

Public Issue of Tax Free Secured Redeemable Non-Convertible Bonds issued by



Power Finance Corporation Ltd.
A Govt. of India Undertaking

HIGHLIGHTS OF TAX BENEFITS

- In exercise of the powers conferred by item (h) of sub-clause (iv) of clause (15) of Section 10 of the Income Tax Act, 1961 (43 of 1961) the Central Government has authorised Power Finance Corporation Ltd. to issue during the FY 2011-12, Tax Free Secured Redeemable Non-Convertible Bonds of face value of Rs. 1,000 each aggregating upto Rs 5,000 crores.
- The income by way of interest on these Bonds is fully exempt from Income Tax and shall not form part of Total Income as per provisions under section 10 (15) (iv) (h) of IT Act.
- There will be no deduction of tax at source from the interest, which accrues to the bondholders on these bonds irrespective of the amount of the interest or the status of the investors.
- Wealth Tax is not levied on investment in Bonds under section 2(ea) of the Wealth-tax Act, 1957.

HIGHLIGHTS

- A Nav-Ratna Government of India undertaking (73.72% equity shareholding held by GOI)
- Set up in July 1986 as a specialized Financial Institution dedicated to Power Sector financing and committed to the integrated development of the power and associated sectors
- Classified as Infrastructure Finance Company in July 2010 by RBI & a Public Financial Institution u/s 4 A of the Companies Act ` 1956
- Provides large range of financial products and services such as Project Term Loan, Lease Financing, Direct Discounting of Bills, Short Term Loan, Consultancy Services etc. for various power projects in Generation, Transmission, Distribution sector as well as for Renovation & Modernisation of existing power projects
- Clients include state power utilities, central power sector utilities, power departments, private power sector utilities (including independent power producers), joint sector power utilities, power equipment manufacturers and power utilities run by local municipalities
- Allied with the Government of India in the implementation of its Accelerated Generation and Supply Program ("AG&SP") and Accelerated Power Development and Reform Program ("APDRP")
- Promoted PTC (India) Ltd. as joint venture along with NTPC and PGCIL
- Reported a top line growth of 27% during FY 2011 to Rs. 10,128 crore against Rs. 8,002 crore in the previous year. The PAT grew by 11% to Rs. 2,620 crore in FY 2011 over FY 2010. PFC's net worth stood at Rs. 18,717 crore as on September 30, 2011 as compared to Rs. 13,261 crore in FY 10-11
- Strong Tier I Capital Adequacy Ratio of 14.69% as on March 31, 2011 against 10.00% norm as specified by RBI for IFCs
- The Net Interest Margin (NIM) stood at 4.00% in FY 2011
- Low gross NPA ratio of 0.22% in FY 11

Source: Prospectus Tranche - 1 (December 26 ` 2011)

SALIENT FEATURES OF THE PROPOSED TAX FREE BONDS

- Tax benefits u/s 10 (15) (iv) (h) of the Income Tax Act, 1961 – interest on these Bonds shall not form part of Total Income.
- Credit Ratings of “CRISIL AAA/Stable” by CRISIL, “ICRA AAA” by ICRA indicating **Highest Degree of Safety** in terms of timely servicing of financial obligations.
- Bonds to be allotted on first-cum-first serve basis up to the limit reserved for each category of investors
- Bonds can be held in physical or in dematerialized form, at the option of bondholders
- Bonds are proposed to be listed on the BSE

Strengths

- ***Comprehensive financial assistance platform focused on the Indian power sector***

PFC provides a comprehensive platform for both fund based and fee based financial activities catering to various power sector projects. This in turn would strengthen its revenue and profitability growth in the coming period

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

The company has 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. As a result, PFC has 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. This unique positioning enables the company to leverage as a preferred financing provider for the power sector in India

- ***Operational flexibility & Highest Credit Rating to help in fundraising and lending opportunities***

The recent recognition of PFC as infrastructure finance company by RBI coupled with its earlier NBFC status will enable it to avail more operational flexibility than some of its competitors. With the help of IFC status along with highest credit rating (AAA by ICRA & CRISIL), the company enjoys competitive lending and borrowing exposure over its competitors.

