



# PTC INDIA FINANCIAL SERVICES LIMITED

5<sup>TH</sup> ANNUAL REPORT 2010-2011



### Vision

"Be the most preferred financial services partner in the entire energy value chain"

### Mission

"To partner and forge strong relationships with credible stakeholders to provide complete financial services for all links in the energy value chain"

#### FIFTH ANNUAL GENERAL MEETING

To be held on Wednesday, 28.09.2011 at 11:30 AM at Dr. Sarvepalli Radhakrishnan Auditorium, Kendriya Vidyalaya No. 2 APS Colony, Delhi Cantt., (Delhi-Gurgaon Road) New Delhi-110010

#### NOTE:

1. Shareholders are requested to bring their copy of Annual Report with them to the Annual General Meeting
2. No gifts or coupons would be given to the shareholders for attending the Annual General Meeting.



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*(Signature)*

## Reference Information

Registered Office	:	PTC India Financial Services Limited, 2nd Floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi- 110066
Company Secretary	:	Mr. Vishal Goyal
Statutory Auditors	:	Deloitte Haskins and Sells
Shares are listed on	:	NSE & BSE
Depository	:	NSDL & CDSL
Registrar and Transfer Agent		
• Equity & Infra Bonds	:	Karvy Computershare Private Limited
• NCDs	:	MCS Limited
Bankers	:	Yes Bank Punjab National Bank Corporation Bank Union Bank of India Indian Bank Oriental Bank of Commerce
Trustee for NCD / Bonds	:	IDBI Trusteeship Services Limited
Website	:	<a href="http://www.ptcfinancial.com">www.ptcfinancial.com</a>



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of PTC India Financial Services Ltd will be held on 28<sup>th</sup> day of September, 2011 at 11:30 AM at Dr. Sarvepalli Radhakrishnan Auditorium at Kendriya Vidyalaya No. 2, A.P.S. Colony (Delhi-Gurgaon Road), Delhi Cantt, New Delhi - 110010 to transact the following business: -

### ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 31st March 2011, Profit and Loss Account (including all the documents attached to it) for the year ended on that date and the Report of the Board of Directors and Auditors thereon.
2. To re-appoint Mrs. Rama Murali, who retire by rotation and is eligible for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution for appointment of Statutory Auditors for the financial year 2011-12 as Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of the Companies Act, 1956, M/s Deloitte Haskins & Sells, Chartered Accountants (ICA Registration no. 015125N), be and is hereby re-appointed as the Statutory Auditors of the Company for the financial year 2011-12, to hold the office from conclusion of 5th Annual General Meeting of the Company until the conclusion of 6th Annual General Meeting of the Company on the terms and conditions as decided by the Board or any Committee hereof from time to time.

FURTHER RESOLVED THAT Company Secretary or any other officer of the company be and is hereby authorised to inform M/s Deloitte Haskins & Sells, Chartered Accountants about their re-appointment as statutory auditors of the company for the financial year 2011-12."

### SPECIAL BUSINESS:

4. To appoint Mr. Surinder Singh Kohli as Director, who was appointed as Additional Director in pursuant of provision 260 of Companies Act, 1956, and will hold the office upto ensuing AGM.

To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution:

"RESOLVED THAT pursuant to section 257 of the Companies Act, 1956, Mr. Surinder Singh Kohli, be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation."

FURTHER RESOLVED THAT any Director or Company Secretary of the Company be and is hereby authorised to do all such acts including filing of necessary intimation with ROC for above purpose."

5. Amendment in Article of Association of the Company to remove the in-operative of Article of Association.

To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions of the law, if any, the existing Articles of Association be and are hereby amended and adopted by deleting the Article 112 to 127, as per the detail mentioned in the explanatory statement.

FURTHER RESOLVED THAT, Director and/or Company Secretary of the Company be and is hereby authorized to sign and file all the necessary forms and other necessary documents as may be required by the statutory authorities including the Registrar of Companies, New Delhi and Haryana and to do such acts, deeds and things that may be required for the purpose of alteration of the Articles of Association of the Company that may be suggested by the Registrar of Companies or such other statutory authorities in the implementation of the aforesaid

resolutions and to authorize such person or persons to give effect to the above resolutions and to submit all documents to the concerned authorities with regard to the same."

By Order of the Board of Directors,  
For PTC India Financial Services Limited

(Vishal Goyal)

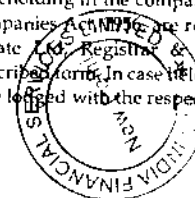
Company Secretary

Place: New Delhi

Date: 29th July, 2011

### Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE 'MEETING') IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY FORM IS ENCLOSED. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
3. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business set out in the notice is enclosed.
4. As required by clause 49 of the Listing Agreement, relevant details of Mrs. Rama Murali, Director retiring by rotation and seeking re-appointment under item no. 2 and appointment of Mr. Surinder Singh Kohli as Director under item no. 4 aforesaid are annexed. Mr. P. Abraham, Director whose office was liable to retire by rotation in this AGM has shown his unwillingness for reappointment.
5. None of the Directors of the Company is in anyways related to each other.
6. The register of Members and Share Transfer Books of the Company will remain closed from 17<sup>th</sup> to 28<sup>th</sup> September, 2011 (both days inclusive).
7. Members are requested to send all correspondence concerning registration of transfers, transmissions, subdivision, consolidation of shares or any other shares related matter and /or change in address and bank account, to Company's Registrar.
8. Members holding shares in multiple folios in physical mode are requested to apply for consolidation to the Company or Registrar & Transfer Agent alongwith relevant share certificates.
9. Members desirous of making a nomination in respect of their shareholding in the company, as permitted under Section 109A of the Companies Act, 2013 are requested to write to Karvy Computershare Private Ltd, Registrar & Transfer Agent of the Company in the prescribed form. In case held in dematerialised form, the nomination has to be lodged with the respective depository participant.

10. Members who hold shares in physical form are requested to notify immediately any change in their addresses to the Registrar or Transfer Agent and to their respective depository participants, in case of shares are held in electronic mode.
11. Members desirous of getting any information on any items of business of this Meeting are requested to address their queries to Company Secretary of the Company at the registered office atleast 10 days prior to the date of the meeting, so that the information required can be made readily available at the Meeting.
12. All documents referred to in the accompanying notice and statutory registers are open for inspection at the registered office of the company on all working days (barring Saturday and Sunday) between 11 am to 1 pm prior to the date of Annual General Meeting.
13. The entire Annual Report is also available at the Company's website [www.ptcfinancial.com](http://www.ptcfinancial.com).
14. Members are requested to bring their attendance slip along with their copy of annual report to the meeting.
15. In case of joint holders attending Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
16. The Company is not providing Video Conferencing facility for this meeting.
17. As per the circular no. 18/2011 on Green Initiative, The company will send Annual Report along with other documents through email to all members, whose have registered their email address with depository and physical hard copies will be despatched to others. In case any member desire to get hardcopy of annual report, they can write to company at registered office address or email at [complianceofficer@ptcfinancial.com](mailto:complianceofficer@ptcfinancial.com).

### Important Communication to Members

The Ministry of Corporate Affairs (MCA) has taken a "Green initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/ documents including annual report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their respective Depository Participants. Members who hold shares in physical form are requested to provide details of e-mail addresses to Registrar and Transfer Agent of the Company.



Annexure to the Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

Item no. 4

Mr. Surinder Singh Kohli holds Bachelor's degree in Science (Mechanical Engineering) from Banaras Hindu University and a diploma in Industrial Finance from Indian Institute of Bankers. Prior to joining our Company he was the Chairman and Managing Director of India Infrastructure Finance Company Limited, Punjab National Bank, Small Industries Development Bank of India and Punjab and Sind Bank respectively. He was also the chairman of the India Banks Association for two terms. There is a need for appointment of expert professionals, to enhance the growth and expansion of the company. The Board in its meeting held on 13th December, 2010, appointed Mr. Kohli as Additional Director. Therefore it is proposed to appoint Mr. Surinder Singh Kohli, as a member of Board.

No other Director is interested in appointment of Mr. Surinder Singh Kohli excepting him. The Board recommends the resolution for approval of the shareholders.

Item no. 5

The Shareholders in its extraordinary general meeting held on 13th December 2010 had made required changes in Articles of Association of PFS (AOA) at the time of IPO, to make it in line with SEBI requirements, restricted clauses in AOA were suspended / marked for deletion by inserting following Article 128 in AOA.

