bid Opening Date, in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located).

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold such Equity Shares as joint-tenants with benefits of survivorship.

Nomination Facility

In accordance with Section 109A of the Companies Act, the sole or first Bidder, with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, will vest. A nominee entitled to the Equity Shares by reason of the death of the original holder(s), will, in accordance with Section 109A of the Companies Act, be entitled to the same benefits to which he or she will be entitled if he or she was the registered holder of the Equity Shares. Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of the holder's death during minority of the nominee. A nomination will stand rescinded on a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or with the Registrar to the Issue.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, will on the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividend, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the Bidder will prevail. If Bidders want to change their nomination, they are advised to inform their respective Depository Participant.

Bidding Program

<table>
<tr><th colspan="4">BIDDING PROGRAMME</th></tr>
<tr><td rowspan="2">BID OPENS ON</td><td rowspan="2">[•]</td><td>BID CLOSES ON (FOR QIB BIDDERS)#</td><td>[•]</td></tr>
<tr><td>BID CLOSES ON (FOR ALL OTHER BIDDERS)</td><td>[•]</td></tr>
</table>

Our Company and the Selling Shareholder in consultation with the BRLMs may consider closing QIB Bidding Period a day before the Bid Closing Date for other Bidders.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Fresh Issue, including through the devolvement to the Underwriters, as applicable, within 60 days from the Bid Closing Date, our Company will refund the entire subscription amount received within 70 days from the Bid Closing Date. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company and every officer in default will, on and from the expiry of this period, be jointly and severally liable to pay interest prescribed under Section 73 of the Companies Act. Further in terms of Regulation 26(4) of the SEBI Regulations, our Company will ensure that the number of Bidders to whom the Equity Shares are Allotted in the Issue will be not less than 1,000.

In terms of Regulation 14(4)(a) of the SEBI Regulations the requirement of 90% minimum subscription is not applicable to the Offer for Sale. Accordingly, to meet the minimum subscription requirements for the Issue, the Equity Shares being offered as part of Fresh Issue will get priority over the Equity Shares being offered as part of the Offer for Sale.

Jurisdiction

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States. Our Company has not registered and does not intend to register under the U.S. Investment Company Act in reliance on Sections 3(c)(7) thereof.

Accordingly, the Equity Shares are being offered and sold (i) in the United States only to, and only to U.S. persons that are, "qualified institutional buyers" (as defined in Rule 144A and referred to in the Red Herring Prospectus as "U.S. QIBs"; which, for the avoidance of doubt, does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs"), that are also "qualified purchasers" ("QPs") (as defined in Section 2(a)(51) of the U.S. Investment Company Act and the rules and regulations thereunder) acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth herein), reliance on the exemption from registration under the U.S. Securities Act provided by Rule 144A or other available exemption and in reliance on Sections 3(c)(7) of the U.S. Investment Company Act; and (ii) outside the United States to non-U.S. persons in "offshore transactions" as that term is defined in, and in reliance on, Regulation S.

Each purchaser of Equity Shares inside the United States or who is a U.S. person will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB and a QP; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares to a non-U.S. person in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S and under circumstances that will not require our Company to register under the U.S. Investment Company Act.

Each purchaser of Equity Shares outside the United States that is not a U.S. person will be required to represent and agree, among other things, that such purchaser is a non-U.S. person acquiring the Equity Shares in an "offshore transaction" in accordance with Regulation S.

Arrangement for Disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on Transfer of Shares

Except for lock-in of the Promoter's post-Issue equity shareholding in the Issue as detailed in the section titled *"**Capital Structure**"* on page 63 and as provided in our Articles as detailed in "***Main Provisions of our Articles of Association***" on page 418, there are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting.

Option to receive Equity Shares in Dematerialized Form

Allotment of Equity Shares to successful Bidders will only be in the dematerialized form. Bidders will not have the option of Allotment of the Equity Shares in physical form. The Equity Shares on Allotment will be traded only in the dematerialized segment of the Stock Exchanges.

ISSUE STRUCTURE

The Issue of 229,553,340 Equity Shares of face value ₹ 10 each, at an Issue Price of ₹ [●] for cash, including a premium of ₹ [●] per Equity Share, aggregating ₹ [●] million (subject to undersubscription, withdrawal, Retail Discount, Employee Discount and consequent reallocation) is being made through the Book Building Process. The Issue comprises a Fresh Issue of 172,165,005 Equity Shares by our Company and an Offer for Sale of 57,388,335 Equity Shares by the Selling Shareholder. The Issue will constitute 17.39% of the post-Issue equity share capital of our Company and the Net Issue will constitute 17.37% of the post-Issue equity share capital of our Company. The Issue comprises a Net Issue of 229,277,876 Equity Shares to the public and a reservation of not more than 275,464 Equity Shares for Eligible Employees.

	Eligible Employees#	**QIB Bidders****	**Non-Institutional Bidders**	**Retail Bidders**
Number of Equity Shares available for allocation***	Not more than 275,464 Equity Shares	Up to 114,638,937 Equity Shares, or Net Issue less allocation to Non- Institutional Bidders and Retail Bidders	Not less than 34,391,682 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Bidders	Not less than 80,247,257 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue size available for allocation	Not more than 0.12% of the Issue. The Employee Reservation Portion comprises approximately 0.02 % of our Company's post- Issue capital	Up to 50% of the Net Issue will be available for allocation to QIBs. However, 5% of the QIB Portion will be available for allocation proportionately to Mutual Funds only. The unsubscribed portion in the Mutual Fund portion will be available for allocation to QIBs	Not less than 15% of the Net Issue or Net Issue size less allocation to QIB Bidders and Retail Bidders	Not less than 35% of the Net Issue available for allocation or the Net Issue less allocation to QIB Bidders and Non- Institutional Bidders
Basis of Allotment if respective category is oversubscribed	Proportionate	Proportionate as follows: (a) [•] Equity Shares will be available for allocation on a proportionate basis to Mutual Funds; and (b) [•] Equity Shares will be available for allocation on a proportionate basis to QIBs including Mutual Funds receiving allocation as per (a) above	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares, adjusted based on Issue Price	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 200,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 200,000	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the maximum Bid by each Eligible Employee in this portion does not exceed ₹ 200,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹ 200,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form

	Eligible Employees#	QIB Bidders**	Non-Institutional Bidders	Retail Bidders
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Allotment Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Eligible Employees	Public financial institutions specified in Section 4A of the Companies Act, FIIs (and their sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority ("**IRDA**"), provident funds with a minimum corpus of ₹ 250 million, pension funds with a minimum corpus of ₹ 250 million, insurance funds set up and managed by the army, navy and air force of the Union of India, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India and insurance funds setup and managed by the Department of Posts, GoI.	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts, and any FII sub-account registered with SEBI, which is a foreign corporate or foreign individual	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed ₹ 200,000 in value

 # Any under-subscription in the Employee Reservation Portion will be added to the Net Issue on a proportional basis. In the event of undersubscription in the Net Issue, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion.

*** 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received at or above the Issue Price. Allocation will be made on a proportionate basis. For more information, see section titled "**Issue Procedure**" on page 388.*

**** Subject to valid Bids being received at or above the Issue Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange. In the event of over-subscription, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Issue Price.*

Retail and Employee Discount

A discount of 5% of the Issue Price determined pursuant to completion of the Book Building Process is proposed to be offered to Retail Bidders (the "**Retail Discount**") and Eligible Employees (the "**Employee Discount**"). Retail Bidders and Eligible Employees Bidding at a price within the Price Band have to make payment based on their highest bid price option. Retail Bidders and Eligible Employees Bidding at Cut-Off Price have to ensure payment at the Cap Price.

Retail Bidders and Eligible Employees should note that discount is not offered on application but on Allotment. The excess amount paid on application will be refunded to such Bidders or unblocked from their ASBA Accounts, as the case may be, after Allotment.

Withdrawal of the Issue

In accordance with the SEBI Regulations, our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time including after the Bid Opening Date but before Allotment without assigning any reason thereof. However, in the event the Selling Shareholder and our Company withdraw the Issue after the Bid Closing Date, our Company will give the reason thereof within two days of the Bid Closing Date by way of a public notice in the same newspapers where the pre-Issue advertisement had appeared. The Stock Exchanges will also be informed promptly and the BRLMs, through the Registrar to the Issue, will notify the SCSBs to unblock the bank accounts specified by the ASBA Bidders within one day from the date of receipt of such notification.

In the event the Selling Shareholder and our Company, in consultation with the BRLMs, withdraw the Issue after the Bid Closing Date, a fresh offer document will be filed with the RoC/SEBI in the event we subsequently decide to proceed with the public offering.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges in relation to Equity Shares being offered as a part of the Fresh Issue, which our Company will apply for after Allotment, and (ii) the final RoC approval of the Prospectus.

In terms of the SEBI Regulations, QIBs are not allowed to withdraw their Bids after the Bid Closing Date. QIBs will not be able to withdraw their Bids after [•].

<table>
<tr><th colspan="4">BIDDING PROGRAMME</th></tr>
<tr><td rowspan="2">BID OPENS ON</td><td rowspan="2">[•]</td><td>BID CLOSES ON (FOR QIB BIDDERS)#</td><td>[•]</td></tr>
<tr><td>BID CLOSES ON (FOR ALL OTHER BIDDERS)</td><td>[•]</td></tr>
</table>

 # Our Company and the Selling Shareholder in consultation with the BRLMs may consider closing the QIB Bidding Period a day before the Bid Closing Date for other Bidders.

Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period at the Bidding centers mentioned in the Bid cum Application Form, or in the case of ASBA Bidders, at the Designated Branches, **except that on the Bid Closing Date (which for QIBs may be a day prior to the Bid Closing Date for other non-QIB Bidders), Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time)** and uploaded until (i) 5.00 p.m. in case of Bids by QIB Bidders, Retail Bidders and Eligible Employees; and until (ii) 4.00 p.m. for Non-Institutional Bidders. Due to limitation of time available for uploading the Bids on the Bid Closing Date, the Bidders other than QIB Bidders are advised to submit their Bids one day prior to the Bid Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid Closing Date. Bidders other than QIB Bidders are cautioned that in the event a large number of Bids are received on the Bid Closing Date, as is typically experienced in public issues, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company, the Selling Shareholder and the Syndicate will not be responsible. Bids will be accepted only on Working Days.

On the Bid Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Bidders and Eligible Employees, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical or electronic ASBA Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask the relevant SCSB for rectified data.

Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/Allotment. In the event of a discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of the Book Running Lead Managers and the Designated Stock Exchange, based on the physical records of Bid cum Application Forms shall be final and binding on all concerned.

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI Regulations. The Cap Price will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band as disclosed at least one Working Day prior to the Bid Opening Date and the upper end of the Price Band will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate and by intimation to the SCSBs.

ISSUE PROCEDURE

This section applies to all Bidders. All Bidders may participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to them before submitting a Bid through the ASBA process. All Bidders are required to pay the full Bid Amount or instruct the relevant SCSB to block the full Bid Amount at the time of submission of the Bid.

Our Company, the Selling Shareholder, and the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this section, and are not liable for any amendment, modification or change in applicable law, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids do not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in the Red Herring Prospectus.

Book Building Procedure

The Issue is being made through the Book Building Process where up to 50% of the Net Issue will be available for allocation to QIBs on a proportionate basis. Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds. The remainder will be available for allocation on a proportionate basis to QIBs including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Bidders, respectively, subject to valid Bids being received at or above the Issue Price.

Any under-subscription in the Employee Reservation category will be added to the Net Issue. Any under-subscription in any other category will be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange.

Any Bidder may participate in the Issue through the ASBA process by providing the details of the ASBA Account in the Bid cum Application Form. ASBA Bidders are required to submit their Bids to the SCSBs. All Bidders other than ASBA Bidders are required to submit their Bids through the members of the Syndicate, or their associates.

In the case of QIB Bidders, our Company and the Selling Shareholder may, in consultation with the BRLMs, reject their Bids at the time of acceptance of the Bid cum Application Form, provided that reasons for such rejection will be provided in writing. In case of Non Institutional Bidders and Retail Bidders, our Company and the Selling Shareholder will have the right to reject the Bids on grounds, as mentioned in this Draft Red Herring Prospectus and the Red Herring Prospectus including grounds mentioned under section titled "***Issue Procedure-Grounds for Technical Rejections***" on page 404.

Allotment to successful Bidders will be only in the dematerialized form. Bidders will not have the option of receiving Allotment in physical form. On Allotment, the Equity Shares will be traded only on the dematerialized segment of the Stock Exchanges.

Bid cum Application Forms which do not contain the details of the Bidders' depository accounts including Depository Participant Identity ("DP ID"), PAN and Beneficiary Account Number ("BAN") will be treated as incomplete and rejected.

Bidders must ensure that the PAN (of the sole/first Bidder) provided in the Bid cum Application Form is exactly the same as the PAN of the person(s) in whose name the relevant beneficiary account is held. If the Bid cum Application Form is submitted in joint names, Bidders must ensure that the beneficiary account is held in the same joint names in the same sequence in which they appear in the Bid cum Application Form.

Bidders can Bid at any price within the Price Band. The Price Band, Retail Discount, Employee Discount and the Bid lot for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs, and published at least one working day prior to the bid opening date, in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located), with the relevant financial ratios calculated at the Floor Price and at the Cap Price.

Bid cum Application Form

Copies of the Bid cum Application Form and the Red Herring Prospectus will be available for all categories of Bidders, with the members of the Syndicate and at our Registered Office and our regional offices. ASBA Bid cum Application Forms in physical form will be available with the Designated Branches and copies of ASBA Bid cum Application Forms will be available for downloading and printing from the websites of the Stock Exchanges. A unique application number will be generated for every ASBA Bid cum Application Form downloaded and printed from the websites of Stock Exchanges.

Copies of the Red Herring Prospectus shall, on a request being made by any Bidder, be furnished to him by the Book Running Lead Managers and the Stock Exchange. The Book Running Lead Managers and the Stock Exchange may charge a reasonable sum of money for providing such copies of the Red Herring Prospectus.

Electronic ASBA Bid cum Application Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Bid Opening Date. Further, the SCSBs will ensure that the abridged prospectus is made available on their websites.

ASBA Bidders should submit the ASBA Bid cum Application Form either in physical form with a Designated Branch or in electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding), authorizing the SCSB to block funds equal to the Bid Amount in the ASBA Accounts.

Bidders should use only the specified Bid cum Application Form bearing the stamp of a member of the Syndicate or a Designated Branch (except in case of electronic ASBA Bid cum Application Forms), as the case may be, for the purpose of making a Bid in terms of the Red Herring Prospectus. Before being issued to Bidders, the Bid cum Application Form (except in relation to ASBA Bidders) will be serially numbered.

