

M/s M.K. Aggarwal & Co.
Chartered Accountants,
30, Nishant Kunj,
Pitampura,
New Delhi – 110034
Ph: 01147517171
E-mail: mka@mkac.in

M/s K.B. Chandna & Co.
Chartered Accountants,
E-27, South Extension
Part -II
New Delhi –110049
Ph: 011 26252762
E-mail: kbc.chandna@gmail.com

LIMITED REVIEW REPORT

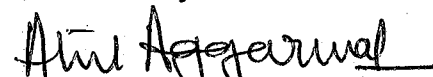
TO THE BOARD OF DIRECTORS OF POWER FINANCE CORPORATION LIMITED

We have reviewed the accompanying statement of unaudited financial results of **Power Finance Corporation Limited** (the "Company") for the quarter and half year ended 30th September, 2016, being submitted by the Company pursuant to the requirement of Regulation 33 and Regulation 52 read with Regulation 63(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Management is responsible for the preparation and fair presentation of this statement and the same has been approved by the Board of Directors. Our responsibility is to express a conclusion on this interim financial information based on our review.

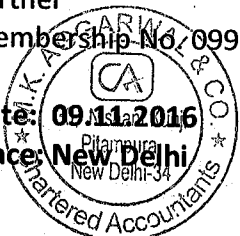
We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", specified under section 133 of the Companies Act, 2013, read with rules 7 of the Companies (Accounts) Rules, 2014 and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatements.

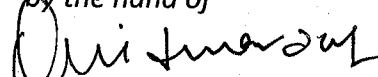
For M.K. AGGARWAL & CO.
Chartered Accountants,
Firm Registration No. 01411N
by the hand of


CA ATUL AGGARWAL
Partner
Membership No. 099374

Date: 09.11.2016
Place: New Delhi



For K.B. CHANDNA & CO.
Chartered Accountants,
Firm Registration No. 00862N
by the hand of

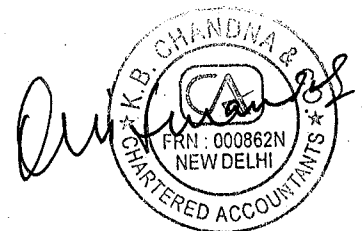
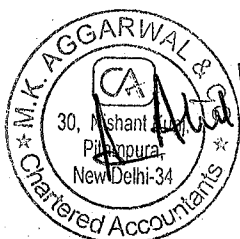

CA ONIL CHANDNA
Partner
Membership No. 092820



PART - I : STATEMENT OF UN-AUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER 2016

(₹ in Crore)