128 Each of the Articles 112 to 127 shall automatically terminate and cease to be a part of these articles with effect from the date of filing of the Prospectus with the Registrar of Companies in relation to the IPO of the equity shares of the Company.

Article 112 to 127 were derived from the shareholders agreement with GS Strategic Investment Limited, Macquarie India Holdings Limited and PTC India Limited which has already terminated on completion of IPO, therefore, the provisions of same need to be removed from the AOA of the Company.

As the Company had filed Prospectus with ROC and become a listed company, therefore, these Articles are inoperative as on date. The Board of Directors in its meeting held on 25th May 2011 has recommended removing clause 112 to 128 from the Articles of Association subject to approval from Shareholders in ensuing Annual General Meeting. The details of these Articles are given below.

No other Director is interested in amendment in Articles of Association of the company. The Board recommends the resolution for approval of the shareholders.

PROPOSED CLAUSES TO BE REMOVED

Shareholders Agreement

112. Articles 112 to 128 ("Shareholders Agreement Articles") which incorporate the relevant provisions of the Shareholders Agreement executed on December 28, 2007 amongst GS Strategic Investments Limited, Macquarie India Holdings Limited, PTC India Limited and the Company, form an integral part of these Articles. To the extent that anything contained in Articles 1 to 111 is inconsistent with anything contained in the Shareholders Agreement Articles, the provisions of the Shareholders Agreement Articles shall prevail.

DEFINITION AND INTERPRETATION

113.1 In these Articles, the following capitalised words and expressions have the meanings ascribed to them below, unless the context otherwise requires:

"20% Block" shall have the meaning ascribed to it in Article 116.

"Accepted New Securities" shall have the meaning ascribed to it in Article 121.5;

"Affiliate" in respect of a Person, means any entity that directly or indirectly Controls, is Controlled by or is under common Control with such Person and with respect to MQ only, will also include any infrastructure fund Controlled or managed by Macquarie Group Limited or an Affiliate of Macquarie Group Limited;

"Associate" means:

- (i) in the context of the Promoter only, any Person who is directly or indirectly a wholly-owned subsidiary of the Promoter;
- (ii) in the context of GS only, any Person who is directly or indirectly a wholly-owned subsidiary of The Goldman Sachs Group, Inc.; and
- (iii) in the context of MQ only, any Person who is directly or indirectly a wholly-owned subsidiary of Macquarie Group Limited and any fund which is Controlled or managed by Macquarie Group Limited or an Affiliate of Macquarie Group Limited;

"Auditors" shall have the meaning ascribed to it in Article 126.1;

"Business" shall have the meaning ascribed to it in Article 114.1;

"Business Day(s)" means any day other than Saturdays, Sundays and public holidays in New Delhi, Singapore, Hong Kong, Mauritius, Sydney or New York as the context may require;

"Business Plan" means the annual business plan of the Company as is more fully described in Article 125;

"Chairman" shall have the meaning ascribed to it in Article 116.5;

"Code" shall have the meaning ascribed to it in Article 120.8;

"Company Covenants" shall have the meaning ascribed to it in Article 12B.1;

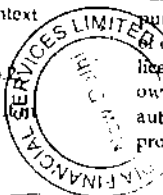
"Company Secretary" shall have the meaning ascribed to it in Article 116.6;

"Competitor" means any Person which carries on, or is engaged in any business or other activity which is the same as or competes with the Business, or Controls any Person which carries on or is engaged in such business or activity, but does not include any infrastructure fund Controlled or managed by MQ or an Associate of MQ;

"Competitor Price" shall have the meaning ascribed to it in Article 122.3(k);

"Control" and cognate expressions when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through beneficial ownership, directly or indirectly, of voting securities of such body corporate, or the ability to control the composition of the majority of or the decisions of the board of directors or equivalent governing body of such company or other body corporate by contract or otherwise; provided that, without limiting the generality of the foregoing, (i) any Person which owns, directly or indirectly, securities representing more than 50% of the value or voting power of a corporation or more than 50% of the partnership, membership or other ownership interests (based upon value or vote) of any other Person shall always be deemed to be in Control of such other Person; or (ii) where the Person is a fund any manager of such fund, shall always be deemed to be in Control of such Person;

"Encumber" means and includes to permit to exist or create, or purport to exist or to be created, any right, title or interest by way of or in the nature of sale, agreement to sell, pledge, hypothecation, lease, hire-purchase, lease, lien, tenancy, mortgage, charge, co-ownership, attachment or process of any court, tribunal or other authority, statutory liabilities which are recoverable by sale of property or any other third party rights or encumbrances.



"Energy Sector" shall have the meaning ascribed to it in Article 114.1(a);

"Energy Fund" shall have the meaning ascribed to it in Article 114.1(c);

"End Date" means the third anniversary from the date on which these Articles are adopted by the Company or such other date as mutually agreed between the Investors and the Promoter;

"Equity Call" shall have the meaning given to it in the Share Subscription Agreement;

"Equity Call Notice" shall have the meaning given to it in the Share Subscription Agreement;

"Equity Shares" means the equity shares of the Company having a face value of Rs. 10 each;

"ESOP" means the employee stock option plan of the Company as described in Article 124.1;

"ESOP Share" shall have the meaning ascribed to it in Article 124.1(c);

"Framework Strategic Plan" shall have the meaning ascribed to it in Article 125.3;

"Financial Year" means the period beginning on April 1st every calendar year and ending on March 31st of the subsequent calendar year;

"First Acceptance Notice" shall have the meaning ascribed to it in Article 122.3(b);

"First Offer Notice" shall have the meaning ascribed to it in Article 122.3(a);

"First Transfer Period" shall have the meaning ascribed to it in Article 122.3(c);

"General Meeting" means a meeting of the shareholders of the Company;

"Governmental Authority" means any national, state, or local government, any subdivision or agency thereof, or any other entity, including the RBI, exercising any executive, statutory or legislative authority; and any statutory authority having jurisdiction over the Company;

"GS" means GS Strategic Investments Limited, a company incorporated with limited liability under the laws of Mauritius and whose registered office is at Level 3, Alexander House, 35 Cyber City, Ebene, Mauritius;

"GS Director" shall have the meaning ascribed to it in Article 116.2;

"GS Equity Call Amount" shall have the meaning given to it in the Share Subscription Agreement;

"Investment Committee" shall have the meaning ascribed to it in Article 116.14(c);

"Investment Policy" shall have the meaning ascribed to it in Article 120.10;

"Investors" means both MQ and GS and "Investor" means either of them. The term "Investor" shall include any Associate of MQ or GS who acquires all of either GS's or MQ's Equity Shares and executes a deed of novation and release in accordance with Article 122.5.1;

"Investor Acceptance Notice" shall have the meaning ascribed to it in Article 122.2(c);

"Investor Directors" shall have the meaning ascribed to it in Article 116.2;

"Investor Offer Notice" shall have the meaning ascribed to it in Article 122.2(a);

"Investor Offer Price" shall have the meaning ascribed to it in Article 122.2(c);

"Investor Transfer Shares" shall have the meaning ascribed to it in Article 122.3;

"IPO" means the first public offering of the Equity Shares, whether by way of an offer for sale or a fresh issue or a combination thereof, and the listing of such Equity Shares and their admission to trading on a Recognised Stock Exchange, and in which the underwriting and placement of the Equity Shares is managed by one or more IPO Investment Banks;

"IPO Investment Bank" means a recognised investment bank with extensive experience of capital markets that has been appointed as manager for the IPO;

"Law(s)" means any statute, law, regulation, ordinance, rule, judgment, notification, order, decree, bye-law, government approval, directive, guideline, requirement or other governmental restriction, or any similar form of decision of, or determination by, or any interpretation or policy issued by any Governmental Authority and includes the policies of the Governmental Authorities in India regulating industrial activity, foreign investment and external commercial borrowing;

"MQ" means Macquarie India Holdings Limited, a company incorporated with limited liability under the laws of Mauritius and whose registered office is at 10 Frere Felix De Valois Street, Port Louis, Mauritius;

"Macquarie Group Limited" means Macquarie Group Limited a company duly incorporated and validly existing under the laws of Australia with ABN 94 122 169 279 and having its registered office at No. 1 Martin Place, Sydney, NSW 2000, Australia;