The Bid cum Application Form will contain information about the Bidder and the price and number of Equity Shares that the Bidder wishes to Bid for. Bidders will have the option to make a maximum of three Bids in the Bid cum Application Form and such options will not be considered multiple Bids. On determination of the Issue Price and on the filing of the Prospectus with the RoC, the Bid cum Application Form will be treated as a valid application form. On completion and submission of the Bid cum Application Form to a member of the Syndicate, and in the case of an ASBA Bid cum Application Form, either in physical form to a Designated Branch or in electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding), the Bidder is deemed to have authorized our Company to make the necessary changes in the Bid cum Application Form as may be required under the SEBI Regulations and other applicable law, for filing the Prospectus with the RoC and as required by SEBI and/or the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colors of the Bid cum Application Forms for various categories are as follows:

Category	Color of Bid cum Application Form including ASBA Bid cum Application Form*
Resident Indians and Eligible NRIs applying on a non-repatriation basis, excluding Eligible Employees Bidding in the Employee Reservation Portion	[•]
Non-Residents and Eligible NRIs and FIIs applying on a repatriation basis	[•]
Eligible Employees Bidding in the Employee Reservation Portion	[•]

**Excluding electronic ASBA Bid cum Application Forms.*

Who can Bid?

(i) Indian nationals resident in India, who are not (or are not Bidding in the name of) minors or persons otherwise incompetent to contract, in single or joint names (not more than three);

(ii) Hindu Undivided Families ("**HUFs**"), in the individual name of the *Karta*. Such Bidders should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs will be considered at par with those from individuals;

(iii) Companies, corporate bodies and societies registered under applicable law in India and authorized to invest in equity shares under their respective constitutional or charter documents;

(iv) Foreign corporates or individuals Bidding in the QIB Portion, in accordance with all applicable law;

(v) Mutual Funds registered with SEBI;

(vi) Eligible NRIs (whether on a repatriation basis or on a non-repatriation basis), subject to applicable law;

(vii) Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to RBI regulations and the SEBI Regulations and other applicable law);

(viii) FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, Bidding in the QIB Portion;

(ix) Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals, Bidding in the Non-Institutional Portion;

(x) State industrial development corporations;

(xi) Trusts/societies registered under the Societies Registration Act, 1860, or under any other law relating to trusts/societies and who are authorized under their respective constitutional or charter documents to hold and invest in equity shares;

(xii) Scientific and/or industrial research organizations in India, which are authorized to invest in equity shares;

(xiii) Insurance companies registered with the IRDA;

(xiv) Provident funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;

(xv) Pension Funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;

(xvi) National Investment Fund;

(xvii) Insurance funds set up and managed by the army, navy or air force of the Union of India;

(xviii) Insurance funds setup and managed by the Department of Posts, India;

(xix) Multilateral and bilateral development financial institutions;

(xx) Eligible Employees; and

(xxi) Any other persons eligible to Bid in this Issue, under the laws, rules, regulations, guidelines and polices applicable to them.

Participation by associates and affiliates of the Book Running Lead Managers and Syndicate Member

The Book Running Lead Managers and the Syndicate Member shall not be allowed to subscribe to this Issue in any manner, except towards fulfilling their underwriting obligations, as stated in the Red Herring Prospectus and the Prospectus. However, associates and affiliates of the BRLMs and the Syndicate Members may subscribe to or purchase Equity Shares in the Issue, in the QIB Portion or in Non-Institutional Portion as may be applicable to such Bidders. Such bidding and subscription may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of BRLMs and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis. Further, affiliates and associates of the Underwriters, including the BRLMs that are FIIs or their sub-accounts may issue off-shore derivative instruments against Equity Shares allocated to them in this Issue.

Bids by Mutual Funds

As per the SEBI Regulations, 5% of the QIB Portion is reserved for allocation to Mutual Funds, on a proportionate basis. An eligible Bid by a Mutual Fund will first be considered for allocation proportionately in the Mutual Fund Portion. If demand in the Mutual Fund Portion is greater than [•] Equity Shares, allocation will be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds will be available for allocation proportionately in the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

No Mutual Fund scheme may invest more than 10% of its net asset value in equity shares or equity related instruments of any company, provided that the limit of 10% will not apply to investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes may own more than 10% of any company's paid-up share capital carrying voting rights.

A separate Bid may be submitted by each scheme of a Mutual Fund, and such Bids by more than one scheme of a Mutual Fund will not be treated as multiple Bids, provided that the Bid cum Application Form clearly indicates the scheme for which the Bid is submitted. Bids by asset management companies or custodians of Mutual Funds should clearly provide the name of the concerned scheme for which the Bids are submitted.

Bids by Eligible NRIs and FIIs registered with SEBI

There is no reservation in the Issue for Eligible NRIs or FIIs registered with SEBI. Eligible NRIs and FIIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation. As per regulations issued by the RBI, OCBs cannot participate in the Issue.

Bids by Eligible NRIs

Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs who intend to make payment through freely convertible foreign exchange and are Bidding on a repatriation basis may make payments through Indian Rupee drafts purchased abroad or cheques or bank drafts or by debits to their Non-Resident External ("**NRE**") or Foreign Currency Non-Resident ("**FCNR**") accounts, maintained with banks authorized by the RBI to deal in foreign exchange. Eligible NRIs Bidding on a repatriation basis should use the Bid cum Application Form meant for Resident Indians ([•] in color), accompanied by a bank certificate confirming that the payment has been made by debiting to the NRE or FCNR account, as the case may be. Payment for Bids by non-resident Bidder Bidding on a repatriation basis will not be accepted out of Non-Resident Ordinary ("**NRO**") accounts.

Bids by FIIs

The issue of Equity Shares to a single FII should not exceed 114,638,937 Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account will not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to our Company, the total foreign investment including FII investment cannot exceed 24% of our total issued capital unless approved by the shareholders of our Company. With the approval of our Board and a special resolution of our Equity Shareholders, the FII investment limit may be raised up to 100%. Our Company has not raised FII investment limit beyond 24%. Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "**SEBI FII Regulations**"), an FII, as defined in the SEBI FII Regulations, may issue, deal or hold, offshore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority in the country of their incorporation or establishment; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII is also required to ensure that no further issue or transfer of any offshore derivative instrument issued by it is made to any persons not regulated by an appropriate foreign regulatory authority as defined under the SEBI Regulations. Associates and affiliates of the Underwriters, including the BRLMs and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on, or interest in, our Company and the Selling Shareholder.

Bids by limited liability partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form or the ASBA Form. Failing this, the Selling Shareholder and our Company reserves the right to reject any Bid without assigning any reason thereof.

Bids by insurance companies

In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be attached to the Bid cum Application Form or the ASBA Form. Failing this, the Selling Shareholder and our Company reserves the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2000 as amended (the "**IRDA Investment Regulations**"), are broadly set forth below:

(a) 10% of outstanding equity shares (face value) or 10% of the respective fund in the case of life insurer/investment assets in the case of general insurer (including reinsurer) whichever is lower.
(b) Not more than 10% of the respective fund in the case of life insurer/investment assets in the case of general insurer (including reinsurer). The above percentage shall stand at 25% incase of Unit linked funds.
(c) Investment by the insurer in any industrial sector shall not exceed 10% of its total investment exposure to the industry as a whole. The above percentage shall stand at 25% incase of Unit linked funds.

Bids by provident funds/ pension funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹ 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be attached to the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to reject any Bid, without assigning any reason thereof.

The above information is given for the benefit of the Bidders. The Selling Shareholder, our Company, the Directors, the officers of our Company and the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means a permanent and full-time employee of our Company (excluding such other persons not eligible under applicable laws, rules, regulations and guidelines), as on the date of filing of the Red Herring Prospectus with the RoC, who are Indian nationals and are based, working and present in India as on the date of submission of the Bid cum Application Form and who continue to be in the employment of our Company until submission of the Bid cum Application Form. An employee of our Company who is recruited against a regular vacancy but is on probation as on the date of submission of the Bid cum Application Form will be deemed a 'permanent employee' of our Company.

Bids under Employee Reservation Portion by Eligible Employees will be subject to the following:

(i) Bid may be submitted only in the prescribed Bid cum Application Form or Revision Form (i.e., [•] color form).
(ii) Only Eligible Employees (as defined in this Draft Red Herring Prospectus) are eligible to Bid for Equity Shares in the Issue in the Employee Reservation Portion.
(iii) Eligible Employees should provide the DP ID, BAN, PAN and Employee Number in the relevant space in the Bid cum Application Form.
(iv) The sole/first Bidder will be the Eligible Employee as defined above.
(v) Only those Bids, which are received at or above the Issue Price, will be considered for allocation in the Employee Reservation Portion.
(vi) The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount does not exceed ₹ 200,000.
(vii) Eligible Employees who Bid for Equity Shares in the Employee Reservation Portion can apply at Cut-off Price. The Allotment in the Employee Reservation Portion will be on a proportionate basis. However, the maximum Bid amount by an Eligible Employee cannot exceed ₹ 200,000.
(viii) Eligible Employees may also Bid in the Net Issue i.e., not in the Employee Reservation Portion, and such Bids will not be treated as multiple Bids.
(ix) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation will be made to the Eligible Employees to the extent of their demand. Any unsubscribed portion in the Employee Reservation Portion will be added to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription will be permitted from the Employee Reservation Portion to the Net Issue
(x) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation will be made on a proportionate basis. For the method of proportionate Basis of Allotment, see

section titled "***Issue Procedure—Basis of Allotment***" on page 405.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies, insurance funds setup by the army, navy or airforce of the Union of India, insurance funds setup by the Department of Posts, GoI or the National Investment Fund and provident funds with minimum corpus of ₹ 250 million and pension funds with a minimum corpus of ₹ 250 million (in each case, subject to applicable law and in accordance with their respective constitutional documents), a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, with a certified copy of the memorandum of association and articles of association and/or bye laws, as applicable, must be lodged with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In addition to the above, certain additional documents are required to be submitted by the following entities:

(i) With respect to Bids by FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged with the Bid cum Application Form.
(ii) With respect to Bids by insurance companies registered with the IRDA, in addition to the above, a certified copy of the certificate of registration issued by the IRDA must be lodged with the Bid cum Application Form.
(iii) With respect to Bids made by provident funds with minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged with the Bid cum Application Form.

Our Company and the Selling Shareholder in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney with the Bid cum Application Form, subject to such terms and conditions that our Company, the Selling Shareholder, and the BRLMs deem fit, without assigning any reasons therefor.

Maximum and Minimum Bid Size

(i) ***For Retail Bidders***: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter, to ensure that the Bid Amount payable by the Bidder does not exceed ₹ 200,000. In case of revision of Bids, Retail Bidders should ensure that the Bid Amount does not exceed ₹ 200,000. If the Bid Amount is more than ₹ 200,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to Bid at the Cut-Off Price, the Bid will be considered for allocation in the Non-Institutional portion. The option to Bid at the Cut-Off Price is available to Retail Bidders, where the Bid Amount does not exceed ₹ 200,000, indicating their agreement to Bid and purchase at the Issue Price as determined, at the end of the Book Building Process. A discount of 5% of the Issue Price shall be available to the Retail Bidders even if they make a price Bid instead of Bidding at the Cut-Off Price and purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process. A discount of 5% of the Issue Price shall be available to the Retail Bidders even if they make a price Bid instead of Bidding at the Cut-Off Price.

(ii) ***For Other Bidders (Non-Institutional Bidders and QIBs)***: The Bid must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds ₹ 200,000. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them under applicable law.

In case of revision in Bids, Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than ₹ 200,000 for being considered for allocation in the Non- Institutional Portion. If the Bid Amount reduces to ₹ 200,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion will be considered for allocation in the Retail portion. Non- Institutional Bidders and QIBs are not allowed to Bid at the Cut-Off Price. **A QIB Bidder cannot withdraw its Bid after the QIB Bid Closing Date.**

Non-Institutional Bidders and QIBs are not allowed to Bid at Cut-Off Price.

(iii) ***For Bidders in the Employee Reservation Portion***: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed ₹ 200,000. The Allotment in the Employee Reservation Portion will be on a proportionate basis. Employee Discount will be applicable to all Eligible Employees Bidding in the Employee Reservation Portion. The option to Bid at the Cut-Off Price is given only to the Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion, indicating their agreement to Bid and purchase at the Issue Price as determined at the end of the Book Building Process. A discount of 5% of the Issue Price shall be available to the Bidders in the Employee Reservation Portion, even if they make a price Bid instead of Bidding at the Cut-Off Price.

The maximum and minimum Bid size applicable to a QIB Bidder, Retail Bidder or a Non-Institutional Bidder shall be applicable to an ASBA Bidder in accordance with the category that such ASBA Bidder falls under.

For more information, see section titled " ***Issue Procedure– Payment of Refunds***" on page 411.

Method and Process of Bidding

(i) Our Company, the Selling Shareholder and the BRLMs will decide the Bid Opening Date and Bid Closing Date, in consultation with the BRLMs, and our Company will publish these dates at least one Working Day prior to the Bid Opening Date in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located).

(ii) The Price Band, Retail Discount, Employee Discount and the minimum Bid lot for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs, and advertised in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located) at least one Working Day prior to the Bid Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price.

(iii) Bidders who are interested in subscribing to the Equity Shares should approach any of the members of the Syndicate, their authorized agents or SCSBs to register their Bids, during the Bidding Period. The members of the Syndicate will accept Bids from the all Bidders and will have the right to vet the Bids, during the Bidding Period in accordance with the terms of the Syndicate Agreement and this Draft Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.

(iv) The Bidding Period will be for at least three Working Days and not exceeding 10 Working Days (including the days for which the Issue is open in case of revision in Price Band). If the Price Band is revised, the revised Price Band and the Bidding Period will be published in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located), together with an indication of such change on the websites of the BRLMs and SCSBs and at the terminals of the Syndicate Members.

(v) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for more information, see section titled "***Issue Procedure- Bids at Different Price Levels and Revision of Bids***" on page 397, within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(vi) The members of the Syndicate will enter each Bid option into the electronic Bidding system as a separate Bid and will, on request, generate a TRS for the Bidder for each Bid option. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(vii) With respect to ASBA Bidders, on receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB will verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, prior to uploading such Bids with the Stock Exchanges. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB will reject such Bids and will not upload such Bids with the Stock Exchanges. If sufficient funds are available in the ASBA Account, the SCSB will block an amount equal to the Bid Amount and will enter each Bid option into the electronic bidding system as a separate Bid.

(viii) With the Bid cum Application Form, all Bidders will make payment in the manner described under section titled "***Issue Procedure- Payment Instructions***" on page 401.