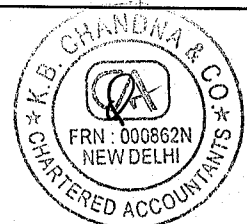
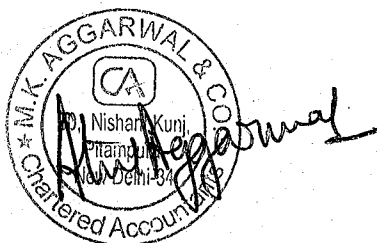
Sl. No.	PARTICULARS	QUARTER ENDED			HALF YEAR ENDED		YEAR ENDED
		30-09-2016	30-06-2016	30-09-2015	30-09-2016	30-09-2015	31-03-2016
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
1)	Income from Operations						
	(a) Interest Income	6,856.90	7,072.05	6,891.40	13,928.95	13,600.72	27,079.44
	(b) Other Operating Income	71.49	33.55	130.65	105.04	176.66	394.21
	Total Income from Operations (Net)	6,928.39	7,105.60	7,022.05	14,033.99	13,777.38	27,473.65
2)	Expenses						
	(a) Interest, Finance and Other Charges (including Provisions)	4,293.88	4,466.61	4,525.40	8,760.49	8,810.27	18,212.83
	(b) Employee Benefit Expenses	26.38	25.26	22.43	51.64	45.46	90.37
	(c) Depreciation and Amortization	1.35	1.18	1.45	2.53	2.75	6.17
	(d) Other Expenses	14.37	175.67	12.47	190.04	169.08	194.28
	Total Expenses	4,335.98	4,668.72	4,561.75	9,004.70	9,027.56	18,503.65
3)	Profit from Operations before Other Income and Exceptional Items (1-2)	2,592.41	2,436.88	2,460.30	5,029.29	4,749.82	8,970.00
4)	Other Income	71.37	53.06	2.07	124.43	5.84	90.66
5)	Profit from ordinary activities before Exceptional Items (3+4)	2,663.78	2,489.94	2,462.37	5,153.72	4,755.66	9,060.66
6)	Exceptional items	--	--	--	--	--	--
7)	Profit from Ordinary Activities before Tax (5+6)	2,663.78	2,489.94	2,462.37	5,153.72	4,755.66	9,060.66
8)	Tax Expense	790.36	777.39	767.07	1,567.75	1,484.15	2,947.18
	(a) Provision for Income Tax						
	Current Year	791.18	661.60	716.07	1,452.78	1,409.27	2,822.26
	Earlier Years	(0.03)	0.00	0.00	(0.03)	(0.43)	12.11
	(b) Deferred Tax Liability / (Deferred Tax Asset)	(0.79)	115.79	51.00	115.00	75.31	112.81
9)	Net Profit from Ordinary activities after tax (7-8)	1,873.42	1,712.55	1,695.30	3,585.97	3,271.51	6,113.48
10)	Extraordinary items (Net of tax expense - Nil)	--	--	--	--	--	--
11)	Net Profit for the period (9-10)	1,873.42	1,712.55	1,695.30	3,585.97	3,271.51	6,113.48
12)	Paid-up Equity Share Capital (Face value of share is ₹ 10)	2,640.08	1,320.04	1,320.04	2,640.08	1,320.04	1,320.04
13)	Reserves excluding Revaluation reserves	--	--	--	36,634.68	33,946.83	34,445.99
14)	Earnings Per Share (EPS) (Face value ₹ 10/- each) (not annualised)						
	(a) Basic and Diluted EPS (before Extraordinary items) (in ₹)	7.10	6.48	6.42	13.58	12.39	23.16
	(b) Basic and Diluted EPS (after Extraordinary items) (in ₹)	7.10	6.48	6.42	13.58	12.39	23.16
15)	Debt Equity Ratio	--	--	--	4.96	5.26	5.61
16)	Debenture Redemption Reserve	--	--	--	1,299.95	1,011.81	1,172.55
17)	Networth	--	--	--	39,274.76	35,266.87	35,766.03
18)	Outstanding Redeemable Preference Shares	--	--	--	--	--	--
19)	Paid up Debt Capital*	--	--	--	178,983.90	173,931.02	172,339.16
20)	Capital Redemption Reserve	--	--	--	--	--	--
	* consists of Bonds / Debentures						



Part-II: STATEMENT OF ASSETS AND LIABILITIES

A	EQUITY AND LIABILITIES	Standalone	
		As at 30.09.2016	As at 31.03.2016
1	Shareholders' Funds		
	(a) Share capital	2,640.08	1,320.04
	(b) Reserves and surplus	36,634.68	34,445.99
	Sub total - Shareholders' Funds	39,274.76	35,766.03
2	Non-current liabilities		
	(a) Long-term borrowings	165,167.50	172,549.70
	(b) Deferred tax liabilities (net)	456.40	302.06
	(c) Other Long-term Liabilities	533.27	548.75
	(d) Long Term Provisions	1,673.65	1,229.28
	Sub-total - Non-current liabilities	167,830.82	174,629.79
3	Current liabilities		
	(a) Short-term borrowing	6,205.91	7,571.57
	(b) Other Current Liabilities		
	(i) Current maturity of long term borrowing	23,323.44	20,363.17
	(ii) Other Current Liabilities	8,189.17	7,500.77
	(c) Short Term Provisions	667.37	805.44
	Sub-total - Current liabilities	38,385.89	36,240.95
	TOTAL - EQUITY AND LIABILITIES	245,491.47	246,636.77
B	ASSETS		
1	Non-current assets		
	(a) Fixed assets	62.44	64.07
	(b) Non-current investments	2,265.60	2,266.73
	(c) Long-term loans and advances	187,511.45	200,036.08
	(d) Other Non Current Assets	317.71	314.98
	Sub-total - Non-current assets	190,157.20	202,681.86
2	Current assets		
	(a) Current investments	1,071.02	410.74
	(b) Cash and Bank Balances	799.77	78.45
	(c) Current Maturities of Long-term loans	40,983.32	33,622.15
	(d) Short -term loans & advances	5,691.28	3,803.96
	(e) Other Current Assets	6,788.88	6,039.61
	Sub-total - Current assets	55,334.27	43,954.91
	TOTAL - ASSETS	245,491.47	246,636.77

See accompanying notes to the Financial Results



Notes :-

1

The above financial results for the quarter and half year ended 30.09.2016 have been reviewed and recommended by the Audit Committee of Directors and approved by the Board of Directors in their respective meetings held on 09.11.2016. The same have been subjected to Limited Review by Joint Statutory Auditors M/s K B Chandna & Co., Chartered Accountants and M/s M K Aggarwal & Co., Chartered Accountants.