"Memorandum of Association" means the memorandum of association of the Company;

"MQ Director" shall have the meaning ascribed to it in Article 116.2;

"MQ Equity Call Amount" shall have the meaning given to it in the Share Subscription Agreement;

"NBFC" means a non-banking finance company as defined in the Reserve Bank of India Act, 1934;

"New Securities" shall have the meaning ascribed to it in Article 121.2;

"No-Conflict Policy" shall have the meaning ascribed to it in Article 114.4;

"Non-Transferring Investor" shall have the meaning ascribed to it in Article 122.3;

"Notice of Nomination/Removal" shall have the meaning ascribed to it in Article 116.6;

"Notice of Proportionate New Securities" shall have the meaning ascribed to it in Article 121.4;

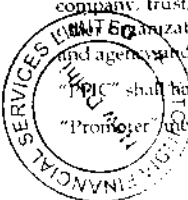
"Offer Period" shall have the meaning ascribed to it in Article 122.2(c);

"Offering Investor" shall have the meaning ascribed to it in Article 122.2(c);

"Person" means any natural person, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank, trust company, land trust, business trust, or other organization, whether or not a legal entity, and government and agency and political subdivision thereof or therein;

"PIC" shall have the meaning ascribed to it in Article 120.8(d);

"Promoter" means PIC India Limited, a company duly incorporated





and validly existing under the laws of India and having its registered office at 2nd Floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi -11006;

"Promoter Offer Period" shall have the meaning ascribed to it in Article 122.3(b);

"Promoter Offer Price" shall have the meaning ascribed to it in Article 122.3(b);

"Promoter Transfer Shares" shall have the meaning ascribed to it in Article 122.2;

"Proportionate New Securities" shall have the meaning ascribed to it in Article 121.2;

"Proportionate Offered Shares" shall have the meaning ascribed to it in Article 122.2(a);

"PTC Competitor" means a Person which is actively involved or actively engaged in, or actively carries on, the power trading business in India and would include such Person's Affiliates;

"RBI" means the Reserve Bank of India;

"Recognised Stock Exchange" means the National Stock Exchange of India Limited or the Bombay Stock Exchange Limited;

"Related Energy Infrastructure Sector" shall have the meaning ascribed to it in Article 114.1(b);

"Relevant Equity Shares" means at any time, the total issued and paid up Equity Shares of the Company at that time less any ESOP Shares that have been issued;

"Reserved Item" shall have the meaning ascribed to it in Article 117;

"ROLR Acceptance Period" shall have the meaning ascribed to it in Article 122.3(k);

"ROLR Notice" shall have the meaning ascribed to it in Article 122.3(k);

"Rs." or "Rupee" means the lawful currency of India;

"SEBI" means the Securities and Exchange Board of India;

"Second Acceptance Notice" shall have the meaning ascribed to it in Article 122.3(e);

"Second Offer Notice" shall have the meaning ascribed to it in Article 122.3(d);

"Second Offer Period" shall have the meaning ascribed to it in Article 122.3(e);

"Second Offer Price" shall have the meaning ascribed to it in Article 122.3(e);

"Second Transfer Period" shall have the meaning ascribed to it in Article 122.3(f);

"Security" means any equity or preference shares, scripts, bonds, debentures, derivatives, warrants or rights, options or interests (including rights of conversion or exchange) thereon;

"Share Subscription Agreement" shall mean the share subscription agreement dated 28 December 2007 entered into by the GS, MQ, the Promoter and the Company;

"Strategic Plan" means the strategic plan for the Company as more fully described in Article 14;

"Subscription Completion" shall have the meaning ascribed to it in Article 121.1;

"Subscription Consideration" shall have the meaning given to it in the Share Subscription Agreement;

"Subscription Monies" shall have the meaning ascribed to it in Article 121.5;

"Tag-Along Notice" shall have the meaning ascribed to it in Article 122.4;

"Tag-Along Right" shall have the meaning ascribed to it in Article 122.4;

"Tag-Along Shares" shall have the meaning ascribed to it in Article 122.4;

"The Goldman Sachs Group, Inc." means a corporation duly organized under the laws of the State of Delaware, USA and whose principal place of business is at c/o Goldman Sachs & Co., 85 Broad Street, New York, New York, 10004, USA;

"Total Equity Shares" means the total issued, subscribed and paid-up Equity Shares for the time being of the Company;

"Transaction Period" shall have the meaning ascribed to it in Article 122.2(d);

"Transfer" means the sale, gift, pledge, assignment, transfer, transfer in trust, mortgage, alienation, hypothecation, encumbering or disposition of Equity Shares in any manner whatsoever, voluntarily or involuntarily, including, without limitation, any attachment, assignment for the benefit of creditors or transfer by operation of law or otherwise and the term "Transferred" shall be construed accordingly;

"Transferring Investor" shall have the meaning ascribed to it in Article 122.3;

"Transferring Shareholder" shall have the meaning ascribed to it in Article 122.5;

"United States person" shall have the meaning ascribed to it in Article 120.8;

"U.S. Economic Sanctions" shall have the meaning ascribed to it in Article 120.5;

"U.S. Investor" shall have the meaning ascribed to it in Article 120.8; and

"USD" means the lawful currency of the United States of America.

#### BUSINESS OF THE COMPANY

114.1 The Company is a non-public deposit taking NBFC which shall be engaged in the following business (the "Business"). It:

- will have a primary focus on making investments (including providing debt and financial services) in power generation, transmission and distribution (collectively "Energy Sector");
- will as a secondary focus make investments (including providing debt and financial services) in fuel sources, fuel related infrastructure and services such as gas pipelines, LNG terminals, fuel linked ports, energy sector equipment manufacturers and EPC contractors (collectively "Related Energy Infrastructure Sector") provided that the aggregate of the investments made in the Related Energy Infrastructure Sector at any time shall always be less than the aggregate of the investments made in the Energy Sector. Should such investments in Related Energy Infrastructure Sector exceed those made in the Energy Sector, such investments will be subject to the prior written approval of each Investor. Provided further, that while considering the aggregate investment made in the Related Energy Infrastructure Sector and in the Energy Sector only the provision of debt and equity will be considered and the provision of financial services shall be excluded.

may establish a fund (the "Energy Fund") to invest in the Energy Sector and in the Related Energy Infrastructure Sector



and such other funds to invest in the Energy Sector and in the Related Energy Infrastructure Sector as decided by the Board from time to time. Any proposed investment by the Company in a third party fund (i.e. a fund not directly/indirectly managed or controlled by the Company), may only be made with the prior written approval of each Investor;

- (d) may directly or through a subsidiary of the Company act as the asset manager/investment advisor of the Energy Fund and such other funds raised;
  - (e) may offer certain financial solutions to entities engaged in the Energy Sector including providing financial advisory services and term financing;
  - (f) may make treasury investments. However, any treasury operations in relation to capital (share capital and share premium) contributed by the Promoter and the Investors and debt capital raised for use in the Business will be deployed only in instruments/ financial products which ensure capital protection. The surplus capital generated out of the income of the operations of the Business and those that form part of the general reserves and surpluses of the Company will be deployed, until invested/ redeployed in the Business, for treasury operations based on prudent treasury management guidelines adopted by the Board from time to time.
- 114.2 The Company shall only undertake business outside the scope of the Business with the prior written approval of each Investor.
- 114.3 Investments by the Promoter and its subsidiaries (other than the Company) in the Energy Sector shall be made in accordance with the procedure agreed between the Investors, the Promoter and the Company.
- 114.4 Investment decisions of the Energy Fund will be taken by the board of the Energy Fund/manager/suitably empowered committee, as may be agreed when the fund mandate is fully developed. Sufficient investment expertise will be available to the authority making the investment decisions for the Energy Fund.
- 114.5 Investments by each of the Company and the Energy Fund shall be made in accordance with the no conflict policy agreed by the Investors, the Promoter and the Company (collectively referred to as the "No-Conflict Policy"). The Company (as investment manager and/or sponsor of the Energy Fund, directly or through a subsidiary) shall ensure that the Energy Fund complies with the No-Conflict Policy.
- 114.6 The prospectus/placement memorandum and such other public documents which describe the Energy Fund shall, if required by applicable Law, include a clause describing the No-Conflict Policy, substantially setting out the contents of such No-Conflict Policy.