Information for the Bidders:

(i) The Red Herring Prospectus will be filed by our Company with the RoC at least three days before the Bid Opening Date.
(ii) Subject to Section 66 of the Companies Act, our Company and Selling Shareholder shall, after registering this Red Herring Prospectus with the RoC, make a pre-Issue advertisement, in the form prescribed under the SEBI Regulations, in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located). In the pre-Issue advertisement, our Company, Selling Shareholder and the BRLMs shall advertise the Bid Opening Date and the Bid Closing Date. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Part A of Schedule XIII of the SEBI Regulations.
(iii) Our Company shall announce the Price Band, Minimum Bid Lot, Employee Discount and Retail Discount at least one Working Day before the Bid Opening Date in an English daily newspaper of wide circulation and a Hindi daily newspaper of wide circulation (Hindi also being the regional language in the state in which our Registered Office is situated). This announcement shall contain relevant financial ratios computed for both upper and lower end of the Price Band.
(iv) The Issue Period shall be for a minimum of three Working Days. In case the Price Band is revised, the Issue Period shall be extended, by an additional three Working Days, subject to the total Issue Period not exceeding 10 Working Days. The revised Price Band and Issue Period will be widely disseminated by notification to the SCSBs and Stock Exchanges, and by publishing in an English daily newspaper of wide circulation and a Hindi daily newspaper of wide circulation (Hindi also being the regional language in the state in which our Registered Office is situated) and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
(v) Copies of the Bid cum Application Form and the Red Herring Prospectus will be available with the members of the Syndicate and at our Registered Office and our regional offices. ASBA Bid cum Application Forms in physical form will be available with the Designated Branches and electronic ASBA Bid cum Application Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Bid Opening Date. Further, the SCSBs will ensure that the abridged prospectus is made available on their websites.
(vi) The Syndicate (in accordance with the terms of the Syndicate Agreement) and the Designated Branches will accept Bids during the Bidding Period in accordance with the terms of the Red Herring Prospectus.
(vii) Eligible Bidders interested in Bidding for the Equity Shares may approach any member of the Syndicate or their authorized agent(s) to register their Bids. Eligible Bidders may also approach the Designated Branches to register their Bids through the ASBA process.
(viii) The Bids should be submitted on the prescribed Bid cum Application Form only. Bids by ASBA Bidders will be accepted by the SCSBs in accordance with the SEBI Regulations and any other circulars issued by SEBI in this regard. Bid cum Application Forms should bear the stamp of the members of the Syndicate or Designated Branch. Bid cum Application Forms (except electronic ASBA Bid cum Application Forms) which do not bear the stamp of a member of the Syndicate or the Designated Branch are liable to be rejected.
(ix) The beneficiary accounts of Bidders for whom PAN details have not been verified will be suspended for credit, and no credit of Equity Shares pursuant to the Issue will be made in the accounts of such Bidders.
(x) Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders should note that the Employee Discount and the Retail Discount (as applicable) will not be offered at the time of Bidding but on Allotment. Hence, Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders should not deduct the Employee Discount or the Retail Discount while submitting the Bid cum Application Form. The excess amount paid at the time of Bidding will be refunded to, or unblocked in ASBA accounts of the Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders on Allotment.

Instructions for Completing the Bid cum Application Form

Bids and revisions of Bids must be:

(i) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
(ii) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained here, in the Bid cum Application Form or in the Revision Form. Bidders must provide details of valid and active DP-ID, BAN and PAN clearly and without error. Invalid accounts, suspended accounts or where such account is classified as invalid or suspended may not be considered for Allotment. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the members of the Syndicate and/or the SCSBs (as applicable) will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.
(iii) In case of Retail Bidders (including Eligible NRIs) and Eligible Employees submitting Bids in the Employee Reservation Portion, for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of ₹ 200,000. In case the Bid Amount is more than ₹ 200,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to Bid at the Cut-Off Price, the Bid will be considered for allocation in the Non- Institutional portion. The option to Bid at the Cut-Off Price is available only to Retail Bidders and Eligible Employees indicating their agreement to Bid and purchase at the Issue Price as determined at the end of the Book Building Process.
(iv) In case of Non-Institutional Bidders and QIB Bidders, for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds ₹ 200,000.
(v) In case of Eligible NRIs and FIIs bidding on a repatriation basis, in the names of individuals, or in the names of such FIIs, but not in the names of minors, OCBs, firms or partnerships, foreign nationals excluding Eligible NRIs, or their nominees.
(vi) In a single name or in joint names (not more than three, and in the same order as their Depository Participant details).
(vii) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.
(viii) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should also be signed by the account holder as provided in the ASBA Bid cum Application Form.

General Instructions

Dos:

(i) Check if you are eligible to Bid as per the terms of the Red Herring Prospectus and under applicable law;
(ii) Ensure that you have Bid within the Price Band;
(iii) Read all the instructions carefully and complete the Bid cum Application Form, in the prescribed form;
(iv) Except for Bids (i) on behalf of the Central or State Government and officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should provide their PAN. Bid cum Application Forms in which the PAN is not provided will be rejected;
(v) Ensure that the PAN, DP ID and BAN provided in the Bid cum Application Form are correct, and the beneficiary account is activated, as Allotment of Equity Shares will be in dematerialized form only;
(vi) Ensure that the Demographic Details (as defined below) are updated, true and correct in all respects;
(vii) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. If the Bid cum Application Form is submitted in joint names, Bidders must ensure that the beneficiary account is also held in the same joint names in the same sequence in which they appear in the Bid cum Application Form;
(viii) Ensure that the Bids are submitted at the Bidding centres only on Bid cum Application Forms bearing the stamp of a member of the Syndicate or the SCSB in case of ASBA Bidders (except in case of electronic ASBA Bid cum Application Forms);
(ix) With respect to ASBA Bidders Bidding on physical Bid cum Application Forms, ensure that your Bid is submitted at a Designated Branch of the SCSB where the relevant ASBA Account is held. Further, ensure that the ASBA Bid cum Application Form is also signed by the ASBA account holder if the Bidder is not the ASBA account holder;
(x) In case of Bids submitted through the ASBA process, ensure that funds equal to the Bid Amounts are available for being blocked by the SCSBs in the relevant ASBA Accounts;
(xi) In case of Bids submitted through the ASBA process, instruct the relevant SCSBs not to release the funds blocked in the ASBA Account in respect of the relevant Bid Amounts until receipt of instructions from the Registrar to the Issue to unblock the Bid Amount, based on finalization of the Basis of Allotment;

(xii) Ensure that you obtain a Transaction Registration Slip ("**TRS**") or acknowledgement for the submission of your Bid; and
(xiii) Submit revised Bids to the same member of the Syndicate or Designated Branch of the SCSB through whom the original Bid was placed and obtain a revised TRS or acknowledgment.

Don'ts:

(i) Do not Bid if you are prohibited from buying, selling or dealing in shares, directly or indirectly, by SEBI or any other regulatory authority;
(ii) Do not Bid if you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise, or if you are not competent to contract under the Indian Contract Act, 1872, as amended;
(iii) Do not Bid if your Bid will not comply with the securities laws of your respective jurisdictions, or if you are a U.S. resident or U.S. person other than "Qualified Institutional Buyers" as defined in Rule 144A or if you are bidding other than in reliance on Regulation S;
(iv) Do not bid after the time prescribed as per the Bid cum Application Form, Bid Opening Date advertisement and the Red Herring Prospectus and if the Bid is not as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
(v) Do not submit your Bids on plain paper;
(vi) Do not forget to tick the Bidder category on the Bid cum Application Form;
(vii) In case of ASBA Bids, do not forget to tick the authorization to the SCSB to block funds in the ASBA Account;
(viii) Do not bid on Bid cum Application Form not having the stamp of a member of the Syndicate or a Designated Branch (except for electronic ASBA Bids);
(ix) With respect to ASBA Bids, do not bid if there are inadequate funds in the ASBA Account for enabling the SCSB to block the Bid Amount specified in the ASBA Bid cum Application Form;
(x) Do not Bid in the Employee Reservation Portion, if you do not qualify as Eligible Employee;
(xi) Do not Bids under power of attorney or if you are a limited company, corporate, trust, etc., unless the Bid is supported with relevant documents;
(xii) Do not forget to mention the sole or first Bidder's PAN (except for Bids on behalf of the Central or State Government, residents of Sikkim and officials appointed by the courts), DP ID and BAN in the Bid cum Application Form and do not fill incomplete or incorrect details in the Bid cum Application Form;
(xiii) Do not forget to sign the Bid cum Application Form. In case of joint Bidders, do not forget to sign the Bid cum Application Form in the same sequence as the names of the joint bidders appear in the depository's records. In addition, with respect to ASBA Bids, do not forget to get the Bid cum Application Form signed by the ASBA Account holder, if the ASBA Account holder is different from the Bidder;
(xiv) Do not Bid for lower than the minimum Bid size;
(xv) Do not submit a Bid without payment of the entire Bid Amount;
(xvi) Do not Bid/revise the Bid to less than the Floor Price or higher than the Cap Price;
(xvii) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate or the Designated Branch;
(xviii) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest and in relation to ABSA Bidders in any other mode other than amounts blocked in the ASBA Accounts;
(xix) Do not send Bid cum Application Forms by post; instead submit the Bid cum Application Forms to a member of the Syndicate or Designated Branch, as applicable;
(xx) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders);
(xxi) Do not fill the Bid cum Application Form such that the Equity Shares Bid for exceed the Issue size and/or investment limit or maximum number of Equity Shares that can be held under applicable law or the maximum amount permissible under applicable regulations;
(xxii) Do not submit more than five ASBA Bid cum Application Forms per ASBA Account;
(xxiii) Do not Bid for amount exceeding ₹ 200,000 in case of a Bid by Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion;
(xxiv) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.
(xxv) Do not submit incorrect details of the PAN, DP ID or BAN, or provide details for a beneficiary account which is suspended or for which details cannot be verified.

Bids at Different Price Levels and Revision of Bids

(i) The Price Band, Retail Discount, Employee Discount and the minimum Bid lot for the Issue will be decided by our Company and the Selling Shareholder, in consultation with the BRLMs and advertised in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located) at least one Working Day prior to the Bid Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price.

(ii) Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders should note that the Employee Discount and the Retail Discount (as applicable) will not be offered on Bidding but on Allotment. Accordingly, Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders should not deduct the Employee Discount or the Retail Discount as the case may be, while submitting the Bid cum Application Form. Any excess amount paid at the time of Bidding will be refunded to or unblocked in ASBA accounts of, the Eligible Employees Bidding in the Employee Reservation Portion and Retail Bidders, as the case may be, on Allotment.

(iii) Bidders can Bid at any price within the Price Band. A Bidder has to Bid for the desired number of Equity Shares at a specified price. Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion may Bid at the Cut-off Price. However, Bidding at the Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders will be rejected.

(iv) Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion who Bid at the Cut-off Price agree that they will purchase the Equity Shares at any price within the Price Band. Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion Bidding at the Cut-off Price will deposit the Bid Amount based on the upper end of the Price Band with the members of the Syndicate. In case of ASBA Bidders Bidding at the Cut-off Price, the ASBA Bidders will instruct the SCSBs to block an amount based on the Cap Price. In the event the Bid Amount is higher than the subscription amount payable by the Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion who Bid at the Cut-off Price, the Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion who Bid at the Cut-off Price will receive refunds of the excess amounts on Allotment in the manner provided in the Red Herring Prospectus.

(v) Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI Regulations. The upper end of the Price Band will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to the preceding sentence, the revision in the lower end of the Price Band will not exceed 20% on either side, i.e., the Floor Price can move upward or downward to the extent of 20% of the Floor Price disclosed at least one Working Day prior to the Bid Opening Date and the Cap Price will be revised accordingly.

(vi) In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to a maximum of 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located), and by indicating the change on the websites of the BRLMs, SCSBs and at the terminals of the Syndicate Members.

(vii) Our Company and the Selling Shareholder, in consultation with the BRLMs, will decide the minimum number of Equity Shares for each Bid to ensure that the minimum Bid value is in the range of ₹ 5,000 to ₹ 7,000. In the event of revision in the Price Band, whether upward or downward, the minimum Bid size will remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum Bid is in the range of ₹ 5,000 to ₹ 7,000.

(viii) If the Bid Amount is more than ₹ 200,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to Bid at the Cut-Off Price, Bids submitted by Retail Bidders and Eligible Employees Bidding in the Employee Reservation Portion will be considered for allocation in the Non-Institutional portion. If the Bid Amount reduces to ₹ 200,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non- Institutional Bidders who are eligible for allocation in the Retail Portion will be considered for allocation in the Retail portion.

(ix) Revisions may be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from indicating the revised options in the Revision Form, the Bidder must also provide the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, he or she must still fill the details of the other two options that are not being revised, in the Revision Form. The Syndicate and the SCSBs will not accept incomplete or inaccurate Revision Forms.

(x) A Bidder may make this revision any number of times during the Bidding Period. However, for any revisions in the Bid, Bidders will have to use the services of the same member of the Syndicate or Designated Branch through which such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(xi) Any revision of the Bid will be accompanied by payment in the form of cheque or bank draft for any incremental amount to be paid on account of the upward revision of the Bid, or in case of ASBA Bidders, by an instruction to the SCSB to block the amount equal to the revised Bid Amount in the relevant ASBA Account. In such cases, the members of the Syndicate will revise the earlier Bid details with the revised Bid details and provide the cheque or bank draft number of the new payment instrument in the electronic book. The Registrar to the Issue will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.

(xii) When a Bidder revises the Bid, the earlier TRS should be surrendered and a revised TRS may be obtained on request. It is the Bidder's responsibility to obtain a revised TRS, which will act as proof of revision of the previous Bid.

(xiii) Our Company and the Selling Shareholder, in consultation with the BRLMs, may finalize the Issue Price in accordance with this section, without the prior approval of or intimation to the Bidders.

Bidder's Demographic Details

On the basis of the Bidder's PAN, DP ID and BAN provided in the Bid cum Application Form and as entered into the electronic bidding system of the Stock Exchanges by the Syndicate and the SCSBs, as the case may be, the Registrar to the Issue will obtain from the Depository the demographic details including the Bidder's address, occupation and bank account details, including the nine-digit Magnetic Ink Character Recognition ("**MICR**") code as appearing on a cheque leaf ('**Demographic Details**'). These Demographic Details will be used for providing refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) and Allotment advice to the Bidders. By signing the Bid cum Application Form, the Bidder is deemed to have authorized the Depositories to provide to the Registrar to the Issue, on request, the required Demographic Details as available in their records.