- ***Experienced and committed management***

The management has significant experience in the power sector and the financial services industry, which has enabled it 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. Further the strong relationships with government agencies, instrumentalities and other power sector intermediaries have enabled it to successfully identify attractive financing opportunities.

Source: Prospectus Tranche - 1 (December 26 ' 2011)

Issue Structure

Issue Opening Date	Friday, December 30, 2011
Issue Closing Date	Monday, January 16, 2012 The subscription list for the Issue shall remain open for subscription at the commencement of banking hours and close at the close of banking hours, with an option for early closure (subject to the Issue being open for a minimum of 3 days) or extension by such period, upto a period of 30 days from the date of opening of the Issue, as may be decided by the Board of Directors/ Committee of the Company. In the event of such early closure of the subscription list of the Issue, our company shall ensure that public notice of such early closure is published on or before the day of such early date of closure through advertisement/s in a leading national daily newspaper. Further, Allotment shall be on first come first serve basis, with Issuer Company having the discretion to close the Issue early irrespective of whether any of the Portion(s) are fully subscribed.
Issue of Bonds	Public Issue by Power Finance Corporation Limited ("Company" or "Issuer") of tax free bonds of face value of Rs 1,000 each, in the nature of secured, redeemable, non-convertible debentures, having benefits under section 10(15)(iv)(h) of the Income Tax Act, 1961, as amended aggregating Rs 1,000 Crores with an option to retain an oversubscription upto the Shelf Limit (i.e. Rs 4033.13 Crores) ("Issue").
Instrument	Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures
Instrument Form	In physical or in dematerialized form, at the option of the investors
Trading	Compulsorily in dematerialized form
Credit Rating	"CRISIL AAA/Stable" by CRISIL, "ICRA AAA" by ICRA
Tenor/Redemption Date	10 Years and 15 Years
Lead Managers to the Issue	A. K. Capital Services Ltd, SBI Capital Markets Ltd. & RR Investors Capital Services Pvt. Ltd.
Trustee for the Bondholders	GDA Trustee & Consultancy Ltd.
Depositories	NSDL and CDSL
Proposed to be listed on	BSE
Mode of Payments	1. At par cheques 2. Demand Drafts
Issuances	In dematerialized form and physical form*
Trading	In dematerialized form only
Interest on Application Money	Interest on application money on the amount allotted, subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended, as applicable, to any applicants to whom Bonds are allotted pursuant to the Issue from the date of realization of the cheque(s)/demand draft(s) or 3 (three) days from the date of banking of the application (being the date of submission of each application as duly acknowledged by the Bankers to the Issue) whichever is later upto one day prior to the Deemed Date of Allotment, at the rate of coupon rate of 8.20% per annum and 8.30% per annum for Tranche 1 Series 1 and Tranche 1 Series 2 Bonds respectively
Interest on Application Money which is liable to be refunded	Interest on application money which is liable to be refunded to the applicants in accordance with the provisions of the SEBI Debt Regulations, or other applicable statutory and/or regulatory requirements, subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended, as applicable, from the date of realization of the cheque(s)/demand draft(s) or 3 (three) days from the date of receipt of the application (being the date of presentation of each application as acknowledged by the Bankers to the Issue) whichever is later upto one day prior to the Deemed Date of Allotment, at the rate of 5% per annum

* In terms of Regulation 4(2)(d) of the Debt Regulations, the Company will make public issue of the Bonds in the dematerialized form. However, in terms of Section 8 (1) of the Depositories Act, the Company, at the request of the Investors who wish to hold the Bonds in physical form will fulfill such request

Source: Prospectus Tranche - 1 (December 26 ' 2011)

Bond Particulars

Options / Series	Tranche-1 Series I	Tranche-1 Series II
Face Value per Bond	Rs. 1,000	Rs. 1,000
Minimum Application Size	Rs. 10,000 (10 Bonds)	Rs. 10,000 (10 Bonds)
In Multiples of	Rs. 5,000 (5 Bonds)	Rs. 5,000 (5 Bonds)
Frequency of Interest payment	Payable Annually	Payable Annually
Interest Rate p.a. (%)	8.20%	8.30%
Interest Payment Date	Every year on October 15, and on respective maturity	
Redemption /Maturity Date	10 Years	15 Years
Redemption Amount	Repayment of the Face Value plus any interest that may have accrued at the Redemption Date	Repayment of the Face Value plus any interest that may have accrued at the Redemption Date

Source: Prospectus Tranche - 1 (December 26 ' 2011)

Who can Apply?