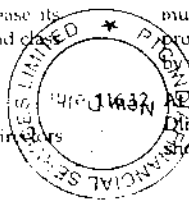
#### SHARE CAPITAL AND VARIATION OF RIGHTS

- 115.1 Subject to the provisions of these Articles, the Company shall have the power to issue preference shares carrying a right of redemption out of profits which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or liable to be redeemed at the option of the Company and the Board may subject to the provisions of Section 80 of the Act exercise such powers in such manner as may be provided for in these Articles.
- 115.2 The Company may, from time to time, by ordinary resolution alter the conditions of its Memorandum of Association to increase its share capital by the creation of new share of such amount and class as may be specified in the resolution.

#### BOARD OF THE COMPANY

- 116.1 The Board shall consist of 6 members. The number of the Directors may be increased in accordance with applicable Law

- 116.2 Subject to Article 116.4, a shareholder shall be entitled to appoint one director for every 20% of the Relevant Equity Shares (a "20% Block") held by such shareholder (a Director appointed by MQ is referred to as a "MQ Director" and a Director appointed by CS is referred to as a "CS Director" and collectively referred to as the "Investor Directors").
- 116.3 In the event that a shareholder's percentage of Relevant Equity Shares reduces below a 20% Block (i.e., less than 20%, 40%, 60% or 80%), then the relevant number of Directors nominated by such shareholder shall forthwith resign from his/their office and the shareholder shall not be entitled to appoint another Director until its percentage of the Relevant Equity Shares crosses a 20% Block threshold. For the purposes of Article 116.2 and this Article 116.3, a shareholder's percentage of Relevant Equity Shares shall be the aggregate of the shareholding of that shareholder and its Affiliates and/or Associates.
- 116.4 In addition to the Directors appointed in accordance with Article 116.2 and 116.3, the Promoter shall be entitled to appoint any person being an "independent director" on the board of directors of the Promoter as a Director on the Board. An "independent director" shall be as defined in Clause 49 of the standard listing agreement prescribed by SEBI for stock exchanges.
- 116.5 One of the Directors nominated by the Promoter shall be the chairman of the Board ("Chairman"). In the event of an equality of votes on any matter put to the vote of the Board, the Chairman shall have a casting vote on that matter.
- 116.6 Each of the Investors and the Promoter shall be entitled to, on written notification (including by facsimile or e-mail) to the company secretary (the "Company Secretary") of the Company (which notification shall be deemed to be notice to the other shareholders) ("Notice of Nomination/Removal"), have nominated (or appointment to or removed from or replaced on the Board, as the case may be, any individual as Director and any other individual to act as alternate Director for the Director in the absence of the latter in accordance with the provisions of the Act. Any casual vacancy in the Board seat occupied by a Director shall be filled by an individual nominated by the shareholder that originally nominated such Director. It is clarified that an Investor Director and/or his alternate can only be removed at the request of the Investor who appointed the said Investor Director and/or his alternate.
- 116.7 Each shareholder shall be entitled to nominate alternate Directors for each Director nominated by it. Such alternate Director may attend all meetings and exercise all voting rights of the nominated Director where such nominated Director is not in attendance.
- 116.8 The appointment, removal or replacement of a Director will be the first item of business at the Board meeting or the General Meeting, as the case may be, immediately following the receipt by the Company Secretary of a Notice of Nomination/Removal.
- 116.9 Retiring Directors can be nominated for re-appointment by the shareholder that nominated their earlier appointment as Director.
- 116.10 Each of the shareholders shall exercise their voting rights to give effect to the provisions of this Article 116 and to ensure that each of the Directors nominated in accordance with this Article 116 are appointed as Directors of the Company.
- 116.11 The Board shall meet at least four times a year and in accordance with the Act. Meetings of the Board will be held in such place as may be mutually agreed to by the Board and shall, subject to applicable Law, provide the facility for Directors based outside India to participate by way of teleconference or video conference.
- At least 10 days notice of a meeting of directors shall be given to all Directors, provided always that a meeting may be convened by a shorter notice than 10 days with the consent of the majority of the



Directors (such majority to include all of the Investor Directors when any Reserved Item is on the agenda at a meeting). The notice of each Board meeting shall include an agenda setting out the business proposed to be transacted at the meeting. Without the unanimous consent of the Directors, no meeting should vote upon any matter other than that set out in the agenda circulated along with the notice.

116.13 The quorum for a meeting of the Board shall be one third of its total strength or two Directors, whichever is higher, provided that in the event that any Reserved Item is on the agenda for such meeting, no quorum shall be deemed to be present unless one MQ Director and one GS Director are present. If a quorum is not present at a meeting of the Board, including with respect to a Reserved Item, such meeting shall be adjourned to the same time on the same day of the following week at the same venue, at which meeting there shall be no requirement as to the presence of any of the Investor Directors to constitute the quorum with respect to the Reserved Item.

116.14 Subject to Articles 116.12 and 117, all decisions of the Board shall be taken by simple majority of those Directors present and voting. The following matters must be referred to the Board:

- (a) all investments other than treasury investments made in accordance with Article 114.1(f);
- (b) any change in the accounting principles or policies of the Company;
- (c) the settlement of any material litigation by the Company;
- (d) the appointment of the Chief Executive Officer or the Chief Financial Officer, or equivalent;
- (e) the initial composition, and subsequent appointment and/or removal of any members, of an investment committee (the "Investment Committee"); and
- (f) the establishment by the Company of any new funds.

116.15 Equity Calls shall be made by the Board as and when, in its business judgement, feels the same is necessitated.

116.16 Investor Director

- (a) Each of MQ and GS shall ensure that the MQ Director and the GS Director, respectively, is not a director of any Person involved or engaged in the Energy Sector or Related Energy Infrastructure Sector in India. If any Investor Director accepts the directorship of any such Person, then such Investor Director shall, and the concerned Investor shall cause such Investor Director to, forthwith resign from his directorship on the Board, to be replaced by an alternative Investor Director, appointed by such Investor.

- (b) Without prejudice to the customary fiduciary duties of Directors in discharge of their duties, every Investor Director shall, if so required by the Board, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy in respect of and keep confidential all information of the Company disclosed to him or to which he becomes privy and shall by such declaration pledge himself not to reveal the same to any person except:

- (i) when required to do so by the Board;
- (ii) for his internal reporting requirements;
- (iii) where the Investor Director feels that it is in the best interest of the Company, to consult with the Investor's Affiliates (which includes the Affiliates directors, officers and employees) with a view to take strategic value-add inputs on any specific matter from such Affiliates of the Investor;

- (iv) in so far as may be permitted by or may be necessary in order to comply with any of the provisions in this Articles of Association; or

- (v) as required by a court of law.

#### RESERVED ITEMS

117.1 For so long as an Investor is entitled to nominate an Investor Director, the Company shall not, and the Promoter shall procure that the Company shall not, take any action with respect to any of the matters listed below ("Reserved Items") unless such matter has been, subject to Articles 116.13 and 117.2, approved at a meeting of the Board, by each Investor Director:

- (a) any adverse variation in the rights attached to any of the Investors' Equity Shares, including by way of amendment to the MoA or AoA of the Company.
- (b) any merger, amalgamation, de-merger, re-organisation or voluntary winding up of the Company.
- (c) any change in the dividend policy of the Company.
- (d) any transaction or series of transactions in a given Financial Year between the Company and its Affiliate or between the Company and the Promoter of a value either individually or in aggregate of more than the Rupee equivalent of USD 100,000, except infusion of capital by the Promoter.

117.2 For the avoidance of doubt, the quorum of any meeting of the Board to take an action on any Reserved Item shall be as per Article 116.13.

#### SHAREHOLDER MEETINGS

118.1 Every year the Company shall hold in addition to any other General Meetings, an annual General Meeting in accordance with Section 166 of the Act. Not more than 15 months shall elapse between the date of one annual General Meeting and that of the next.

118.2 Notice for any general meeting of the shareholders shall not be less than 21 days unless and to the extent that both Investors consent to a shorter period in writing in advance.

118.3 The quorum for a General Meeting shall be the minimum quorum as set out in the Act. A corporate shareholder represented by a duly authorized representative shall be deemed to be present in person for purposes of this Article 118.3 and Article 118.4. If a quorum is not present at a General Meeting the meeting shall be adjourned in accordance with Section 174 of the Act.