In case the Bid cum Application Forms do not contain such details or no corresponding record is available with the Depositories, which matches three parameters, namely, Bidders PAN (in case of joint Bids, PAN of first Bidder), the DP ID and BAN, such Bids are liable to be rejected. Therefore, Bidders are advised to immediately update their PAN, DP ID, BAN and Demographic Details as appearing in the records of the Depositories, and ensure that they are true and correct. Failure to do so may result in delays in dispatch/credit of refunds to Bidders at the Bidders' sole risk and none of the BRLMs, the Registrar to the Issue, the Escrow Collection Banks, the SCSBs, our Company or the Selling Shareholder, will have any responsibility or undertake any liability for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

Refund orders (where refunds are not made electronically) and Allotment advice will be mailed at the address of the sole/first Bidder, as per the Demographic Details received from the Depositories. Delivery of refund orders or Allotment advice may be delayed if such refund orders or Allotment advice are returned undelivered on being sent to the address obtained from the Depositories. In such event, the address and other details given by the Bidder in the Bid cum Application Form will be used only to ensure dispatch of refund orders. Any such delay will be at the Bidders' sole risk and none of our Company, Selling Shareholder, the Escrow Collection Banks, the Syndicate, or the Registrar to the Issue will be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in this Draft Red Herring Prospectus, refunds may be delayed if bank particulars obtained from the Depository Participant are incorrect.

In case the DP ID, BAN and PAN provided in the Bid cum Application Form and as entered into the electronic

Bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, BAN and PAN available in the depository database, the Bid is liable to be rejected.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or bank drafts will be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the completed ASBA Bid cum Application Form or the ASBA Revision Form will be submitted either in physical form to a Designated Branch or in electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding)

No receipts will be issued for the payment of the Bid Amount on the submission of a Bid cum Application Form or Revision Form. However, the collection centres of the members of the Syndicate will acknowledge receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the record of the Bidder.

Other Instructions

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depositories.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same. In case of a Mutual Fund registered with SEBI, a separate Bid can be made in respect of each scheme of such Mutual Fund and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly provide the name of the scheme concerned for which the Bid is made. Eligible Employees may also Bid in the Net Issue, and such Bids will not be treated as multiple Bids.

After submitting an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid is uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form. Submission of a second Bid cum Application Form to either the same or to another Designated Branch of the SCSB or to any member of the Syndicate, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in the Issue. Duplicate copies of ASBA Bid cum Application Forms available on the website of the Stock Exchanges bearing the same application number will be treated as multiple Bids and are liable to be rejected. More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs will not accept a total of more than five ASBA Bid cum Application Forms from such ASBA Bidders with respect to any single ASBA Account. However, an ASBA Bidder may revise the Bid through the Revision Form, the procedure for which is detailed in section titled "***Issue Procedure- Build up of the Book***" on page 404.

Our Company and the Selling Shareholder reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. A check will be carried out for the same PAN. In cases where the PAN is the same, such Bids will be treated as multiple Bids excepts for mutual fund schemes where different schemes have the same PAN.

PAN

Except for Bids on behalf of the Central or State Government, residents of Sikkim and officials appointed by the courts, the Bidders, or in the case of a Bid in joint names, each Bidders should provide his/her PAN. The PAN will be the sole identification number for participants transacting in the Indian securities market, irrespective of the amount of transaction. Bid cum Application Forms without the PAN are liable to be rejected. Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

With effect from August 16, 2010, the beneficiary accounts of Bidders for whom PAN details have not been verified will be suspended for credit and no credit of Equity Shares pursuant to the Issue will be made in the accounts of such Bidders.

Payment Instructions

Escrow Mechanism for Bidders other than ASBA Bidders

An application dated February 24, 2011, has been made to the RBI seeking RBI's approval for opening and operating escrow cash accounts for the deposit of subscription amounts received from transfer/ sale of Equity Shares being offered by the Selling Shareholder as part of the Offer for Sale. By the same application, an approval has also been sought for opening of a separate designated share account into which the Equity Shares being offered by the Selling Shareholder as a part of the Offer for Sale may be placed.

Our Company, the Selling Shareholder and the Syndicate will open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders (other than ASBA Bidders) will make out the cheque or bank draft in respect of the full Bid Amount. Cheques or bank drafts received from Bidders for the full Bid Amount will be deposited in the Escrow Accounts.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks will hold the Bid Amounts in trust for the Bidders in the Escrow Accounts, until the Designated Date, and will not exercise any lien whatsoever over the Bid Amounts deposited in the Escrow Accounts. On the Designated Date, the Escrow Collection Banks will transfer the funds represented by allocation of Equity Shares (other than in respect of allocation to ASBA Bidders) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Escrow Collection Banks. The balance amount left in the Escrow Accounts after such transfers to the Public Issue Account will be transferred to the Refund Account. Payments of refund to the relevant Bidders will be made from the Refund Account are as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders. Under the terms of the escrow mechanism for this Issue, the Selling Shareholder will be entitled to benefits accruing from monies lying to the credit of the Escrow Accounts and Refund Accounts at such terms as may be mutually agreed between the Escrow Collection Banks and the Selling Shareholder. Bidders expressly agree that they will not be entitled to any benefits on such monies lying to the credit of the Escrow Accounts and Refund Accounts and that such benefits may be transferred to the Selling Shareholder as may be agreed by the Selling Shareholder with the Escrow Collection Banks and provided under the escrow arrangement.

Payment into Escrow Account(s) for Bidders other than ASBA Bidders

Each Bidder (other than ASBA Bidders) will draw a cheque or bank draft for the entire Bid Amount as per the following terms:

(i) The Bidders will, with the submission of the Bid cum Application Form, draw a payment instrument for the entire Bid Amount in favour of the Escrow Account(s) and submit it to the member of the Syndicate. Bid cum Application Forms accompanied by cash, stockinvest, money order or postal order will not be accepted.
(ii) The payment instruments for payment into the Escrow Account(s) should be drawn in favor of:

- In case of Resident QIB Bidders: "Escrow Account – PFC – FPO – QIB - R"
- In case of Non-Resident QIB Bidders: "Escrow Account – PFC – FPO – QIB - NR"
- In case of Resident Retail and Non-Institutional Bidders: "Escrow Account – PFC – FPO – R"
- In case of Non-Resident Retail and Non-Institutional Bidders: "Escrow Account – PFC – FPO – NR"
- In case of Eligible Employees: "Escrow Account – PFC – FPO – Employee"

(iii) In case of Bids by Eligible NRIs applying on repatriation basis, only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs who intend to make payment through freely convertible foreign exchange and are Bidding on a repatriation basis may make payments through Indian Rupee drafts purchased abroad or cheques or bank drafts or by debits to their NRE or FCNR accounts, maintained with banks authorized by the RBI to deal in foreign exchange. Eligible NRIs Bidding on a repatriation basis should use the Bid cum Application Form meant for Resident Indians ([•] in color), accompanied by a bank certificate confirming that the payment has been made by debiting to the NRE or FCNR account, as the case may be. Payment for Bids by non-resident Bidder Bidding on a repatriation basis will not be accepted out of Non-Resident Ordinary ("**NRO**") accounts.

(iv) In case of Bids by Eligible NRIs applying on non-repatriation basis, the Bid Amounts may also be made out of an NRO Account, accompanied by documentary evidence in support of the remittance (i.e., a bank certificate confirming that the draft has been issued by debiting to the NRO Account).

(v) In case of Bids by FIIs, the Bid Amounts should be made out of funds held in a Special Rupee Account, accompanied by documentary evidence in support of the remittance (i.e., a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account).

(vi) The monies deposited in the Escrow Account(s) will be held in trust for the benefit of the Bidders until the Designated Date.

(vii) On the Designated Date, the Escrow Collection Banks will transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Public Issue Account.

(viii) Within 12 Working Days from the Bid Closing Date, the Registrar to the Issue will dispatch all refund amounts payable to unsuccessful Bidders and also any excess amount paid on Bidding, after adjusting for Allotment to the Bidders.

(ix) Payments should be made by a cheque or bank draft drawn on a bank which is a member or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques or bank drafts drawn on banks not participating in the clearing process will not be accepted and Bids accompanied by such cheques or bank drafts are liable to be rejected. Cash, stockinvest, money orders or postal orders will not be accepted.

(x) Bidders are advised to provide the number of the Bid cum Application Form on the reverse of the cheque or bank draft to avoid misuse of instruments submitted with the Bid cum Application Form.

(xi) In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

Payment mechanism for ASBA Bidders

ASBA Bidders are required to provide the ASBA Account number in the ASBA Bid cum Application Form and authorize the SCSB to block an amount equal to the Bid Amount in such ASBA Account. The SCSB will keep the Bid Amount in the relevant ASBA Account blocked until receipt of instructions from the Registrar to the Issue to unblock the Bid Amount, based on finalization of the Basis of Allotment and for the consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/rejection of the ASBA Bid, as the case may be.

Electronic Registration of Bids

(i) The members of the Syndicate and the SCSBs will register the Bids received using the online facilities of the Stock Exchanges.

(ii) There will be at least one online connectivity in each city, where the stock exchanges are located and where such Bids are being accepted. The BRLMs, the Selling Shareholder, our Company and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to (a) the Bids accepted by the Syndicate Members and the SCSBs, (b) the Bids uploaded by the Syndicate Members and the SCSBs, (c) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (d) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. The members of the Syndicate and/or the SCSBs will be responsible for any errors in the Bid details uploaded by them. It will be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

(iii) The Stock Exchanges will offer an electronic facility for registering Bids. This facility will be available on the terminals of the members of the Syndicate and their authorized agents and the SCSBs during the Bidding Period. The Syndicate and the SCSBs may also set up facilities for offline electronic registration of Bids on the condition that they will subsequently upload the offline data on the online facilities for Book Building on a regular basis.

(iv) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price as available on the websites of the Stock Exchanges will be made available at the Bidding centres during the Bidding Period.

(v) At the time of registering each Bid, the members of the Syndicate or the Designated Branches of the SCSBs in case of ASBA Bids will enter the following details of the Bidder in the electronic system:
- Issue name;
- Bid cum Application Form number;
- Bidder Category – retail, non-institutional, QIB, Eligible NRI, FII, Mutual Fund, insurance companies, Eligible Employee, etc.;
- PAN;
- DP ID;
- BAN;
- Numbers of Equity Shares Bid for;
- Price option;
- Cheque amount (except in case of ASBA Bidders); and
- Cheque number (in case of ASBA Bidders, ASBA Account number).

(vi) A TRS will be provided to the Bidder, on request, as proof of the registration of the Bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate or the Designated Branches does not guarantee that the Equity Shares will be Allotted. Such TRS will be non negotiable and by itself will not create any obligation of any kind.

(vii) In case of QIB Bidders (other than QIBs Bidding through ASBA), the members of the Syndicate may reject Bids at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Bidders and Eligible Employees, the members of the Syndicate may reject Bids on the grounds listed in this Draft Red Herring Prospectus. Further, the SCSBs will not reject Bids except on the grounds listed in this Draft Red Herring Prospectus including 'grounds for technical rejection'.

(viii) The permission given by the Stock Exchanges to use their network and software of the online system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholder and/or the Syndicate are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management, or any scheme or project of our Company, nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares offered and sold in the Issue will be listed or that our Equity Shares will continue to be listed on the Stock Exchanges.

(ix) Only Bids uploaded on the online system of the Stock Exchanges will be considered for Allotment. The Syndicate and the SCSBs will verify the information uploaded on the online system of the Stock Exchanges during the Bidding Period, within one Working Day after the Bid Closing Date, after which the Registrar to the Issue will receive this data from the Stock Exchanges and validate the electronic Bid details with the Depositories' records.

Rejection of Bids

In case of QIB Bidders, Bids may be rejected at the time of acceptance of the Bid provided that the reasons for rejecting such Bids will be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Bidders and Bids by Eligible Employees Bidding in the Employee Reservation Portion, Bids may be rejected on grounds mentioned in this Draft Red Herring Prospectus, including but not limited to "***Grounds for Technical Rejection***". Consequent refunds will be made through any of the modes described in this Draft Red Herring Prospectus and will be sent to the Bidder's address at the sole/first Bidder's risk.

With respect to ASBA Bids, the Designated Branches of the SCSBs will have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA Account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in such ASBA Account. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company will have a right to reject such ASBA Bids on grounds mentioned in this Draft Red Herring Prospectus, including but not limited to "***Grounds for Technical Rejection***".

In case the DP ID, BAN and PAN provided in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, BAN and PAN available in the depository database, the Bid is liable to be rejected.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on grounds mentioned in the Draft Red Herring Prospectus, including the technical grounds as mentioned below:

(i) Bids by OCBs;
(ii) Bids submitted on incomplete or illegible Bid cum Application Forms, or on Bid cum Application Forms in a color prescribed for another category of Bidders;
(iii) Submission of more than five ASBA Bid cum Application Forms per ASBA Account;
(iv) Amount paid not tallying with the Bid Amount payable for the highest value of Equity Shares Bid for, as provided in the Bid cum Application Form;
(v) Bids (except in case of ASBA Bids) where clear funds are not available in the Escrow Accounts as per the final certificate from the Escrow Collection Banks;
(vi) Bids for number of Equity Shares which are not in multiples of [●];
(vii) Bid for lower number of Equity Shares than specified for that category of Bidders;
(viii) Bids for amounts greater than the maximum permissible amounts prescribed by applicable law;
(ix) Bids at a price below the Floor Price;
(x) Bids at a price above the Cap Price;
(xi) Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
(xii) In case of partnership firms, Bids may be submitted only in the names of the individual partners and no firms will be entitled to Bid;
(xiii) No corresponding record being available with the Depositories, that matches three parameters, namely, the sole or first Bidder's PAN, DP ID and BAN;
(xiv) Bids by QIB Bidders uploaded after 5.00 p.m. on the Bid Closing Date and Bids by Non-Institutional Bidders uploaded after 4.00 p.m. on the Bid Closing Date; and
(xxv) Multiple Bids as described in this Draft Red Herring Prospectus.

Build up of the Book

(i) Bids received through the Syndicate and the SCSBs will be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.
(ii) The book gets built up at various price levels. This information will be available with the BRLMs at the end of the Bidding Period.
(iii) During the Bidding Period, any Bidder who has registered interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the Revision Form. Retail Bidders may revise their bids within the Price Band at any time before the Bid Closing Date. For more information, see section titled "***Issue Procedure- Bids at Different Price Levels and Revision of Bids***" on page 397.

Price Discovery and Allocation

(i) Based on the demand generated at various price levels, our Company and the Selling Shareholder, in consultation with the BRLMs, will finalize the Issue Price.
(ii) Any under-subscription in any category will be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange, provided that if the aggregate demand by Mutual Funds in the Mutual Funds Portion is less than [•] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and then be allocated proportionately to QIB Bidders.
(iii) QIB Bidders Bidding in the QIB Portion will not be allowed to withdraw their Bid after the QIB Bid Closing Date.

Signing of the Underwriting Agreement and RoC Filing

(i) Our Company, the Selling Shareholder and the members of the Syndicate will enter into an Underwriting Agreement on or immediately after the finalization of the Issue Price.
(ii) After signing the Underwriting Agreement, our Company will update and file the Red Herring Prospectus with the RoC in terms of Section 56, 60 and 60B of the Companies Act, which then will be termed the 'Prospectus'. The Prospectus will contain details of the Issue Price, the Issue size, Employee Discount, Retail Discount and underwriting arrangements, and will be complete in all material respects.

