

COMPANY BACKGROUND

PFC is a leading financial institution in India focused on the power sector. PFC plays a strategic role in the GoI's initiatives for the development of the power sector in India. PFC works closely with State governments and power sector utilities, other power sector intermediaries and private sector clients for the development and implementation of policies and procedural reforms for the power sector in India. In addition, PFC is 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.

PFC provides 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 generation (conventional and renewable), transmission and distribution projects as well as for related renovation and modernization projects. PFC provides various fund based financial assistance, including project finance, short-term loans, buyer's line of credit and debt refinancing schemes, as well as nonfund based assistance including default payment guarantees and letters of comfort. PFC also provides various fee-based technical advisory and consultancy services for power sector projects.

PFC 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. PFC have also strategically expanded their 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. PFC also intend to fund power trading initiatives.

PFC primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. PFC currently enjoy the highest credit ratings of "AAA" and "LAAA" for their long-term domestic borrowings and "P1+" and "A1+" for their 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 them long-term foreign currency issuer ratings of "Baa3", "BBB-" and "BBB-", respectively, which are at par with the sovereign ratings for India.

PFC is a listed government company and a public financial institution under the Companies Act. PFC is registered with the RBI as a non-deposit taking systemically important NBFC ("NBFC") and was classified as an IFC in July 2010. PFC believes that their NBFC and IFC classification enables them to effectively capitalize on available financing opportunities in the power sector in India. In addition, as a government-owned NBFC, loans made by them 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, PFC 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 their loans made to the private sector are generally consistent with lending (exposure)

Issue Highlights:

Books Open : 10/05/2011
 Books Close : 13/05/2011
 Face Value : Rs. 10
 Bid Lot Size :
 Price Band :

Issue Details:

Issue Size : 229277876 In EQ SHRS
 QIB Portion: 114638937 In EQ SHRS
 Retail Portion: 34391682 In EQ SHRS
 HNI Portion: 80247257 In EQ SHRS
 Lead Managers: BofA ML,
 GOLDMAN SACHS, I-SEC, JM
 FINANCE

norms stipulated by the RBI. PFC believes that its classification as an IFC enhances its 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.

PFC was granted the *Navratna* status by the DPE in 2007, and has received an "Excellent" rating from the GoI in each of the last five fiscal years. PFC was 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.

KEY POINTS OF THE COMPANY:-

PFC has an established track record of consistent financial performance and growth:

- PFC's 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%. Their total loan assets further increased to ₹ 921,182.57 million as of December 31, 2010. As of December 31, 2010, their total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹ 1,580,005 million.
- 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 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%. 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.
- PFC 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.
- PFC 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.
- PFC net worth as of December 31, 2010 was ₹ 143,595.50 million.
- PFC capital adequacy ratio was 18.3% and 17.3% as of March 31, 2010 and as of December 31, 2010, respectively.

OBJECTS OF THE ISSUE:-

The objects of the Issue are to raise capital for financing the activities mentioned below:

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 the Company's pre-Issue paid up equity share capital. PFC 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:-

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

To meet the enhanced demand for financial assistance, PFC need to augment their resources. PFC meet their financial requirements through borrowings, from loan repayments and interest repayments. These resources are used for their 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.

FINANCIALS:-

(₹ in Millions)

PARTICULARS	March 31, 2009	March 31, 2010	December 31, 2010
TOTAL INCOME	65,736.68	80,817.15	74,677.97
TOTAL EXPENDITURE	45,769.21	50,502.98	48,292.04
PAT	14,599.51	22,289.86	19,403.46
TOTAL ASSETS	682,688.14	848,622.48	921,182.57
NET WORTH	109,869.42	124,866.96	143,221.28

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