2

Interest, Finance and Other charges at 2(a) of Part I above includes:

(i) Non-performing asset provision of ₹ 313.36 crore for the current quarter and ₹ 424.31 crore for the half year ended 30.09.2016 (corresponding previous quarter and half year ₹ 18.24 crore and ₹ 58.73 crore respectively). Gross Non-performing assets as at 30.09.2016 amount to ₹ 7,592.30 crore (as at 31.03.2016 ₹ 7,520.21 crore),

(ii) Standard Assets provision of ₹ 65.89 crore for the current quarter and ₹ 47.98 crore for the half year ended 30.09.2016 (corresponding previous quarter and half year ₹ 303.93 crore and ₹ 310.37 crore respectively), on the outstanding balance of standard assets,

(iii) Restructured Standard Assets provision of ₹ (78.24) crore for the current quarter and ₹ 29.33 crore for the half year ended 30.09.2016 (corresponding previous quarter and half year ₹ 15.64 crore and ₹ 216.98 crore respectively). The qualifying Restructuring / Reschedulement / Renegotiation (R/R/R) loans outstanding as at 30.09.2016 amount to ₹ 21,444.17 crore in Private sector and ₹ 8,453.45 crore in Govt. Sector (as at 31.03.2016 ₹ 21,479.20 crore in Private sector and ₹ 10,783.78 crore in Govt. Sector), and

(iv) Provision for Diminution in value of investments of ₹ (0.08) crore for the current quarter and ₹ (27.02) crore for the half year ended 30.09.2016 (corresponding previous quarter and half year ₹ 43.26 crore and ₹ 43.26 crore respectively).

As regards provision on Standard Assets as per RBI norms, the accounting policy for the current year has been changed in quarter ended 30.06.2016 and it requires provision enhancement from 0.30% on 31.03.2016 to 0.35% by 31.03.2017. Accordingly, provision for the quarter and half year ended 30.09.2016 has been made on pro-rata basis. Due to this change in the accounting policy, profit before tax for the current quarter and half year has decreased by ₹ 26.47 crore and ₹ 49.65 crore respectively.

As regards R/R/R loans on which restructuring provisioning as per RBI norms is applicable, the accounting policy for the current year has been changed in quarter ended 30.06.2016 and it requires provision enhancement from 3.50% on 31.03.2016 to 4.25% by 31.03.2017. Accordingly, provision for the quarter and half year ended 30.09.2016 has been made on pro-rata basis. Due to this change in the accounting policy, profit before tax for the current quarter and half year has decreased by ₹ 49.23 crore and ₹ 112.12 crore respectively.

3

(i) From the current financial year, Company has adopted RBI Prudential norms contained in RBI's "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016" as amended from time to time, to be read with the paras mentioned below.

(ii) For operationalization of RBI's asset classification norms, the Company has communicated its understanding to RBI vide letters dated 13.08.2015 and 13.01.2016, which inter-alia provides that prospectively:

a) loan assets (excluding lease asset) outstanding as at 31.03.2017 and overdue for 4 months or more will be classified as Non-Performing Asset (NPA) and classification during the year will be based on prevailing norm of overdue for 5 months or more,

b) NPA as at 31.03.2017 for a period not exceeding 14 months will be classified as Sub-standard asset and classification during the year will be based on prevailing norm of NPA for a period not exceeding 16 months, and

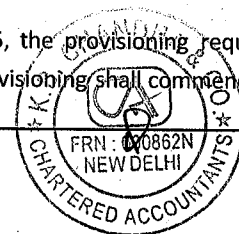
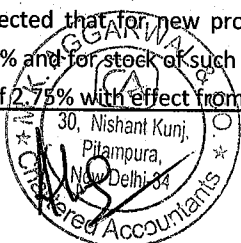
c) NPA as at 31.03.2017 for a period exceeding 14 months will be classified as Doubtful asset and classification during the year will be based on prevailing norm of NPA for a period exceeding 16 months.

RBI vide its letter dated 03.10.2016 has confirmed the Company's implementation plan in respect of asset classification norms. Accordingly, the additional provision, if any, will be accounted at the year end.