DRHP filing announcement

Our Company will on the date of filing the Draft Red Herring Prospectus with SEBI or on the next day, make a public announcement in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located), disclosing to the public the fact of filing of Draft Red Herring Prospectus with the SEBI and inviting the public to give their comments to SEBI in respect of disclosures made in the DRHP.

Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company will, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in an English national daily newspaper, a Hindi national daily newspaper, each with wide circulation (Hindi also being the regional language in the state where our Registered Office is located).

Price Band Advertisements

Our Company will announce the floor price or the price band at least one working day before the opening of the Issue in all newspapers in which the pre- Issue advertisement will be released. Such announcement will also contain relevant financial ratios computed for both the upper and lower ends of the price band and a statement drawing attention of investors to the section titled "Basis of Offer Price" in the Red Herring Prospectus.

Advertisement regarding Issue Price and Prospectus

Our Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, will provide the Issue Price, the Employee Discount and the Retail Discount. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Allotment advice

On approval of the Basis of Allotment by the Designated Stock Exchange and on Allotment by our Board or a duly constituted committee thereof, the Registrar to the Issue will send the members of the Syndicate and SCSBs a list of the successful Bidders who have been Allotted Equity Shares in the Issue. The Registrar to the Issue will then dispatch Allotment advice to the successful Bidders who have been Allotted Equity Shares in the Issue.

Designated Date and Allotment of Equity Shares

Our Company and the Selling Shareholder will ensure that Allotment of Equity Shares and credit to successful Bidder's depository account are completed within 12 Working Days of the Bid Closing Date.

In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment will be made only in dematerialized form to successful Bidders. Allottees will have the option to re-materialize the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

Bidders are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them in the Issue.

Basis of Allotment

For Retail Bidders

(i) Bids received from Retail Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Retail Bidders will be made at the Issue Price less the Retail Discount.
(ii) The Net Issue size less Allotment to Non-Institutional and QIB Bidders will be available for allocation to Retail Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
(iii) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full Allotment will be made to successful Retail Bidders, to the extent of their valid Bids.

(iv) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the Allotment will be made on a proportionate basis up to a minimum of [•] Equity Shares. For an illustration of the proportionate Basis of Allotment, see below.

For Non-Institutional Bidders

(i) Bids received from Non-Institutional Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Non- Institutional Bidders will be made at the Issue Price.
(ii) The Net Issue size less Allotment to QIBs and Retail Portion will be available for allocation to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
(iii) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full Allotment will be made to Non-Institutional Bidders to the extent of their demand.
(iv) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, Allotment will be made on a proportionate basis up to a minimum of [•] Equity Shares. For an illustration of the proportionate Basis of Allotment, see below.

For Employee Reservation Portion

(i) Bids received from the Eligible Employees at or above the Issue Price will be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price less the Employee Discount.
(ii) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation will be made to the Eligible Employees to the extent of their demand.
(iii) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation will be made on a proportionate basis subject to a minimum of [•] Equity Shares either on a firm basis or as per draw of lots, as approved by the Designated Stock Exchange. For an illustration of the proportionate Allotment, see below.
(iv) Only Eligible Employees are eligible to apply under Employee Reservation Portion.

For QIBs in the QIB Portion

(i) Bids received from the QIB Bidders at or above the Issue Price will be grouped together to determine the total demand under this portion. Allotment to successful QIB Bidders will be made at the Issue Price.
(ii) The QIB Portion will be available for allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
(iii) Allotment will be undertaken in the following manner:

    (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion will be determined as follows:
        (i) In the event Mutual Fund Bids exceed 5% of the QIB Portion, allocation to Mutual Funds will be done on a proportionate basis for up to 5% of the QIB Portion.
        (ii) In the event the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds will receive full Allotment to the extent of valid Bids received above the Issue Price.
        (iii) Any Equity Shares remaining unsubscribed and not allocated to Mutual Funds will be available for allocation to all QIB Bidders as set out in (b) below;

    (b) In the second instance, Allotment to QIBs will be determined as follows:

    - In the event of over-subscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price will be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    - Mutual Funds which have received allocation as per (a) above for less than the number of Equity Shares Bid for by them are eligible to receive Equity Shares on a proportionate basis with other QIB Bidders.
    - Any under-subscription from Mutual Funds below 5% of the QIB Portion will be included for allocation to the remaining QIB Bidders on a proportionate basis.

    (c) The aggregate Allotment to QIB Bidders will be up to 114,638,937 Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

S. No.	Particulars	Issue details
1	Issue size	202 million equity shares
2	Employee Reservation Portion	2 million equity shares
3	Net Issue Size	200 million equity shares
4	Portion available to QIBs (50%)	100 million equity shares
	Of which:	
a	Allocation to MF (5%)	5 million equity shares
B	Balance for all QIBs including MFs	95 million equity shares
5	No. of QIB Bidders	10
6	No. of equity shares applied for	500 million equity shares

B. Details of QIB Bids

S. No.	Type of QIBs#	No. of equity shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

 # A1-A5: (QIBs other than MFs), MF1-MF5 (QIBs which are Mutual Funds)

C. Details of Allotment to QIB Bidders

(Number of equity shares in million)

Type of QIBs	Equity Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.50	3.74	4.24
MF5	20	0.50	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in "***Issue Structure***" on page 384.
2. Out of 100 million equity shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million equity shares in QIB category.
3. The balance 95 million equity shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million equity shares (including five MF applicants who applied for 200 million equity shares).
4. The figures in the fourth column entitled "Allocation of balance 95 million equity shares to QIBs proportionately" in the above illustration are arrived as under:

- For QIBs other than Mutual Funds (A1 to A5) = No. of equity shares bid for (i.e. in column II) X 95 / 495
- For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e. in column II of the table above) less equity shares allotted (i.e., column III of the table above)] X 95 / 495

The numerator and denominator for arriving at allocation of 95 million equity shares to the 10 QIBs are reduced by 5 million equity shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, our Company and the Selling Shareholder will finalize the Basis of Allotment in consultation with the BRLMs and the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange with the BRLMs and the Registrar to the Issue will be responsible for ensuring that the Basis of Allotment is finalized in a fair and proper manner.

The Allotment will be made in marketable lots, on a proportionate basis as explained below:

(i) Bidders will be categorized according to the number of Equity Shares applied for.
(ii) The total number of Equity Shares to be allotted to each category as a whole will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
(iii) The number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
(iv) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment will be made as follows:

    - The successful Bidders out of the total Bidders for a category will be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is as far as possible, equal to the number of Equity Shares calculated in accordance with (ii) above; and
    - Each successful Bidder will be allotted a minimum of [●] Equity Shares.

(v) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal will be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it will be rounded off to the lower whole number. Allotment to all in such categories will be arrived at after such rounding off.
(vi) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allocation will be first adjusted against any other category, where the allocated Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. Any Equity Shares remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Communications

Bidders can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of Allotment advice, credit of Allotted Equity Shares in the respective beneficiary account or refund orders.

Grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, Bid cum Application Form number, address of the Bidder, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

All complaints, queries or comments received by SEBI shall be forwarded to the Book Running Lead Managers, who shall respond to the same.

Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, reproduced below:

"*Any person who:*

(a) *makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or*
(b) *otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name shall be punishable with imprisonment for a term which may extend to five years.*"

Mode of Refunds

For Bidders other than ASBA Bidders

For Bidders other than ASBA Bidders, any payment of refund will be through any of the following modes:

(i) NECS – Payment of refund will be through NECS for Bidders having bank accounts at any of the centres where such facility has been made available. This mode of payment of refunds is subject to availability of complete bank account details, including the MICR code, from the Depositories. This mode of refunds will be mandatory for Bidders having a bank account at any of the centres where clearing houses are managed by the RBI, except where the Bidder is eligible and opts for refunds through direct credit or RTGS.
(ii) Direct Credit – Bidders having bank accounts with the Refund Bank, as indicated in the Bid cum Application Form, will be eligible to receive refunds through direct credit. Any bank charges levied by the Refund Bank will be proportionately borne by our Company and the Selling Shareholder.
(iii) RTGS – Bidders having bank account at any of the centres where such facility has been made available, and whose refund amount exceeds ₹ 0.2 million, will be eligible to receive refund through RTGS, provided that the Indian Financial System Code ("**IFSC**") will be derived based on the MICR code of the Bidder as per the Depositories' records or the RBI master. Any bank charges levied by the Refund Bank will be proportionately borne by our Company and the Selling Shareholder. Any bank charges levied by the Bidders' bank receiving the credit will be borne by the respective Bidders.
(iv) NEFT – Payment of refund will be undertaken through NEFT wherever the Bidders' bank branch has been assigned the IFSC, which can be linked to an MICR code of that particular bank branch. The IFSC will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with an MICR code. Wherever the Bidders have registered their MICR code and bank account number while opening and operating the beneficiary account, these will be duly mapped with the IFSC of that particular bank branch and payment of refund will be made to the Bidders through NEFT.
(v) For all other Bidders, including those who have not updated their bank particulars with the MICR code, refund orders will be dispatched through speed or registered post. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. Any bank charges for cashing such cheques, pay orders or bank drafts at other centers will be payable by the respective Bidders.

Refunds for ASBA Bidders

In the case of ASBA Bidders, the Registrar to the Issue will instruct the relevant SCSBs to unblock the funds in the relevant ASBA Accounts for withdrawn, rejected or unsuccessful or partially successful ASBA Bids, within 12 Working Days of the Bid Closing Date.

Disposal of Bids, Bid Amounts and Interest in Case of Delay

With respect to Bidders other than ASBA Bidders, our Company will ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and credit the Equity Shares Allotted to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges after the Allotment of Equity Shares and within 12 Working Days of the Bid Closing Date.

In case of Bidders who receive refunds through NECS, NEFT, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 Working Days of the Bid Closing Date. A suitable communication will be sent to the Bidders receiving refunds through this mode within 12 Working Days of the Bid Closing Date, giving details of the bank where refunds will be credited with the amount and expected date of electronic credit of refund.

Our Company will ensure that all steps for completion of the necessary formalities for listing of Equity Shares being offered as a part of the Fresh Issue are completed and trading commences within 12 Working Days of the Bid Closing Date, at all the Stock Exchanges.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company further undertakes that:

(i) Allotment of Equity Shares will be made only in dematerialized form, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, within 12 Working Days of the Bid Closing Date;
(ii) With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in case the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 Working Days from the Bid Closing Date will be ensured. With respect to the ASBA Bidders, instructions for unblocking the ASBA Accounts will be made within 12 Working Days from the Bid Closing Date; and
(iii) If Allotment advice or refund orders have not been dispatched to the Bidders or if, in case the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to Bidders within 12 working days from the Bid Closing Date or on refusal by stock exchanges to grant listing permission for the Equity Shares being offered as a part of the Fresh Issue, our Company shall within 8 days, repay the money failing which it shall pay with interest at 15% *per annum*, as prescribed under section 73 of the Companies Act.

Allotment Advice, Refund Orders or instructions to the SCSBs

Our Company will give credit of any Equity Shares Allotted to the successful Bidders' beneficiary accounts with their Depository Participants within two Working Days from the date of Allotment. Our Company will ensure dispatch of any refund orders by speed or registered post or direct credit, NEFT, RTGS or NECS, at the sole or first Bidders' sole risk, within 12 Working Days from the Bid Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter by ordinary post, intimating them of the mode of credit of refund within 12 Working Days from the Bid Closing Date.

In the case of ASBA Bidders, the Registrar to the Issue will instruct the SCSBs to unblock the funds in the relevant ASBA Accounts for withdrawn, rejected or unsuccessful or partially successful ASBA Bids, within 12 Working Days of the Bid Closing Date.

Interest in case of delay in dispatch of Allotment advice, refund orders or instructions to SCSB by the Registrar to the Issue

Allotment of Equity Shares in the Issue, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, will be made within 12 Working Days of the Bid Closing Date. In case of ASBA Bids, instructions will be issued to the relevant SCSBs to unblock the funds in the relevant ASBA Accounts for withdrawn, rejected or unsuccessful or partially successful ASBAs, within 12 Working Days of the Bid Closing Date;

If Allotment advice or refund orders have not been dispatched to the Bidders or if, in a case where the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to Bidders within 12 working days from the Bid Closing Date or on refusal by stock exchanges to grant listing permission for the Equity Shares being offered as a part of the Fresh Issue, our Company shall, within 8 days, repay the money failing which it shall pay interest with interest at 15% *per annum*, as prescribed under section 73 of the Companies Act.

Refunds will be made by cheques, pay-orders or bank drafts drawn on a bank appointed by our Company and the Selling Shareholder as a Refund Bank and payable at par at places where Bids are received. Any bank charges for encashing such cheques, pay orders or bank drafts at other centres will be payable by the respective Bidders.

Payment of Refunds

In the case of Bidders other than ASBA Bidders, the Registrar to the Issue will obtain from the Depositories the Bidders' bank account details, including the MICR code, on the basis of the PAN, DP ID and BAN provided by the Bidders in their Bid cum Application Forms. Accordingly, Bidders are advised to immediately update their details as appearing on the records of their Depository Participants. Failure to do so may result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay will be at the Bidders' sole risk and none of our Company, the Selling Shareholder, the Registrar to the Issue, the Escrow Collection Banks, or the Syndicate, will be liable to compensate the Bidders for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

Within 12 Working Days of the Bid Closing Date, the Registrar to the Issue will dispatch refund orders for all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also any excess amount paid on Bidding, after adjusting for Allotment to such Bidders. In the case of Bids from Eligible NRIs and FIIs, any refund, dividend or other distribution will normally be payable in Indian Rupees only and net of any applicable bank charges and commission. Where desired, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or, if they so desire, credited to their NRE accounts, details of which should be provided in the space provided for this purpose in the Bid cum Application Form. Our Company and the Selling Shareholder will not be responsible for any loss incurred by Bidders on account of conversion of foreign currency.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per Section 68B of the Companies Act, the Allotment of Equity Shares in the Issue will be only in dematerialized form.

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

(i) Tripartite Agreement dated May 16, 2006, between NSDL, our Company and the Registrar to the Issue;
(ii) Tripartite Agreement dated April 25, 2006, between CDSL, our Company and the Registrar to the Issue.