118.4 Subject to Articles 117.1 and 118.5, any resolution, which under the provisions of the Act or the Articles is permitted or is required to be done or passed by the Company in a General Meeting shall be sufficiently so done if passed by ordinary resolution, as defined under Section 189(1) of the Act, unless either the Act or the Articles specifically require such act to be done or resolution passed by a special resolution as defined under Section 189(2) of the Act.

118.5 Any matter falling under the Reserved Items shall first be considered and approved by the Board in accordance with Article 117, before being considered by the Company in a General Meeting.

118.6 The General Meeting shall, subject to applicable Law, provide the facility for shareholders based outside India to participate by way of teleconference or video conference.

#### MANAGEMENT OF THE COMPANY

The Company shall be managed professionally. It shall have an appropriate management structure and a compensation policy commensurate with its scale of operations with a view of achieving market leadership and achieving an IPO. The organization structure shall be as approved by the Board.



# COVENANTS OF THE COMPANY AND THE PROMOTER

- 120.1 The Company and the Promoter hereby jointly and severally undertake to comply with the following covenants ("Company Covenants").
- 120.2 The Company undertakes to, at all times, act in a manner consistent with the rights and obligations of the shareholders under the Articles, to the extent permitted by Law.
- 120.3 The Company shall keep the Investors informed, on a current basis, of any events, discussions, notices or changes with respect to any criminal or regulatory investigation or action involving the Company or any of its subsidiaries, so that the Investor will have the opportunity to take appropriate steps to avoid or mitigate any regulatory consequences to them that might arise from such criminal or regulatory investigation or action and the Company shall reasonably cooperate with the Investors, their members and their respective Affiliates in an effort to avoid or mitigate any cost or regulatory consequences that might arise from such investigation or action (including by reviewing written submissions in advance, attending meetings with authorities, coordinating and providing assistance in meetings with regulators and, if requested by an Investor, making public announcements of such matters).
- 120.4 The Company will use the Initial Subscription Consideration exclusively for the purpose set out in the Framework Strategic Plan and will use the MQ Equity Call Amount and the GS Equity Call Amount exclusively for the purpose set out in the Equity Call Notice.
- 120.5 The Company will not take any action with respect to the use of the Subscription Consideration (or any part thereof) to fund, directly or indirectly, any business activities with, or for the benefit of, a government, national, resident or legal entity of Cuba, Sudan, Iran, Myanmar, or any other country with respect to which U.S. persons are prohibited by any regulation or statute administered by the Office of Foreign Assets Control of the United States Treasury Department ("U.S. Economic Sanctions") from doing business. The Company shall be deemed to have complied with this covenant if prior to such funding, it has conducted a reasonable due diligence and has sought customary representations and warranties from the person which is being funded that such person is not any such government, national, resident or legal entity.
- 120.6 Each of the Company, the Promoter and the Investors agrees that the Company will notify the Investor Directors in advance of any matter that is to come before the Board that concerns a business or activity that relates in any way to a country, government, entity or a national of North Korea, Iraq, Libya, Cuba, Iran, Myanmar or Sudan, or otherwise relates directly or indirectly with any government, country or other entity or person that is the target of U.S. economic sanctions administered by the U.S. Treasury Department Office Of Foreign Assets Control, including Specially Designated Nationals and Blocked Persons as identified on the internet web site: <http://www.treas.gov/offices/enforcement/ofac/>. With respect to any such business or activity, each of the Company, the Promoter and the Investors further agrees that no Investor Director shall attend any part of a Board meeting at which any such business or activity is discussed, approved or voted upon and shall recuse themselves from any and all discussion, votes, approvals and any other matters related to any such business or activity, whether proposed or actual.
- 120.7 United States Depository or other Financial Services Activities
- (a) The Company confirms that: (1) the Company does not engage, and that it has no intention of engaging (which for all purposes of this section (a) and of section (b) below shall include maintaining an office of any type), directly in depository or other financial services activities in the United

States; (2) the Company does not own or control (which term, for all purposes of this section (a) and of section (b) below, shall be interpreted as applied by the Board of Governors of the U.S. Federal Reserve System); and has no intention of acquiring ownership or control of, more than five percent of any class of voting securities of (i) a U.S. company engaged directly or indirectly (which for all purposes of this section (a) and of section (b) below shall mean through any chain of control) in depository or other financial services activities or (ii) a company that directly or indirectly owns or controls more than five percent of any class of voting securities of a company engaged directly or indirectly in depository or other financial services activities in the United States; and (3) the Company does not otherwise control, and has no intention of otherwise acquiring control of, any company engaged, directly or indirectly, in depository or other financial services activities in the United States.

- (b) The Company agrees that it will not, without the prior written consent of each Investor (which consent may be given or withheld in the Investor's absolute discretion) directly or indirectly: (1) engage, or file an application or notice to engage, in depository or other financial services activities in the United States; (2) acquire, or file an application or notice to acquire ownership or control of, more than five percent of any class of voting securities of (i) a U.S. company engaged directly or indirectly in depository or other financial services activities or (ii) a company that directly or indirectly owns or controls more than five percent of any class of voting securities of a company engaged directly or indirectly in depository or other financial services activities in the United States; or (3) otherwise acquire, or file an application or notice otherwise to acquire control of, any company engaged, directly or indirectly, in depository or other financial services activities in the United States.

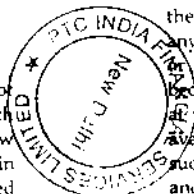
120.8 For purposes of paragraphs (a) through (d) of this Article 120.8:

- (a) "U.S. Investor" means (A) any Investor that is a United States person and (B) any Investor that is an entity treated as a foreign partnership for U.S. federal income tax purposes, one or more of the owners of which are United States persons; and
- (b) "United States person" means any person described in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code").
- (c) Classification for U.S. Tax Purposes.

The Company will not take any action inconsistent with the treatment of the Company as a corporation for U.S. federal income tax purposes and will not elect to be treated as an entity other than corporation for U.S. federal income tax purposes unless agreed upon by each U.S. Investor.

- (d) Passive Foreign Investment Company.

The Company agrees, at the Company's expense, to make available to any U.S. Investor upon request, the books and records of the Company and its direct and indirect subsidiaries, and to provide information to such U.S. Investor pertinent to the Company's or any subsidiary's status or potential status as a passive foreign investment company ("PFIC") as defined under section 1297 of the Internal Revenue Code of the United States. Upon a determination by the Company, any U.S. Investor or any taxing authority that the Company, any direct or indirect subsidiary has been or is likely to become a PFIC, the Company will provide such U.S. Investor at the Company's expense, with all information reasonably available to the Company or any of its subsidiaries to permit such U.S. Investor to (i) accurately prepare all tax returns and comply with any reporting requirements as a result of



such determination and (ii) make any election (including, without limitation, a "qualified electing fund" election under Section 1295 of the Code), with respect to the Company or any of its direct or indirect subsidiaries, and comply with any reporting or other requirements incident to such election. If a determination is made that the Company is a PFIC for a particular year, then for such year and for each year thereafter, the Company, at the Company's expense, will also provide each U.S. Investor with a completed "PFIC Annual Information Statement" as required by Treasury Regulation Section 1.1295-1(g).

- 120.9 In the event any Investor Director or his alternate suffers any liability, damage, action, claim, cost, charge, or expense, by virtue of any act or abstinence on the part of the Investor Director or the alternate whilst acting as a Director of the Company pursuant to any decision of the Board to which that Director has not consented, then (without limiting any other right of such Investor Director or his alternate under law) the Company agrees to indemnify, defend and hold harmless the Investor Director or such alternate against any and all liability, damage, action, claim, cost, charge, or expense (including, without limitation, legal fees, experts' fees, consultants' fees, and all costs and expenses incurred in the recovery of the amount payable under this undertaking), incurred or suffered by the Investor Director or his alternate, provided that this indemnity shall not apply to any liability, claim, action, damage, cost, charge or expense arising as a result of any negligence or misfeasance of the Investor Director.
- 120.10 The investment policy for the Company (the "Investment Policy") shall be developed, adopted and revised by the Board. The Investment Policy shall outline investment procedures and clear qualitative and quantitative investment criteria for direct investments.
- 120.11 The management of the Company will, as and when deemed necessary by them or as required by this Article, seek consultation from the Investor Directors on various business/ management related matters. If the management seeks any consultation from an Investor Director, such Director shall provide his inputs within 7 days from the date of the request, or such period as is mutually agreed by the shareholders. Once an Investor Director has provided the management with his inputs, the Company, if it considers it necessary, shall discuss these inputs with the Investor. Should consultative inputs not come to the Company from the Investor Director within 7 days (or such mutually agreed period) then the management may proceed with its decision-making without the Investor Directors' inputs.