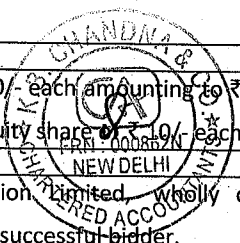
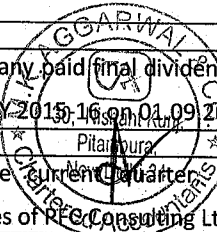
(iii) For R/R/R norms, RBI vide its letter dated 11.06.2014 inter-alia:

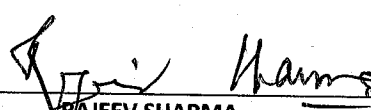
(a) has exempted the Company from application of its restructuring norms for Transmission & Distribution, Renovation & Modernization and Life Extension projects and also the hydro projects in Himalayan region or affected by natural disasters for a period of 3 years i.e. till 31.03.2017, and

(b) has directed that for new project loans to generating companies restructured w.e.f. 01.04.2015, the provisioning requirement would be 5% and for stock of such outstanding loans as on 31.03.2015 to all generating companies, provisioning shall commence with a provision of 2.75% with effect from 31.03.2015 and reaching 5% by 31.03.2018.



	<p>For implementing RBI's directions dated 11.06.2014, Company vide its letter dated 03.07.2014 has communicated its implementation strategy to RBI, which has been further reiterated vide Company's letter dated 27.11.2014 and 25.07.2016. Information sought by RBI vide its letter dated 01.09.2016 has been provided by the Company vide letter dated 17.10.2016. Company is pursuing the matter with RBI in this regard. Accordingly, Company is implementing the RBI norms in line with the manner of implementation communicated to RBI.</p>
4	<p>Due to alignment of accounting policy with RBI prudential norms w.e.f. 01.04.2016:</p> <p>(i) valuation of Quoted Current Investments has been made category-wise against the earlier policy of scrip-wise valuation. Due to this change in the accounting policy, profit before tax for the current quarter and half year has increased by ₹ (12.99) crore and ₹ 50.66 crore respectively;</p> <p>(ii) policy of classifying a loan asset as a loss asset on becoming 'Doubtful for more than 3 years' with 100% NPA provision applicable up to 31.03.2016 stands replaced with continuation of asset classification as Doubtful instead of loss asset, with NPA provision @ 50%. Accordingly in accordance with RBI norms, on loan accounts, which became due for classification as 'doubtful for more than three years' during the current half year, provision has been made. Due to this change in the accounting policy, profit before tax for the current quarter and half year has increased by ₹ 462.95 crore and ₹ 746.58 crore respectively.</p>
5	<p>During the quarter and half year ended 30.09.2016, Company has amended the accounting policy for accounting for derivative contracts in order to align it with the 'Guidance Note on Accounting for Derivative Contracts' issued by The Institute of Chartered Accountants of India which has become applicable from 01.04.2016. The Guidance Note requires derivative contracts to be accounted either on fair value basis or as per hedge accounting and the Company has opted for accounting on fair value basis.</p> <p>Accordingly, Derivative contracts not covered by AS-11 but covered under Guidance Note are measured at fair value with changes in fair value being recognized in the Statement of Profit & Loss. In accordance with the transitional provisions mentioned in the Guidance Note, an amount of ₹ 74.35 crore (net of Deferred Tax Liability of ₹ 39.35 crore) has been adjusted in the opening balance of reserves, representing the cumulative impact of change in the fair value (gain) of the interest rate swaps till 31.03.2016 net of amount accrued. Further, the fair value gain (net) on interest rate swaps has been booked to the Statement of Profit & Loss. Due to this change in the accounting policy, profit before tax for the current quarter and half year ended 30.09.2016 has increased by ₹ 170.34 crore.</p>
6	<p>In case of a restructured loan asset, categorized as sub-standard by the Company on 15.04.2015, the borrower has obtained an ad-interim stay on further proceedings from Hon'ble High Court of Madras vide order dated 17.06.2015. The Company had sought a legal opinion with respect to asset classification, based on which, in the previous year the loan asset has been re-classified from restructured sub-standard to restructured standard asset and the NPA provision amounting to ₹ 339.99 crore made till the date of reclassification was reversed during the previous year. The matter is sub-judice and ad-interim stay is continuing. Based on the subsequent legal opinion sought, the Company maintained asset classification as standard as on 31.03.2016 and continues the same in the current quarter also amid further progress in the project.</p> <p>Subsequent to reclassification of the account in the previous year,</p> <p>(i) interest income of ₹ 666.31 crore has been recognized on accrual basis remaining overdue (consisting of ₹ 173.17 crore during current quarter, ₹ 337.53 crore during half year ended 30.09.2016 and ₹ 328.78 crore during previous year). The interest income recognized on accrual basis remaining overdue during corresponding previous quarter and half year amount to ₹ 138.54 crore and ₹ 237.50 crore respectively.</p> <p>(ii) provision, as applicable based on the existing asset classification, has been made which stands at ₹ 124.79 crore as on 30.09.2016 (as on 31.03.2016 ₹ 148.82 crore).</p> <p>(iii) provision treating the account as doubtful, on the loan balance of ₹ 4,251.91 crore as on 30.09.2016, after considering the provision as stated at (ii) above, has not been recognized amounting to ₹ 725.59 crore.</p> <p>On 30.06.2016, the Company has moved petition for vacating the order of ad-interim stay. The said petition is pending for hearing till date.</p>
7	<p>The Company paid final dividend @ 6% on the paid up equity capital i.e. ₹ 0.60/- per equity share of ₹ 10/- each amounting to ₹ 79.20 crore for FY 2015-16 on 01.09.2016. The total dividend paid for FY 2015-16 amounted to ₹ 13.90/- per equity share of ₹ 10/- each.</p>
8	<p>During the current quarter, Gurgaon-Palwal Transmission Limited and Warora-Kurnool Transmission Limited, wholly owned subsidiaries of REC Consulting Ltd (wholly owned subsidiary of the Company) have been transferred to the successful bidder.</p>