Undertakings by our Company

Our Company undertakes the following:

(i) Complaints received in respect of the Issue will be attended to by our Company expeditiously and satisfactorily. Our Company has authorized our Company Secretary as the Compliance Officer to redress any complaints in respect of the Issue;
(ii) All steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed will have been taken within 12 Working Days of the Bid Closing Date;
(iii) If Allotment advice or refund orders have not been dispatched to the Bidders or if, in case the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to Bidders within 12 working days from the Bid Closing Date or on refusal by stock exchanges to grant listing permission for the Equity Shares being offered as a part of the Fresh Issue, our Company shall, within 8 days, repay the money failing which it shall pay with interest at 15% *per annum*, as prescribed under section 73 of the Companies Act;
(iv) Our Company will take all necessary steps to ensure compliance with Clause 40A of the Equity Listing Agreements;
(v) No further issue of Equity Shares will be made until the Equity Shares offered in the Fresh Issue are listed or until the Bid monies are refunded on account of non-listing, undersubscription etc.;
(vi) Adequate arrangements will be made to collect all ASBA Bids and to consider them similar to non-ASBA Bids while finalizing the Basis of Allotment; and
(vii) Our Company will not have recourse to the Fresh Issue proceeds until the final approvals for listing and trading of the Equity Shares being offered as a part of the Fresh Issue, from the Stock Exchanges where listing of the Equity Shares is sought is received.

Undertakings by the Selling Shareholder

- The Equity Shares available in the Offer for Sale have been held by the Selling Shareholder for a period of more than one year prior to the date of this Draft Red Herring Prospectus, and are free and clear of any liens or encumbrances, and will be transferred to the successful Bidders within the specified time;
- The Selling Shareholder will not have recourse to the proceeds of the Offer For Sale, until the final approval for listing and trading of the Equity Shares being offered as a part of the Fresh Issue, from all the Stock Exchanges where listing of the Equity Shares is sought is received;
- The Selling Shareholder will not sell, transfer, dispose of in any manner or create any lien, charge or encumbrance on the Equity Shares available in the Offer for Sale;
- The Selling Shareholder will take all such steps as may be required to ensure that the Equity Shares are available for transfer in the Offer for Sale;
- The Selling Shareholder has authorized the Compliance Officer of our Company and the Registrar to the Issue to redress any complaints received from Bidders in respect of the Offer for Sale;
- Any expense incurred by our Company on behalf of the Selling Shareholder with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholder to the Company in proportion to the Equity Shares contributed by the Selling Shareholder to the Issue.

Utilization of Fresh Issue Proceeds

Our Board certifies that:

(i) All monies received from the Fresh Issue will be credited to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
(ii) Details of all monies utilized out of the Fresh Issue will be disclosed, and will continue to be disclosed until the time any part of the Fresh Issue proceeds remains unutilized, under an appropriate head in our Company's balance sheet, indicating the purpose for which such monies have been utilized;
(iii) Details of any unutilized monies out of the Fresh Issue will be disclosed under an appropriate separate head in our Company's balance sheet, indicating the form in which such unutilized monies have been invested;
(iv) The utilization of monies received from the Employee Reservation Portion will continue to be disclosed until the time any part of the Fresh Issue proceeds remains unutilized, under an appropriate head in our Company's balance sheet, indicating the purpose for which such monies have been utilized; and
(v) Details of all unutilized monies out of the funds received from the Employee Reservation Portion will be disclosed under a separate head in our Company's balance sheet, indicating the form in which such unutilized monies have been invested.

Withdrawal of the Issue

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time after the Bid Opening Date but before Allotment. If our Company and the Selling Shareholder withdraw the Issue, our Company will issue a public notice within two days, providing reasons for not proceeding with the Issue. The BRLMs, through the Registrar to the Issue, will instruct the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such instruction. The notice of withdrawal will be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchanges will also be informed promptly. If our Company and the Selling Shareholder withdraw the Issue after the Bid Closing Date and thereafter determines that they will proceed with a further public offering of Equity Shares, they will file a fresh offer document with SEBI or the Stock Exchanges, as the case may be.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges in relation to the Equity Shares being offered under the Fresh Issue, which our Company will apply for only after Allotment and within 12 Working Days of the Bid Closing Date; and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the manner in which such investment may be made. Under the Industrial Policy, 1991, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

Under the automatic route, no prior approval of the GoI is required for the issue of securities by Indian companies, subject to the sectoral caps and other prescribed conditions. Under the Consolidated FDI Policy (effective from October 1, 2010) as issued by the Department of Industrial Policy and Promotion, ("**DIPP**") from time to time, applicable to our Company, foreign equity participation up to 100% is permissible under the automatic route subject to compliance with certain conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities. If the foreign investor has any previous joint venture/tie-up or a technology transfer/trademark agreement in the "same field" in India as on January 12, 2005, prior approval from the FIPB is required even if that activity falls under the automatic route, except as otherwise provided.

However, for transfer of equity shares, by person resident in India to persons resident outside India, of Companies engaged in financial services sector, prior approval of the RBI is required.

Subscription by foreign investors – Investment by FIIs

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

FIIs including institutions such as pension funds, mutual funds, investment trusts, insurance and reinsurance companies, international or multilateral organizations or their agencies, foreign governmental agencies, foreign central banks, asset management companies, investment managers or advisors, nominee companies, power of attorney holders, banks, trustees, endowment funds, university funds, foundation or charitable trusts or societies and institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under the FEMA. FIIs must also comply with the provisions of the FII Regulations. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely, securities issued by Indian companies, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

FIIs are permitted to purchase shares of an Indian company through public/private placement under:

i. Regulation 5 (1) of the FEMA Regulations, subject to terms and conditions specified under Schedule 1 of the FEMA Regulations ("**FDI Route**").
ii. Regulation 5 (2) of the FEMA Regulations subject to terms and conditions specified under Schedule 2 of the FEMA Regulations ("**PIS Route**").

In case of investments under the FDI Route, investments are made either directly to the company account, or through a foreign currency denominated account maintained by the FII with an authorised dealer, wherein Form FC-GPR is required to be filed by the company. Form FC-GPR is a filing requirement essentially for investments made by non-residents under the 'automatic route' or 'government approval route' falling under Schedule 1 of the FEMA Regulations.

In case of investments under the PIS Route, investments are made through special non-resident rupee account, wherein Form LEC (FII) is required to be filed by the designated bank of the FII concerned. Form LEC (FII) is a filing requirement for FII investment (both in the primary as well as the secondary market) made through the PIS Route.

Foreign investment under the FDI Route is restricted/ prohibited in sectors provided in part A and part B of Annexure A to Schedule 1 of the FEMA Regulations.

Ownership Restrictions of FIIs

The issue of securities to a single FII under the PIS Route should not exceed 10% of the issued and paid-up capital of the company. In respect of an FII investing in securities on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued and paid-up capital. The aggregate FII holding in a company cannot exceed 24% of its total paid-up capital. The said 24% limit can be increased up to the sectoral cap/statutory ceiling, as applicable by passing a resolution by the board of directors followed by passing a special resolution to that effect by the shareholders of the company. Our Company has not passed any resolution to increase the limit of FII holding in the Company.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the FII Regulations, an FII may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or its Sub-Account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity. FIIs and their sub-accounts are not allowed to issue offshore derivative instruments with underlying as derivatives.

Foreign Direct Investment

FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which FDI is sought to be made. Investors are required to file the required documentation with the RBI within 30 days of such issue/ acquisition of securities.

Under the approval route, prior approval of the FIPB and/or RBI is required. FDI for the items/ activities not under the automatic route (other than in prohibited sectors) may depend upon the activity be brought in through the approval route. Further:

(a) As per the sector specific guidelines of the Government of India, 100% FDI/ NRI investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

(b) Minimum Capitalisation Norms for fund-based NBFCs are the following:
  (i) For FDI up to 51% - US$ 0.5 million to be brought upfront
  (ii) For FDI above 51% and up to 75% - US $ 5 million to be brought upfront
  (iii) For FDI above 75% and up to 100% - US $ 50 million out of which US $ 7.5 million to be brought upfront and the balance in 24 months

(c) Minimum capitalization norm of US$0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment

(d) Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US$ 50 million specified in (b) (iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital)

(e) Joint ventures operating NBFC’s that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow, i.e. (b) (i) and (b) (ii) above.

Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, the prior approval of the RBI may not be required other than in certain circumstances although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non resident purchaser.

NBFCs having FDI are required to submit a certificate from the statutory auditors on half yearly basis certifying compliance with the terms and conditions of the FDI regulations. Such certificate should be submitted not later than one month from the close of the half year to which the certificates pertains to the regional office of the RBI in whose jurisdiction the head office of the Company is registered.

Calculation of total foreign investment in Indian companies

Foreign investment in Indian securities is regulated by the industrial policy of the Government consolidated under circular (D/o IPP F. No. 5(14)/2010-FC) dated September 30, 2010 ("**Consolidated FDI Policy**") which came into effect from October 1, 2010, and was released by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry and notifications issued by RBI from time to time. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment.

Chapter 4 of the Consolidated FDI Policy provides the method of calculating foreign investment in an Indian company.

Foreign investment is defined broadly and includes investment by FIIs and NRIs, and foreign investment in the form of American depositary receipts, global depositary receipts, foreign currency convertible bonds, convertible preference shares and convertible currency debentures.

The Consolidated FDI Policy specifies that all investments made directly by a non-resident entity in an Indian company would be considered as foreign investment. Further, in relation to an investment by an Indian company in another Indian company, if (i) the investing Indian company is owned and controlled by resident Indian citizens, and (ii) foreign entities do not own or control the investing Indian company, then the foreign investment in the investing Indian company will not be considered for calculation of the foreign investment in the second Indian company. However, if the requirements under (i) and (ii) above are not satisfied, then the entire investment of the investing Indian company in the second Indian company being invested in will be considered foreign investment.

Pursuant to the Consolidated FDI Policy, an investing company shall be considered (i) "owned" by resident Indian citizens or foreign entities if more than 50% of its equity interest is beneficially owned by resident Indian citizens or foreign entities, as the case may be, and (ii) "controlled" by resident Indian citizens or foreign entities if the resident Indian citizens or foreign entities, as the case may be, have the power to appoint a majority of its directors.

The Consolidated FDI Policy provides guidelines relating to downstream investments by Indian companies that have foreign investment. These guidelines are based on the principle that downstream investments by Indian companies owned or controlled by foreign entities should follow the same rules as those applicable to direct foreign investment. In respect of downstream investments by Indian companies that are not owned or controlled by foreign entities, there would not be any restrictions.

For the purpose of downstream investments, the Consolidated FDI Policy classifies Indian companies into one of three groups: (i) operating companies, (ii) operating-and-investing companies and (iii) investing companies. In connection with foreign investment in these categories of Indian companies, the Consolidated FDI Policy provides that:

(a) foreign investment in an operating company will need to comply with the terms and conditions for foreign investment in the relevant sector(s) in which such company operates;

(b) foreign investment in an operating-and-investing company will need to comply with the terms and conditions for foreign investment in the relevant sector(s) in which such company operates. Further, the Indian company into which downstream investments are made will need to comply with the terms and conditions for foreign investment in the relevant sectors in which such Indian company operates; and
(c) foreign investment in investing company (i.e. an Indian company holding only direct or indirect investments in other Indian companies other than for trading of such holdings) will require the prior approval of the FIPB.

The Consolidated FDI Policy further provides that foreign investment in an Indian company that does not have (i) any operations, and (ii) any downstream investments, will require the prior approval of the FIPB.

Subscription by a person resident outside India

A person residing outside India (other than a citizen of Pakistan or Bangladesh) or any entity incorporated outside India (other than an entity incorporated in Pakistan or Bangladesh) may purchase shares, convertible debentures or preference shares of an Indian company, subject to certain terms and conditions.

As per existing regulations promulgated under the FEMA, only Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws are allowed to participate in the Issue. NRIs, other than Eligible NRIs are not permitted to participate in this Issue. Further, OCBs cannot participate in the Issue.

There is no reservation for Eligible NRIs and FIIs and multi-lateral and bilateral development financial institutions. All Eligible NRIs and multi-lateral and bilateral development financial institutions FIIs will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States. Our Company has not registered and does not intend to register under the U.S. Investment Company Act in reliance on Sections 3(c)(7) thereof.

Accordingly, the Equity Shares are being offered and sold (i) in the United States only to, and only to U.S. persons that are, "qualified institutional buyers" (as defined in Rule 144A and referred to in the Red Herring Prospectus as "U.S. QIBs"; which, for the avoidance of doubt, does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs"), that are also "qualified purchasers" ("QPs") (as defined in Section 2(a)(51) of the U.S. Investment Company Act and the rules and regulations thereunder) acting for its own account or for the account of another U.S. QIB that is a QP (and meets the other requirements set forth herein), reliance on the exemption from registration under the U.S. Securities Act provided by Rule 144A or other available exemption and in reliance on Sections 3(c)(7) of the U.S. Investment Company Act; and (ii) outside the United States to non-U.S. persons in "offshore transactions" as that term is defined in, and in reliance on, Regulation S.

Each purchaser of Equity Shares inside the United States or who is a U.S. person will be required to represent and agree, among other things, that such purchaser (i) is a U.S. QIB and a QP; and (ii) will only reoffer, resell, pledge or otherwise transfer the Equity Shares to a non-U.S. person in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S and under circumstances that will not require our Company to register under the U.S. Investment Company Act.

Each purchaser of Equity Shares outside the United States that is not a U.S. person will be required to represent and agree, among other things, that such purchaser is a non-U.S. person acquiring the Equity Shares in an "offshore transaction" in accordance with Regulation S.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Representation from the Bidders

No person shall Bid in Issue, unless such person is eligible to acquire Equity Shares of our Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Bidders will be required to confirm and will be deemed to have represented to the Selling Shareholder, our Company, the Underwriters, and their respective directors, officers, agents, affiliates and representatives, as applicable, that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. The Selling Shareholder, our Company, the Underwriters, and their respective directors, officers, agents, affiliates and representatives, as applicable, accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholder and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII – MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/ or their consolidation/splitting are as detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

SHARE CAPITAL

Capital

4. The Share Capital of the company is ₹ 20,000,000,000 (Rupees Two thousand crores) divided into 2,000,000,000 (Two hundred crores) equity shares of ₹ 10/- (Rupees Ten) each.

Company's shares not to be purchased

5. Except to the extent allowed by Section 77, no part of the funds of the company shall be employed in the purchase of or in loans upon the security of the company's shares.

Buy back of the shares of the Company

5A. Notwithstanding, any thing contained in Article 5, the Company may buy back the shares of the Company to the extent and in the manner allowed under Section 77A of the Companies Act, 1956.

Allotment of shares

6. Subject to the provisions of Section 81 of the Companies Act and the Articles, the shares in the capital of the Company for the time being shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of the same to such persons, in such proportions and on such terms and conditions and either at a premium or at par or (Subject to the compliance with the provisions of Section 79 of the Companies Act) at a discount and at such time as they may from time to time think fit and subject to provisions of Section 77A of the Companies Act with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid-up shares and if so issued shall be deemed to be fully paid shares.

   Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting.

CERTIFICATES

Share certificate

7. The Certificates of title to shares shall be issued in accordance with provision of the Companies (Issue of Share Certificate) Rules, 1960.

Members right to certificates

8. (i) Subject to the requirements of the listing agreements and the bye laws of the stock exchanges, every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fees as the directors may from time to time determine) to several certificates, each for one or more such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment unless the condition of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of share shall be under the seal of the Company and shall specify the number and distinctive number of shares in respect

of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe or approve.