#### ANTI-DILUTION PROTECTION

- 121.1 Until the completion of subscription under the Share Subscription Agreement ("Subscription Completion") the Company shall not, except pursuant to the ESOP in accordance with Article 124, issue further Equity Shares or Securities convertible into Equity Shares to any other Person without the prior written consent of each Investor and such issue shall be on such terms as agreed by both Investors.
- 121.2 After the Subscription Completion and until the completion of an IPO, a further issue of Equity Shares or of Securities convertible into Equity Shares (such further Securities, the "New Securities") by the Company (otherwise than through an IPO in accordance with Article 123 hereof or pursuant to the ESOP in accordance with Article 124) shall only be permitted if the New Securities are first offered to the existing holders of Equity Shares of the Company in proportion with their ownership of the Relevant Equity Shares (such proportionate Securities to be offered, the "Proportionate New Securities") in accordance with the procedure set out below.
- 121.3 Subject to Article 121.6, the Proportionate New Securities offered to a shareholder may not be subscribed for by any person other than that shareholder or its Affiliate.

- 121.4 Within 30 Business Days of the passing of the shareholder's resolution approving the issuance of New Securities, the Company shall offer the Proportionate New Securities by notice in writing ("Notice of Proportionate New Securities") stating the price thereof. The Proportionate New Securities shall be issued at the same price and on the same terms and conditions to each of the existing shareholders including the Promoter.
- 121.5 Each shareholder shall reply in writing to the Notice of Proportionate New Securities within 21 Business Days of the receipt thereof stating the number, if any, of the Proportionate New Securities that it wishes to subscribe for ("Accepted New Securities") along with payment thereof as per the price stated in the Notice of Proportionate New Securities ("Subscription Monies"). An Investor may nominate its Affiliate to subscribe for the Accepted New Securities.
- 121.6 Proportionate New Securities that are not accepted by a shareholder shall be offered, in accordance with the above procedure, to the other holders of Equity Shares of the Company in proportion to their ownership of the Relevant Equity Shares (including any Equity Shares comprised in the Accepted New Securities). New Securities that are left over after such offer may be allotted in accordance with the Act to any third party as identified by the Board. Provided that any issue of shares to a third party should be at a price not less than that offered to the shareholders and on terms no more favourable than those offered to the shareholders.

#### TRANSFER OF SHARES

- 122.1 Restrictions on Transfer
- (a) The Investors and the Promoter shall not Transfer their Equity Shares to any Person until IPO without complying with the procedure set out in Articles 122.2 to 122.5 below.
- (b) The provisions of Article 122.2 to 122.4 shall not apply to any Transfer of Equity Shares by the Promoter or an Investor to its Associate, not being a Competitor, made in accordance with Article 122.5 and any such Transfer shall not require the prior consent of any of the other shareholders.
- 122.2 [deleted]
- 122.3 [deleted]
- 122.4 [deleted]
- 122.5 Transfers to Associates
- 122.5.1 In the event an Investor or the Promoter ("Transferring Shareholder") Transfers all of its Equity Shares to any of its Associates, such Transfer must be made in accordance with applicable Law and such Transferring Shareholder shall cause the Associate to execute a deed of novation and release in a form mutually agreed by the shareholders prior to such Associate acquiring such Equity Shares and the Investor(s) and/or the Promoter who are not transferring their Equity Shares shall execute such deed of novation and release. The Associate must be under an obligation to retransfer its Equity Shares to the Transferring Shareholder or an Associate of the Transferring Shareholder immediately if it ceases to be an Associate.
- 122.5.2 In the event that the Transferring Shareholder Transfers less than all of the Equity Shares held by it to any of its Associates:
- (a) the Transferring Shareholder shall cause such Associate to sign a deed of adherence, in a form mutually agreed by the shareholders;
- (b) the Transferring Shareholder must be granted the exclusive right to exercise votes in respect of each Equity Share Transferred on behalf of the transferee;
- (c) the Articles shall apply as if the Transferring Shareholder and the transferee is one shareholder;

- (d) all the rights of the transferee under the Articles shall be exercised exclusively by the Transferring Shareholder;
- (e) any notice given by the Transferring Shareholder under the Articles shall be deemed also to be given by the transferee; and
- (f) any notice required to be given to the transferee shall also be given to the Transferring Shareholder.

122.6 Any Transfer of Equity Shares by an Investor or the Promoter in contravention of this Article shall be void ab initio and ineffectual and shall not bind or be recognized by the Company.

#### INITIAL PUBLIC OFFERING

- 123.1 The Company shall use its best endeavours to achieve an IPO by the End Date or such extended date as may be mutually agreed by the Promoter and each of the Investors. The IPO shall be based on the advice of the IPO Investment Bank. The Investors shall, subject to applicable Law, have the right but no obligation to participate in the IPO by way of an offer for sale of a part or all of their Equity Shares.
- 123.2 All expenses incurred in connection with the IPO, except those relating to an offer for sale by a shareholder, shall be borne by the Company.
- 123.3 Subject to applicable Law, the Investors shall not be named as promoters of the Company in relation to the IPO.
- 123.4 In the event of an overseas offering of the Company's Securities, the Company shall comply with the regulations relating to such offering and assist in enabling the Investors to obtain standard registration rights available to private equity investors.

#### EMPLOYEE STOCK OPTION

- 124.1 Shareholders hereby agree and acknowledge that:
  - (a) the Company is contemplating offering certain employees stock options under an ESOP to be established for a certain category of its employees;
  - (b) up to 5% of the aggregate paid up equity share capital of the Company shall be offered to its employees;
  - (c) the price at which Equity Shares pursuant to the ESOP ("ESOP Shares") shall be offered to the Employees shall be determined by the Board.
- 124.2 Each Investor further covenants that it shall not object to the offer of the ESOP Shares to the Company's employees.

#### STRATEGIC PLAN/ BUSINESS PLAN

- 125.1 The Company's Business including investment decisions and the decision to establish and/or manage the Energy Fund and subsequent funds shall be conducted substantially in accordance with the Strategic Plan and as decided by the Board.
- 125.2 The Strategic Plan shall include, in particular, in relation to the period to which it relates, directions for the different business activities, manpower plan, funding policy, and distribution policy.
- 125.3 A framework strategic plan (the "Framework Strategic Plan") has been agreed between the Promoter and the Investors. The Framework Strategic Plan shall serve as the initial template for the first Strategic Plan, which shall be developed in consultation with the Investors and adopted by the Board not later than 30 June 2008.
- 125.4 The Strategic Plan will be reviewed by the Board from time to time and any amendments thereto shall be carried out by the Board.
- 125.5 The Company shall also develop the Business Plan, which shall be approved by the Board prior to the beginning of the financial year to which it relates, and reviewed and agreed by the Board from time to time.

#### AUDITOR AND FINANCIAL STATEMENTS

- 126.1 The financial statements of the Company shall be audited at the Company's expense by an independent internationally certified public accounting firm ("Auditor") selected by the Company.
- 126.2 The Company shall appoint one of the following accounting firms in India, namely, PriceWaterhouseCoopers, Ernst & Young, Deloitte Haskins & Sells, or KPMG, as the Auditor at the second annual General Meeting which is scheduled to be held on or before September 30, 2008. The Auditor shall hold office until the next annual General Meeting and their appointment, remuneration, rights and duties shall be regulated under the provisions of the Act.
- 126.3 The Company shall deliver to the Investors (a) audited financial statements within 90 days after the end of each fiscal year; and (b) un-audited half yearly financial statements within 30 days of the end of the 6 months period for the first year of operation and thereafter un-audited quarterly financial statements within 30 days of the end of 3 months period.
- 126.4 Subject to an advanced and reasonable request, the Company will grant the Investors the right to inspect the facilities, books, records of the Company and to discuss the business, operations and conditions of the Company with their respective directors, accountants and legal counsel, subject to such persons being made aware of the confidentiality obligations under Article 95 and agreeing to abide by the same.