9	During the current quarter, Board of Directors of the Company in its meeting held on 9th August, 2016 have considered and in-principle approved merger of PFC Green Energy Limited (PFC GEL, a wholly owned subsidiary of the Company) with the Company.
10	The Company amortizes exchange differences on long term foreign currency monetary items over their tenure. Consequently, as at 30.09.2016 the unamortized debit balance under Foreign Currency Monetary Item Translation Difference Account (FCMITDA) is ₹ 891.36 Crore (as at 31.03.2016 debit balance of ₹ 739.74 Crore).
11	Shareholders in their Annual General Meeting held on 19th August 2016 have accorded approval: (a) to increase the authorized share capital of the Company from present ₹ 2,000 crore divided into 2,00,00,00,000 equity shares of ₹ 10/- each to ₹ 10,000 crore divided into 10,00,00,00,000 equity shares of ₹ 10/- each, and (b) for issuance of Bonus Shares in the ratio of 1:1 by capitalizing the Securities Premium Account. Consequently, the Board of Directors of the Company in its meeting held on 1st September 2016 has accorded approval for allotment of 132,00,40,704 bonus equity shares to the existing shareholders as on 29.08.2016 (record date). As a result of this, paid up equity share capital of Company has increased from ₹ 1,320.04 crore (132,00,40,704 equity shares of ₹ 10 each) to ₹ 2,640.08 crore (264,00,81,408 no of equity shares of ₹ 10 each). Accordingly, Earning Per Share (EPS) (basic and diluted) have been adjusted on account of bonus shares for all periods presented.
12	The Company has been raising funds through various instruments including series of non-convertible bond issues. During the quarter and half year ended 30.09.2016, the Company has not defaulted in servicing of its borrowings. As regards non-convertible Rupee denominated bonds, the previous due date for payment of interest and principal was 27.09.2016.
13	For all the secured bonds issued by the Company and outstanding as at 30.09.2016, 100% security cover has been maintained by way of mortgage on specified immovable properties and/or charge on the receivables of the Company.
14	Ratings assigned by domestic rating agencies, for Company's long term domestic borrowing programme (including bank loans) continue to be the highest rating of CRISIL AAA, ICRA AAA and CARE AAA by CRISIL, ICRA and CARE respectively. The Company's short term domestic borrowing programme (including bank loans) continue to have the highest rating of CRISIL A1+, ICRA A1+ and CARE A1+ by CRISIL, ICRA and CARE respectively. The long term currency issuer ratings assigned to the Company by international credit rating agencies Moody's, Fitch and Standard and Poor's continue to be Baa3, BBB- and BBB- respectively, which are at par with sovereign rating for India.
15	Redeemable preference shares as at 30.09.2016 stand at Nil (as at 31.03.2016 Nil).
16	The identification of business segment is done in accordance with the system adopted for internal financial reporting to the Board of Directors and management structure. The Company's primary business is to provide finance for power sector which in the context of Accounting Standard - 17 is considered the only primary business segment. Hence, no segmental reporting is required.
17	Figures for the previous period have been regrouped / reclassified wherever necessary, to confirm to current period classification.
18	Figures for the quarter ended 30.09.2016 are the balancing figures between unaudited figures for the half year ended 30.09.2016 and unaudited figures for the quarter ended 30.06.2016.
 RAJEEV SHARMA Chairman & Managing Director DIN - 00973413	
Place : New Delhi	
Date : 09.11.2016	