Provided that in case of securities held by the member in dematerialized form no share certificate shall be issued.

(ii) In respect of share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

Issue of new share certificates in place of one defaced, lost or destroyed

9. If any security certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Articles shall be issued without payment of fees.

Provided that notwithstanding what is stated above the directors shall comply with such rules or regulations or requirements of any stock exchange or the rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provision of this Article shall mutatis mutandis apply to the debentures of the Company.

CALLS

Calls on shares

10. The Board may, from time to time, make calls upon the members in respect of any moneys unpaid on their shares and specify the time or times of payments, and each member shall pay to the Company at the time or times so specified the amount called on his shares.

Provided, however, that the Board may, from time to time, at its discretion extend the time fixed for the payment of any call and may extend such time to allow any of the members whom for residence at a distance or other cause, the Board may deem entitled to such extension, but no member shall be entitled to such extension save as a matter of grace and favour.

When interest on call payable.

11. If a sum payable in respect of any call be not paid on or before the day appointed for payment thereof the holder for the time being or allottee of the share in respect of which a call shall have been made, shall pay interest on the same at such rate not exceeding 5 (five) per cent per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part.

Payment in anticipation of calls may carry interest.

12. The Directors may, if they think fit subject to the provision of section 92 of the Companies Act, agree to and receive from any member willing to advance the same, whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as may be decided by directors provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by them until the same would but for such payment, become presently payable.

The provisions of the Articles shall mutatis-mutandis apply to the calls on debentures of the Company.

Joint-holders' liability to pay.

13. The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

FORFEITURE, SURRENDER AND LIEN

Company's lien on shares

14. The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares and in case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. Any such lien shall extend to all dividends, bonuses and interest from time to time declared/accrued in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares/debentures. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.

TRANSFER AND TRANSMISSION OF SHARES

Register of transfer.

21. The Company shall keep a book to be called register of transfers and therein enter the particulars of several transfers or transmission of any share.

Transfer & transmission of shares

22. Subject to the provisions of the Listing Agreements between the Company and the Stock Exchanges, in the event that the proper documents have been lodged, the Company shall register the transfer of securities in the name of the transferee except:

    (i) When the transferee is, in exceptional circumstances, not approved by the Directors in accordance with the provisions contained herein;
    (ii) When any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor;
    (iii) When the transferor object to the transfer provided he serves on the Company within a reasonable time a prohibitory order of a court of competent jurisdiction.

Notice of refusal to register transfer

23. Subject to the provisions of Section 111 and 111A of the Companies Act, the provisions of the Listing Agreements with the Stock Exchange and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor a notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

Company not bound to recognize any interest in shares other than that of the registered holders.

24. Save as herein otherwise provided the Board shall be entitled to treat the person whose name appears on the register of members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as by law required) be bound to recognize any benami trust or equity or equitable contingent or other claim to or interest in such share on the part of any

person, whether or not it shall have express or implied notice thereof.

Execution of transfer

25. The instrument of transfer of any share in the Company shall be executed both by the transferor and the transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

Instrument of transfer

25A The instrument of transfer in case of shares held in physical form shall be in writing and all provisions of section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

Form of transfer

26. A common form of transfer of shares or debentures as the case may be, shall be used by the Company.

Transfer to be left at office and evidence of title to be given.

27. Every instrument of transfer shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such evidence as the Company may require to prove the title of the transferor, or his right to transfer the shares. All instruments of transfer shall be retained by the company but any instrument of transfer which the Board may decline to register shall be returned to the person depositing the same.

Transmission by operation of law.

28. Nothing contained in Article 22 shall prejudice any power of the company to register as shareholder any person to whom the right to any shares in the company has been transmitted by operation of law.

Fee on transfer

29. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

When transfer books and register may be closed.

30. The transfer books and register of members or register of debenture holders may be closed for any time or times not exceeding in the aggregate 45 days in each year but not exceeding 30 days at a time, by giving not less than seven days previous notice and in accordance with Section 154 of the Companies Act.

Board's right to refuse registration.

31. Subject to the provision of Act, the Board shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee, as if he were the transferee named in the ordinary transfer presented for registration.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

Increase of Capital

33. Subject to the provisions of the Companies Act the Company in General Meeting, may increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.

On what condition new shares may be issued

34. New shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation whereof shall direct. Provided that no shares (not being preference share) shall be issued carrying voting right or rights in the Company as to dividend, capital

or otherwise, which are disproportionate to the rights attaching to the holders of other shares (not being preference shares).

How far new shares to rank with shares in original capital.

35. Except so far as otherwise provided by the conditions of issue, or by the Articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, lien, voting, surrender and otherwise.

New shares to be offered to members

36. The new shares (resulting from an increase of capital as aforesaid) may be issued or disposed off by the directors to such persons and on such terms and conditions as they think fit.

Further issue of Shares

36A.1. Where at the time after the expiry of two years from the formation of the Company or at time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on that shares at the date.
b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in sub clause (b) hereof shall contain a statement of this right, provided that the directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

2. Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever:

a) If a special resolution to that effect is passed by the Company in General Meeting, or

b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf the proposal is most beneficial to the Company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

a) To extend the time within which the offer should be accepted; or

b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by

the exercise of an option attached to the debenture issued or loans raised by the Company:

i) To convert such debentures or loans into shares in the Company, or
ii) To subscribe for shares in the Company (whether such option is conferred in the Articles or otherwise).

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by that Government in this behalf; and
b) in the case of debentures or loan or other than debentures issued to or loans obtained from Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

Reduction of capital

37. Subject to provision of section 100-104 of the Companies Act, the Company may, from time to time, by special resolution, reduce its capital by paying off capital or cancelling capital which has been lost or is un-represented by available assets or is superfluous or by reducing the liability on the shares or otherwise as may deem expedient, and capital may be paid off upon the footing that it may be called upon again or otherwise, and the Board may, subject to the provisions of the Companies Act, accept surrender of shares.

Sub-division and consolidation of shares

38. Subject to the provisions of the Companies Act, the Company in general meeting may, from time to time sub-divide or consolidate its shares or any of them and exercise any of the other powers conferred by sub-section (i) (a) to (e) of section 94 of the Companies Act and shall file with the registrar such notice of exercise of any such powers as may be required by the Act.

De-materialization of securities

38A.a) Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialize or rematerialize its shares, debentures and other securities (both present and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialized form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any.

b) Every person subscribing to securities offered by the Company shall have the option to receive the security certificate or to hold the securities with a Depository. Such a person who is the beneficial owner of securities can at any time opt out of a Depository, if permitted by law, in respect of any security and the Company shall, in the manner and within the time prescribed provided by the Depositories Act, 1996 issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, then notwithstanding anything to the contrary contained in the Act or in the Articles, the Company shall intimate such Depository the details of allotment of the security and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

c) All securities held by a Depository shall be dematerialized and shall be in fungible form. Nothing contained in Sections 153 of the Companies Act shall apply to a Depository in respect of securities held by it on behalf of the beneficial owners.

d) (i) Notwithstanding anything to the contrary contained in the Act or in the Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
(ii) Save as otherwise provided in (i) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
(iii) Every person holding securities of the Company and whose name is entered as the beneficial

owner in the records of the Depository shall be deemed to be a member/ debenture holder, as the case may be, of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

a) Notwithstanding anything to the contrary contained in the Act or in the Articles to the contrary where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

b) Nothing contained in the Act or in the Articles, shall apply to a transfer or transmission of Securities where the company has not issued any certificates and where such Shares or Debentures or Securities are being held in a electronic and fungible form in a Depository. In such cases the provisions of the Depositories Act, 1996 shall apply.

c) Notwithstanding anything to the contrary contained in the Act or the Articles, after any issue where the securities are dealt with by a Depository, the company shall intimate the details thereof to the depository immediately on allotment of such securities.

d) Nothing contained in the Act or in the Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held by a Depository.

(iv) Notwithstanding anything contained in the Articles the Company shall have the right to issue Securities in a public offer in dematerialized form as required by applicable laws and subject to the provisions of applicable law, trading in the Securities of the Company post-listing shall be in the demat segment of the relevant Stock Exchanges, in accordance with the directions of SEBI, the Stock Exchanges and the terms of the listing agreements to be entered into with the relevant Stock Exchanges.

MODIFICATION OF CLASS RIGHTS

Power to modify rights of different classes of shareholders.

39. If at any time, the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Companies Act be modified, abrogated or dealt with by agreement between the company and by any person purporting to contract on behalf of that class, provided such agreement is (a) ratified in writing by the holder of at least three-fourth of the nominal value of the issued shares of that class or (b) confirmed by a special resolution passed at a separate general meeting of the holders of shares of that class and all the provisions hereinafter contained as to general meeting shall *mutatis mutandis* apply to every such meeting, except that the quorum thereof shall be members holding or representing by proxy one-fifth of the nominal amount of the issued shares of that class. This article is not by implication to curtail the power of modification which the company would have if the article was omitted.

GENERAL MEETINGS

Annual general meetings.

44. The first annual general meeting of the company shall be held within 18 months from the date of its incorporation and thereafter the next general meeting of the company shall be held within 6 months after the expiry of the financial year in which the first annual general meeting was held and thereafter an annual general meeting shall be held by the company within 6 months after the expiry of each financial year, in accordance with the provisions of Section 166 of the Companies Act. Such general meetings shall be called "Annual General Meetings".

Extraordinary general meetings.

45. All general meetings other than "Annual General Meetings" shall be called "Extraordinary General Meetings". The Board may whenever it thinks fit, and they shall when so required by the President or on

the requisition of the holders of not less than one tenth of the paid up share capital of the company upon which all calls or other sums then due have been paid, forthwith proceed to convene an extraordinary general meeting of the company and in case of such requisition the following provisions shall have effect:

(i) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the office and may consist of several documents in like form each signed by one or more requisitionists.

(ii) If the Board does not proceed within 21 days from the date of deposit of valid requisition to call a meeting on a day not later than 45 days from such date the meeting may be called by such of the requisitionists as represent either majority in value of the paid up share capital held by all of them or not less than one-tenth of such of the paid up share capital of the company as is referred to in clause (a) of sub-section (4) of Section 169 of the Companies Act whichever is less.

(iii) Any meeting convened under this article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the Board.

If, after a requisition has been received, it is not possible for a sufficient number of Directors to meet in time so as to form a quorum, any Director may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.

Notice of meeting.

46. (a) A general meeting of the Company may be called by giving not less than 21 days' notice in writing.

(b) A general meeting may be called after giving shorter notice than that specified in sub-clause (a) if consent is accorded thereto:

(i) in the case of an annual general meeting by all the members entitled to vote thereat; and

(ii) in the case of any other meeting by members of the company holding not less than 95 per cent of such part of the paid-up share capital of the company as gives a right to vote at the meeting.

Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purpose of this sub-clause in respect of the former resolution or resolutions and not in respect of the latter.

Business at the annual general meeting.

54. (a) In the case of an Annual General Meeting, all business to be transacted at the meeting shall be deemed special, with the exception of business relating to:

(i) the consideration of accounts, Balance Sheet and report of the Board of Directors and Auditors;
(ii) the declaration of a dividend;
(iii) the appointment of Directors in the place of those retiring; and
(iv) the appointment of, and the fixing of remuneration of the Auditors; and

(b) In the case of any other meeting all business shall be deemed special.

Explanatory statement to be annexed to the notice.

55. (i) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each item of business, including in particular the nature of the concern or interest, if any, therein, of every Director, and the Manager, if any.

Provided that where any item of special business as aforesaid to be transacted at a meeting of the company relates to, or affects any other company, the extent of shareholding interest in that other company of every Director, and Manager, if any, of the Company shall also be set out in the statement if the extent of such shareholding interest is not less than twenty per cent of the paid-up share capital of that other Company.

(ii) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

PROCEEDINGS AT GENERAL MEETINGS

Quorum

56. (i) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.

(ii) Five members present in person or by duly authorized representative shall be quorum for a General Meeting of the Company.

Right of President to appoint any person as his representative.

57. (i) The President, so long as he is a shareholder of the company may, from time to time, appoint such person as he thinks fit (who need not be member of the company) to represent him at all or any meetings of the company.

(ii) Any one of the persons appointed under sub-clause (i) of this article who is personally present at the meeting shall be deemed to be member entitled to vote and be present in person and shall be entitled to represent the President at all or any such meeting and to vote on his behalf whether on a show of hands or on a poll.

(iii) The President may, from time to time, cancel any appointment made under sub-clause (i) of this article and make fresh appointments.

(iv) The production at the meeting of an order of the President, evidenced as provided in the Constitution of India, shall be accepted by the company as sufficient evidence of any such appointment or cancellation as aforesaid.

(v) Any person appointed by the President under this article may, if so authorised by such order, appoint a proxy whether specially or generally.

Chairman of general meeting.

58. The Chairman of the Board of Directors shall be entitled to take the chair at every general meeting or if there be no such chairman, or if at any meeting he shall not be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act as chairman, the members present shall choose another Director as chairman, and if no Director shall be present or, if all the Directors present decline to take the chair, then the members present shall choose one of the members to be chairman.

Proceeding when quorum not present.

59. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon any requisition of the members, shall be dissolved but in any other case it shall stand adjourned to the same day in the next week not being a public holiday (but if the same be a public holiday the meeting shall stand adjourned to the succeeding date of such public holiday) at the same time and place, or to such other day and at such other time and place as the Board may determine and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, those members who are present shall be a quorum and may transact the business for which the meeting was called.

How questions to be decided at meetings.

60. Every question submitted to a meeting shall be decided in the first instance by a show of hands, and in the case of an equality of votes the chairman shall, both on a show of hands and at a poll (if any), have a casting vote in addition to the vote to which he may be entitled as a member.

What is to be evidence of the passing of resolution where poll not demanded.

61. At any general meeting resolution put to vote of the meeting shall be decided on a show of hands, unless a poll is, before or on the declaration of the result of the show of hands, demanded by a member present in

person or proxy or by duly authorised representative, and unless a poll is so demanded, a declaration by the chairman that resolution has, on a show of hands been carried or carried unanimously or by particular majority or lost, and an entry to that effect in the book of proceedings of the company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

Poll

62. If a poll is duly demanded, it shall be taken in such manner and at such time and place as in accordance with Sections 179 and 180 of the Companies Act.

Power to adjourn general meeting.

63. The chairman of a general meeting may, with the consent of the meeting, adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

VOTES OF MEMBERS

Votes

67. Every member entitled to vote and present in person or by proxy shall have one vote on a show of hands and upon a poll one vote for each share held by him.

Postal ballot

69A.Notwithstanding anything contained in the Articles of the Company, the Company do adopt the mode of passing resolutions by the members of the Company by means of Postal Ballot (which includes voting by electronic mode) and/or other ways as may be prescribed in the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 in respect of the matters specified in said Rules as modified from time to time instead of transacting such business in a general meeting of the company subject to compliances with the procedure for such postal ballot and/or other requirements prescribed in the rules in this regard.