#### INFORMATION

- 127.1 **Rights to information**  
A shareholder may, on giving the Company 7 days prior notice:
  - 127.1.1 discuss the affairs, finances and accounts of the Company with its Affiliates, officers and principal executives, subject to such persons being made aware of the confidentiality obligations under Article 127 and agreeing to abide by the same;
  - 127.1.2 inspect and request copies of, to the extent the same may be necessary for its accounting purposes and preparing its tax returns, all books, records, accounts, documents and vouchers relating to the Business and the affairs of the Company; and
  - 127.1.3 request the Company for such other information and data in relation to the Company that the Investor may reasonably require and the Company shall provide the Investor with such information.
- 127.2 Where the Company provides information to a shareholder under Article 127.1 above, it shall within 7 days provide the same information through the same means to all other shareholders.
- 127.3 If, in the reasonable opinion of the management of the Company, any information sought by an Investor pursuant to this Article 127 is business sensitive or strategically significant for the Company, such information may be disclosed to the Investor only with the prior approval of the Board, which may in its discretion refuse the disclosure of such information.

#### TERMINATION OF ARTICLES 112 TO 127

- 128 Each of the Articles 112 to 127 shall automatically terminate and cease to be a part of these articles with effect from the date of filing of the Prospectus with the Registrar of Companies in relation to the IPO of the equity shares of the Company.

By Order of the Board of Directors,  
For PTC India Financial Services Limited

(Vishal Goyal)  
Company Secretary  
Place: New Delhi  
Date:



## Details of Directors appointing or re-appointing in this Annual General Meeting.

### Mrs. Rama Murali

Mrs. Rama Murali, aged 62 years, is an Independent Director of our Company and has been on the Board of our Company since 21st April, 2009. She holds a Bachelors of Arts (Hons) degree from Maharani College, Jaipur, University of Rajasthan. She is a retired Indian Audit and Accounts Service officer. Mrs. Murali has served as the Joint Secretary, Department of Economic Affairs, Ministry of Finance. She has also served as the financial advisor in the Department of Scientific and Industrial Research, the Council of Scientific and Industrial Research, Government of India, and the New Delhi Municipal Committee where she was also the overall incharge of finance and accounts. She is also a life member of the Indian Institute of Public Auditors.

Other Directorships are: Nil

### Mr. Surinder Singh Kohli

Mr. Surinder Singh Kohli, aged 65 years, is an Independent Director of our Company and has been on the Board of our Company since 13<sup>th</sup> December, 2010. He holds Bachelors degree in Science (Mechanical Engineering) from Benaras Hindu University and a diploma in Industrial Finance from Indian Institute of Bankers. Prior to joining our Company he was the Chairman and Managing Director of India Infrastructure Finance Company Limited, Punjab National Bank, Small Industries Development Bank of India and Punjab and Sind Bank respectively. He was also the Chairman of the India Banks Association for two terms.

Other Directorships are:

1. Maharashtra Airport Development Company Limited
2. Punjab Infrastructure Development Board
3. SME Rating Agency of India Limited
4. Infrastructure Development Finance Company Limited
5. Ahluwalia Contracts India Limited
6. MBL Infrastructures Limited
7. SV Creditline Private Limited
8. SPML Infra Limited
9. India Infrastructure Finance Company Limited
10. Modi Rubber Limited
11. India SME Technology Services Limited



*[Handwritten signature]*



## Directors' Profile



Mr. Tantra Narayan Thakur  
Chairman & Managing Director



Dr. Ashok Haldia  
Whole Time Director & CFO



Mr. P Abraham  
Director



Mrs. Rama Murali  
Director



Dr. Uddesh Kohli  
Director



Mr. Sudhir Kumar  
Director



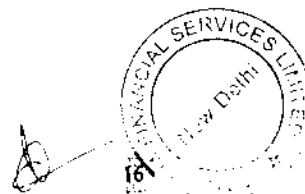
Mr. M. K. Goel  
Director



Mr. C. R. Muralidharan  
Director



Mr. Surinder Singh Kohli  
Director





## Brief Profile of Directors of PTC India Financial Services Limited

### ➤ Mr. T. N. Thakur, Chairman and Managing Director

Mr. T. N. Thakur, initiator of the concept of power trading in India, possesses an experience of over three decades as a member of the Indian Audit & Accounts Service. Mr. Thakur holds expertise in Treasury Management, Financial Management (including Resource Mobilization, Investment decisions and Appraisal of Projects for Project lending), Accounts, Cash Management, Budgeting and Budgetary Control, Human Resource Management. It is due to his wide knowledge and experience that the company has managed to create a position for itself even in such a short duration.

Mr. Thakur has also served as a Director (Finance & Financial Operations), Power Finance Corporation Limited (a Development Financial Institution for the Power Sector in India), New Delhi where he was responsible for mobilizing resources for the company for on-lending to power projects in the public sector (both state and central) as well as in the private sector including captive power plants.

### ➤ Dr. Ashok Haldia

A member of The Institute of Chartered Accountants of India, Institute of Company Secretaries of India, The Institute of Cost and Works Accountants of India. Dr. Ashok Haldia has diversified experience of project financing and industrial financing policy; public sector policy reforms, evaluation and management; power sector reform, restructuring and financing. Before joining on the Board of PFS, Dr. Haldia was Secretary, the Institute of Chartered Accountants of India, New Delhi. He has been associated with formulation of accounting & auditing standards, corporate laws and governance, Islamic finance, WTD-GATS, reforms in government accounting and related aspects of public finance. He has been a member of a number of committees set up by the Government of Rajasthan, the Government of India, ICAI, and other national & international bodies. He was Technical Advisor on Board of International Federations of Accountants, Confederation of Asian Pacific Accountants and Secretary General of South Asian Federation of Accountants. He has contributed a number of articles in national/international conferences, professional journals and news papers. He has also been a faculty member in number of management training institutions. Dr. Ashok Haldia did his doctorate on 'Privatization of public enterprises in India'.

### ➤ Mr. P. Abraham

Mr. P. Abraham has served as Secretary to the Government of India in the Ministry of Power during the first phase of reforms in the power sector. He holds rich experience in the field of administration and specifically the Power Sector. Earlier he was the Chairman of Maharashtra State Electricity Board (MSEB) and presently, he is also a Director in PTC India Limited.

### ➤ Mrs. Rama Murali

Mrs. Murali has more than 35 years of experience. She joined IA&AS in July 1973 and retired from service in May 2008. She has worked as Joint Secretary, Ministry of Finance in dept of Economic Affairs dealing with external aid, privatization of public sector enterprises and administration and policy relating to industrial units engaged in production of currency and coinage. She also worked as Joint Secretary, Govt. of India and Financial Advisor in the Dept of Scientific and Industrial Research, Financial Advisor to the Council of Scientific & Industrial Research, Govt. of India where she was in charge of finance and accounts of the Council. She was also the financial advisor to the New Delhi Municipal Corporation with overall in-charge of finance and accounts. She is also the life member of Indian Institute of Public Auditors.

### ➤ Dr. Uddesh Kohli

Dr. Kohli is an Engineer from the Indian Institute of Technology, Roorkee and holds a Post-Graduate Diploma in Industrial Administration from the Manchester University, UK. He obtained his Ph.D. in Economics from the Delhi School of Economics. Dr. Kohli was also Chairman and Managing Director of Power Finance Corporation Limited, and has worked with the Planning Commission, Government of India, reaching the position of Advisor (Additional Secretary level). He has carried out international assignments for Asian Development Bank, United Nations Industrial Development Organization, United Nations Development Programme and United Nations Office for Project Services. Dr. Kohli's areas of expertise include development planning, finance, project formulation, appraisal, sustainability and monitoring, power/energy planning, Corporate Social Responsibility training and human resource development.

### ➤ Mr. Sudhir Kumar

Mr. Kumar, aged 54 years, is an Independent Director of our Company and has been on the Board of our Company since 22<sup>nd</sup> March, 2010. He holds a Masters degree in Commerce from the Delhi School of Economics, University of Delhi. He is an Indian Administrative Services officer presently serving as Joint Secretary in Ministry of Power, Government of India. He has also served as the officer on special duty to Minister for Railways, Government of India. Presently, he is also on the Board of our Promoter, PTC India Limited.