Category	Category I	Category II (Above Rs. 5 Lakh)	Category III (Below & including Rs. 5 Lakh)
	Public Financial Institutions, Statutory Corporations, Commercial Banks, Co-operative Banks and Regional Rural Banks, which are authorised to invest in the Bonds	Resident Indian individuals	Resident Indian individuals
	Provident Funds, Pension Funds, Superannuation Funds and Gratuity Funds, which are authorised to invest in the Bonds	Hindu Undivided Families through the Karta	Hindu Undivided Families through the Karta
	Foreign Institutional Investors (including sub-accounts)	Non Resident Indians on repatriation as well as non-repatriation basis	Non Resident Indians on repatriation as well as non-repatriation basis
	Insurance Companies registered with the IRDA		
	National Investment Fund		
	Mutual Funds		
	Companies; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the Bonds		
	Public/private charitable/religious trusts which are authorised to invest in the Bonds		
	Scientific and/or industrial research organisations, which are authorised to invest in the Bonds		
	Partnership firms in the name of the partners		
	Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009)		

Applications cannot be made by:

- Minors without a guardian name;
- Foreign nationals;
- Persons resident outside India other than NRIs ;
- Overseas Corporate Bodies

Source: Prospectus Tranche - 1 (December 26 ' 2011)

Basis of Allotment

Category	I	II (Above Rs. 5 Lakh)	III (Below & including Rs. 5 Lakh)
Portion	Institutional Portion	HNI Portion	Retail Portion
Size in %	50% of Overall Issue Size on first come first serve basis	25% of Overall Issue Size on first come first serve basis	25% of Overall Issue Size on first come first serve basis

Undersubscription:

If there is any under subscription in any Portion, priority in allotments will be given in the following order:

- i. Category III Portion
- ii. Category II Portion
- iii. Category I Portion

on a first come first serve basis within each Portion

Oversubscription:

In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis and thereafter on proportionate basis, i.e. full allotment of Bonds to the applicants on a first come first basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of Bonds to the applicants on the date of oversubscription (based on the date of submission of each application to the Bankers to the Issue, in each Portion)

Source: Prospectus Tranche - 1 (December 26 ' 2011)

FINANCIAL HIGHLIGHTS - Standalone

As on/For the year	(Rs. in crore)				
	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011
Share Capital	1147.77	1147.77	1147.77	1147.77	1147.77
Reserve and Surplus	7445.32	8182.08	10360.05	12113.02	14034.72
Net Worth	8593.09	9329.85	11507.82	13260.79	15182.49
Secured Loans	0.00	0.00	0.00	0.00	235.36
Unsecured Loans	33584.18	40647.81	52160.15	67108.41	85363.21
Total Loans	33584.18	40647.81	52160.15	67108.41	85598.57
Investments	58.88	65.59	35.86	31.43	53.88
Loans & Advances	43902.83	51568.31	64428.99	79855.76	99570.74
Operating Income	3816.67	5029.28	6557.37	8002.10	10128.49
Total Expenditure (including depreciation and interest)	2420.77	3257.85	4593.09	5063.79	6616.35
Profit Before Tax	1506.86	1787.40	1990.47	3013.20	3544.14
Profit After Tax	986.14	1206.76	1969.96	2357.25	2619.58
Loans (Rs. Crores)	43902.83	51568.31	64428.99	79855.76	99570.74
Capital Adequacy Ratio (CAR) %				18.20%	15.71%
Gross NPA (% to Total Loan Book)		0.03%	0.02%	0.23%	0.22%

Source: Prospectus Tranche - 1 (December 26 ' 2011)

Disclaimer: "Invest only after referring to final prospectus"

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