BOARD OF DIRECTORS

Number of Directors

80. Until otherwise determined in a general meeting the number of Directors of the Company shall not be less than three and not more than twelve. The Directors are not required to hold any qualification shares.

Appointment of Chairman, Managing Director and other Directors

81. (1) The President shall appoint one of the Directors as the Chairman and shall appoint other Directors in consultation with the Chairman provided that no such consultation is necessary in respect of Government representatives on the Board of Directors of the company. The Directors (including the Chairman/Managing Director) shall be paid such salary and/ or allowance as the President may from time to time determine.

(2) The President may from time to time appoint a Managing Director and other whole-time Director/ Directors on such terms and remuneration (whether by way of salary or otherwise) as he may think fit.

(3) All the Directors of the Corporation except the Chairman, the Managing Director/whole-time Directors and the Government representatives on the Board of Directors shall, unless otherwise specified in their order of appointment, retire at the end of three years from the date of their appointment. The Directors so retired will be eligible for reappointment.

(4) Subject to the relevant provisions of the Companies Act, the President shall have the right to remove or dismiss the Chairman, the Managing Director/whole-time Director and the Directors for any reasons whatsoever and shall have the right to fill in any vacancy in the office of the Chairman, Managing Director/whole-time Director or the Directors caused by removal, dismissal, resignation, death or otherwise.

(5) Subject to the provisions of Section 292 of the Companies Act, the Board of Directors may, from time to time, entrust and confer upon the Chairman or Managing Director for the time being such of the

powers as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient and may, from time to time, revoke, withdraw, alter or vary all or any of such powers.

Disclosure of interest and interested Directors not to participate or vote in Board's proceedings

82. (i) Every Director of the company shall disclose the nature of his concern or interest in accordance with the provisions of Section 299 of the Companies Act.

(ii) No Director of a company shall, as a Director, take any part in the discussion of or vote on, any contract or arrangement entered into or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void as provided in Section 300 of the Companies Act.

Disqualifications of and vacating of office by Directors

83. A person shall not be capable of being appointed as a Director of the company if he suffers from any of the disqualifications enumerated in Section 274 of the Companies Act.

The office of a Director shall be vacated if any of the conditions set out in Section 283 of the Companies Act comes to happen. This is without prejudice to the right of the President to remove any Director without assigning any reason whatsoever.

Powers of Chairman

85. (a) The Chairman shall reserve for the decision of the President any proposal or decision of the Board of Directors in any matter which in the opinion of the Chairman is of such importance as to be reserved for the approval of the President. No action shall be taken by the company in respect of any proposal or decision of the Board of Directors reserved for approval of the President as aforesaid until his approval to the same has been obtained.

(b) Without prejudice to the generality of the other provisions contained in the Articles, the Board shall reserve for the decision of the President any matter relating to:

(i) The Company's revenue budget in case there is an element of deficit, which is proposed to be met by obtaining funds from the Government.
(ii) Winding up of the Company.
(iii) Sale, lease, disposal or otherwise of the whole or substantially the whole of the undertaking of the company.
(iv) Any other matter which in the opinion of the Chairman and Managing Director be of such importance as to be reserved for the approval of the President.

Right of the President

(86) Notwithstanding anything contained in all the Articles the President may from time to time issue such directives or instructions as may be considered necessary in regard to conduct of business and affairs of the company and in like manner may vary and annul any such directive or instruction. The Directors shall give immediate effect to the directives or instructions so issued. In particular, the President will have the powers:

(i) To give directives to the Company as to the exercise and performance of its functions in matters involving national security or substantial public interest.
(ii) To call for such returns, accounts and other information with respect to the property and activities of the company as may be required from time to time.
(iii) To determine in consultation with the Board annual, short and long term financial and economic objectives of the Company.

Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall except where the President considers that the interest of national security requires otherwise incorporate the contents of directives issued by the President in the annual report of the Company and also indicate its impact on the financial position of the Company.

RESERVE AND DIVIDEND

Division of profit

101. (i) The profits of the Company available for payment of dividend subject to any special rights relating thereto created or authorised to be created by the Articles of Association and subject to the provisions of the Companies Act and Articles of Association as to the reserve fund and amortisation of capital shall be divisible among the members in proportion to the amount of capital paid-up by them respectively. Provided always that (subject as aforesaid) any capital paid-up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

(ii) No dividend shall be declared or paid by the company for any financial year except out of profits of the company for that year arrived after providing for the depreciation in accordance with the provisions of sub-section (2) of section 205 of the Companies Act or out of profits of the company for any previous financial year or years arrived after providing for the depreciation in accordance with applicable laws and remaining undistributed or out of both or out of moneys provided by the government for the payment of dividend in pursuance of a guarantee given by the government. No dividend shall carry interest against the company.

(iii) For the purpose of the last preceding article, the declaration of the directors as to the amount of the profits of the company shall be conclusive.

(iv) Subject to the provisions of section 205 of the Companies Act as amended, no dividend shall be payable except in cash.

(v) A transfer of shares shall not pass the right to any dividend declared thereon after transfer and before the registration of the transfer.

(vi) Any one of the several persons who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on accounts of dividends in respect of such shares.

(vii) Unless otherwise directed any dividend may be paid by cheque or demand draft or warrant or such other permissible means to the registered address of the member or person entitled or in the case of joint holding, to the registered address of that one whose name stands first in the register in respect of joint holding and every cheque, demand draft or warrant so sent shall be made payable to the member or to such person and to such address as the shareholder or the joint shareholders in writing may direct.

The Company in general meeting may declare a dividend

102. The company in General meeting may declare a dividend to be paid to the members according to their respective rights and interest in the profits and may fix the time for payment but no dividend shall exceed the amount recommended by the Board.

Interim dividend

103. The Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Unpaid or unclaimed dividend

103.A There shall not be any forfeiture of unclaimed dividends and the company shall comply with the applicable provisions of the Companies Act relating to transfer of unclaimed and unpaid dividend to the Investor Education and Protection Fund or to any such other fund as may be required under applicable laws.

WINDING UP

Distribution of assets on winding up

113. If the company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up, at the commencement of the winding up of the shares held by them respectively. And if in a winding up, the assets available for distribution among the members shall be more than sufficient to repay

the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus delivered to the RoC for registration, and also the documents for inspection referred to hereunder may be inspected at our Registered Office from 10.00 am to 4.00 pm on Working Days during the Bidding Period.

Material Contracts in relation to this Issue

1. Letter of appointment dated January 31, 2011 for the appointment of DSP Merrill Lynch Limited, Goldman Sachs (India) Securities Private Limited, ICICI Securities Limited and JM Financial Consultants Private Limited, respectively, as BRLMs.

2. Issue Agreement dated March 17, 2011 among our Company, the Selling Shareholder and the Book Running Lead Managers.

3. Agreement dated March 17, 2011between our Company, the Selling Shareholder and Registrar to the Issue.

4. Escrow Agreement dated [•] among our Company, the Selling Shareholder, the Book Running Lead Managers and the Escrow Collection Banks.

5. Syndicate Agreement dated [•] among our Company, the Selling Shareholder, the Book Running Lead Managers and the Syndicate Members.

6. Underwriting Agreement dated [•] among our Company, the Selling Shareholder, the Underwriters.

7. Agreement dated April 25, 2006 among CDSL, our Company and Karvy Computershare Private Limited.

8. Agreement dated May 16, 2006 among NSDL, our Company and Karvy Computershare Private Limited.

Material Documents

1. Our Memorandum of Association and Articles of Association, as amended.

2. Our certification of incorporation dated July 16, 1986.

3. Our certificate of commencement of business dated December 31, 1987.

4. Prospectus dated February 12, 2007 filed with the RoC in relation to the IPO of the Company.

5. MoP Order No. 8/3/2007 – PF, dated August 7, 2008 (read with MoP Order No. 8/3/2007 – PF dated June 27, 2008), for appointment of Mr. Satnam Singh as the Chairman and Managing Director, and MoP Order No. 8/3/2007 – PF, dated February 15, 2010, prescribing the terms and conditions of his employment.

6. MoP Order No. 8/1/2006-PFC dated July 27, 2007, for appointment of Mr. Mukesh Kumar Goel as the Director, and MoP Order No. 8/1/2006 – PF Desk, dated December 6, 2010, prescribing the terms and conditions of his employment and MoP Order No. 8/1/2006-PF desk dated January 25, 2011.

7. MoP Order No. 8/5/2008-PF Desk, dated March 9, 2009, for appointment of Mr. Rajeev Sharma as the Director, and MoP Order No. 8/5/2008 – PF Desk, dated November 27, 2009, prescribing the terms and conditions of his employment.

8. MoP Order No. 8/1/2008 – PF dated July 31, 2009, for appointment of Mr. Radhakrishnan Nagarajan as the Director, and MoP Order No. 8/1/2008 – PF, dated December 6, 2010, prescribing the terms and conditions of his employment and MoP Order No. 8/1/2008-PF desk dated January 25, 2011.

9. MoP Order No. 1/1/2009 – Adm.II dated March 5, 2009 for appointment of Mr. Devender Singh as the Director.

10. MoP Order No. 8/1/2009 – PF Desk dated December 22, 2009, for appointment of Mr. Ravindra Harshadrai Dholakia as the Director.

11. MoP Order No. 8/1/2009 – PF Desk dated December 22, 2009, for appointment of Mr. P. Murali Mohana Rao as the Director.

12. MoP Order No. 8/1/2009 – PF Desk dated February 25, 2010, for appointment of Mr. Suresh Chand Gupta as the Director.

13. MoP Order No. 8/1/2009 – PF Desk dated October 8, 2010, for appointment of Mr. Ajit Prasad as the Director.

14. MoP Order No. 8/1/2009 – PF Desk dated December 31, 2010, for appointment of Mr. Krishna Mohan Sahni as the Director.

15. Registration certificate dated February 10, 1998 under section 45 IA of the RBI Act to commence business of a non deposit taking non-banking financial institution.

16. Registration certificate dated July 28, 2010 under section 45 IA of the RBI Act to classify our Company as a non-banking financial institution (non deposit accepting) Infrastructure Finance Company.

17. Resolution passed by our Board dated August 12, 2010 approving this Issue.

18. Resolution passed by our shareholders on September 21, 2010 approving this Issue.

19. Letter No. 3/5/2010- PF Desk dated February 21, 2011, issued by the Ministry of Power, Government of India, granting approval for the Issue including the Offer for Sale

20. An application dated February 24, 2011, made to the RBI seeking its approval for the proposed transfer of 57,388,335 Equity Shares pursuant to the Offer for Sale and other related matters.

21. RBI's letter [•] dated [•] approving the transfer of 57,388,335 Equity Shares of our Company under Offer for Sale portion in favour of residents outside India and further granted its approval for other related matters;

22. Resolution of the Board dated March 17, 2011, approving the Draft Red Herring Prospectus.

23. Report of the Auditors dated March 17, 2011, prepared on our Company's, audited restated standalone financial statements, as of and for the years ended March 31, 2006, 2007 and 2008 and our audited restated consolidated financial statements as of and for the years ended March 31, 2009 and 2010 and as of, for the nine months ended December 31, 2010, prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and mentioned in the section titled "***Financial Statements***" on page 163.

24. Statement of tax benefits dated March 17, 2011, prepared by the Auditors.

25. Copies of annual reports of our Company for the last five Fiscals i.e. 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10.

26. Consent of the Auditors for inclusion of their report on the financial information and the statement of tax benefits in the form and context in which they appear in this Draft Red Herring Prospectus.

27. Consents in writing of the Selling Shareholder, our Directors, our Company Secretary and Compliance Officer, Auditors, Registrar to the Issue, Domestic Legal Counsel to our Company and the Selling Shareholder, Domestic Legal Counsel to the BRLMs, International Legal Counsel to our Company and the Selling Shareholder, International Legal Counsel to the BRLMs, Bankers to our Company, each as referred to in this Draft Red Herring Prospectus, in their respective capacities.

28. Due diligence certificate dated March 18, 2011, to SEBI from DSP Merrill Lynch Limited, Goldman Sachs (India) Securities Private Limited, ICICI Securities Limited and JM Financial Consultants Private Limited.

29. In-principle listing approvals dated [•] and [•] received from the NSE and the BSE, respectively.

30. Memorandum of Understanding between our Company, the Government of India and the Ministry of Power for the year 2010-2011.

31. Joint venture agreement dated September 3, 2008 between National Thermal Power Corporation Limited, NHPC Limited, Tata Consultancy Services Limited and our Company.

32. Joint venture agreement dated November 19, 2009 between our Company, National Thermal Power Corporation Limited, Power Grid Corporation of India Limited and Rural Electrification Corporation Limited.

33. Promoters' agreement dated April 8, 1999 between Powergrid Corporation of India Limited, National Thermal Power Corporation Limited and our Company.

34. Supplementary agreement dated November 29, 2002 between NHPC Limited, Powergrid Corporation of India Limited, National Thermal Power Corporation Limited and our Company.

35. Contribution agreement dated March 24, 2004 between KSK Trust Private Limited, KSK Energy Ventures Limited and our Company.

36. Share subscription and shareholders agreement dated February 24, 2009 between National Stock Exchange of India Limited, National Commodities and Derivatives Exchange Limited and our Company.

37. Memorandum of Understanding dated October 28, 2010 between the Nuclear Power Corporation of India Limited and our Company.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time, if so required in the interest of our Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We, the Directors, certify that all relevant provisions of the Companies Act and the regulations or guidelines issued by the GoI or SEBI, as applicable, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SEBI Act or the rules or regulations issued thereunder, and that all approvals and permissions required to carry on the business of our Company have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE CHAIRMAN AND MANAGING DIRECTOR	**SIGNED BY THE WHOLE TIME DIRECTOR (FINANCE)**
Sd/- Mr. Satnam Singh	**Sd/-** Mr. Radhakrishnan Nagarajan

SIGNED BY THE OTHER DIRECTORS OF OUR COMPANY

Sd/- Mr. Mukesh Kumar Goel	**Sd/-** Mr. Rajeev Sharma
Sd/- Mr. Devender Singh	**Sd/-** Mr. Ravindra Harshadrai Dholakia
Sd/- Mr. P. Murali Mohana Rao	**Sd/-** Mr. Suresh Chand Gupta
Sd/- Mr. Ajit Prasad	**Sd/-** Mr. Krishna Mohan Sahni

SIGNED BY THE SELLING SHAREHOLDER

On behalf of the Selling Shareholder, I certify that the statements made in this Draft Red Herring Prospectus about or in relation to the Selling Shareholder and the Equity Shares offered pursuant to the Offer for Sale are true and correct.

Signed on behalf of the Selling Shareholder

Date: March 18, 2011
Place: New Delhi, India.