### ➤ Mr. M K Goel

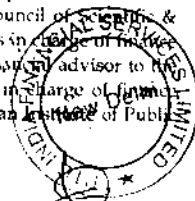
Mr. Goel holds a bachelor's degree in Technology specializing in Electrical Engineering from Kanpur University. Mr. Goel has a career spanning over 30 years. Before joining Power Finance Corporation (PFC), he was working with NHPC. Currently he has been in-charge of Institutional Development and Administration. He has been involved in inducting reforms in State Power Utilities, steering Restructured Accelerated Power Development & Reform Programme of GOI and oversees human resource functioning, information technology and legal activities.

### ➤ Mr. C. R. Muralidharan

In his earlier capacity, Mr. Muralidharan was Whole-Time Member of IRDA and was looking after the compliance by the insurers of the regulations on investments, analysis of financial statements of insurance companies, on and off-site supervision of insurance companies as well as other regulatory issues including the registration of new insurance companies. Prior to joining IRDA, he worked in RBI for more than three decades in various capacities. He was heading the Department of Banking Operations and Development (DBOD) of RBI, which is responsible for laying down a regulatory framework on a wide range of operations for Indian commercial banks to promote a sound and competitive banking system consistent with the emerging international best practices. He assisted IMF in two overseas assignments and was associated with several High Level Working Groups on Banking Regulation.

### ➤ Mr. Surinder Singh Kohli

Mr. Kohli, aged 65 years, is an Independent Director of our Company and has been on the Board of our Company since 13<sup>th</sup> December, 2010. He holds Bachelors degree in Science (Mechanical Engineering) from Benaras Hindu University and a diploma in Industrial Finance from Indian Institute of Bankers. Prior to joining our Company he was the chairman and managing director of India Infrastructure Finance Company Limited, Punjab National Bank, Small Industries Development Bank of India and Punjab and Sindh Bank respectively. He was also the chairman of the India Banks Association for two terms.



## PTC India Financial Services Limited

### DIRECTOR'S REPORT TO THE SHAREHOLDERS

Dear Shareholders,

- The Directors have pleasure in presenting to you its fifth Annual Report together with the audited accounts of your Company for the financial year 2010-11.

#### OVERVIEW

- Power Sector in India has recorded capacity addition of 12160 MW during the year 2010-11 taking the additional capacity creation during the Eleventh Five Year Plan so far to 48029 MW. Power Sector in the recent years has been constrained by fuel risk, off-taker risks, and implementation risks. The sector, however, continues to offer tremendous business opportunities for investment and provision of financial services across the value chain. The capacity addition target for the Twelfth Five Year Plan would require capital investment of around Rs. 5 Trillion.
- PTC India Financial Services Limited (PFS) is a systematically important non-deposit taking NBFC registered with Reserve Bank of India (RBI) and set-up to devote itself exclusively for providing financial solutions to projects in the energy value chain. It has been accorded status of Infrastructure Finance Company (IFC) in August 2010. The operational financial performance of the Company during the year 2010-11 has maintained rather exceeded growth momentum than during the year 2009-10. The year also saw successful completion of Initial Public Offering (IPO) of the Company.

#### FINANCIAL RESULTS

- During the year 2010-11, the Company has recorded revenue income of Rs.1088.52 million rising from Rs.534.90 million, thus recording 103.50 % growth.

The highlights of the financial results are as under

Particulars	(Rs. in million)	
	2010-11	2009-10
Income	1,088.52	534.90
Expenditure	574.21	167.89
Profit before tax	514.31	367.00
Tax Expense	144.04	112.48
Profit after tax	370.27	254.52
Transfer to Statutory Reserve Fund	74.10	50.95
Balance carried to Balance Sheet	296.17	203.57

Operating income as a percentage of total income increased from 73.91% in 2009-10 to 95.26% in 2010-11. Correspondingly, the operational expenses as a percentage of total revenue increased from 31.39% to 51.12%.

- The Profit Before Tax (PBT) has increased from Rs.367.00 million in 2009-10 to Rs. 514.31 million in the year 2010-11 recording increase by 40.14 %. The Profit after Tax (PAT) recorded increase by 45.48 % from Rs.254.52 million in 2009-10 to Rs. 370.27 million during the year 2010-11.

#### OPERATIONAL PERFORMANCE

- The amount of debt sanctions during the year 2010-11, excluding those convertible in to long-term loans, increased to Rs 17,039 million compared to Rs.12,490 million in the previous year. The level of disbursement of debt was Rs. 6236.64 million during the year 2010-11 compared to Rs. 2827.08 million in the previous year. A large portion

of equity of PFS was already committed and disbursed in the equity investments as at the beginning of the year 2010-11. As a result, the amount of disbursement of equity during the year 2010-11 was lower at Rs.890.90 million compared to Rs. 2,309.44 million in the previous year. The amount of equity sanctioned was Rs.917 million as compared to Rs.1043.71 million in the previous year. Equity investment made in power projects was Rs. 4586.23 million at the end of the financial year 2010-11 compared to Rs. 3707.07 million at the end 2009-10. Outstanding commitments for equity investments as on 31st March 2011 amounted Rs. 1043.71 million. During the year, the Company has divested its part stake in Indian Energy Exchange Limited. Effective commitments for sanctions of debt as on 31st March, 2011 were Rs.33,649 million increased to Rs.18,332 million as on 31st March, 2010. Upfront financing of CER amounted to Rs. 222.38 million in the year 2010-11 as against Rs.50.00 million in the year 2009-10.

- The number of new projects for which financial assistance was sanctioned during the year was 28 taking the total number of sanctioned projects till 31st March, 2011 to 62. The financial assistance sanctioned by PFS so far would help capacity creation of more than 14000 MW. Fuel wise assisted projects comprised of 20 coal-based thermal projects, 17 biomass-based projects, 5 hydro-based projects, and 4 wind-based projects.
- Most of the assisted projects have progressed well compared with the schedule of implementation. 2 biomass projects, 1 wind project have achieved commercial operations during the year 2010-11. Through a comprehensive project monitoring mechanism, PFS, continuously monitors status of implementation of assisted projects on a regular basis.

#### DIVIDEND

- The Directors have not recommended dividend for the financial year ended 31st March, 2011.

#### SHARE CAPITAL

- During the financial year 2010-11, the Company has completed its Initial Public Offer (IPO) comprising of fresh issue of 127,500,000 equity shares (excluding an offer for sale of 29,200,000 equity shares by Macquarie India Holdings Limited, a shareholder of the Company) of face value of Rs.10 each for cash at a price of Rs.28 per share (including a share premium of Rs.18 per equity share). Discount of Rs.1/- per share was given to the retail investors. The Company towards mobilized Rs.3,527.03 million through IPO (excluding the offer for sale) for utilization for general business purposes (the details of utilizations are mentioned in notes to the accounts). The shares of the Company are listed on National Stock Exchange and Bombay Stock Exchange. The paid-up share capital of the Company as at 31st March, 2011 aggregated to Rs.5,620.83 million comprising of 562,083,335 equity shares of Rs.10 each fully paid up. PTC India Limited holds 60% of the paid up capital of the Company as at 31st March, 2011 down from 77.60% held as at 31st March, 2010.

#### RESERVES

- Out of the profits earned during the financial year 2010-11, the Company has transferred an amount of Rs.74.10 million to Statutory Reserve Fund in accordance with the requirements of Section 45-IC of the Reserve Bank of India Act, 1934.

#### RESOURCE MOBILIZATION

- In order to meet the growing requirements for disbursement and to continuously optimise the borrowing cost, PFS has adopted a multi-pronged strategy for resource mobilisation, as under

- (i) mobilisation of additional capital through Initial Public Offer (IPO) completed in March, 2011.
- (ii) raising NCD Series-3 amounting to Rs.900 million subscribed by Life Insurance Corporation (LIC) in January 2011.
- (iii) raising of Rs.420.86 million through Infrastructure Bonds eligible for tax benefit under Section- 80CCF of Income Tax Act, 1961 in March 2011 consequent upon receiving recognition as Infrastructure Finance Company (IFC).
- (iv) contracting External Commercial Borrowing (ECB) of aggregate amount of USD 26 million from DEG Germany. Since PFS is Infrastructure Finance Company (IFC), ECB has been raised under the automatic route. Additional ECB of USD 50 million was under advanced stage of finalization with International Finance Corporation (IFC). The necessary agreements to the effect were signed after 31st March, 2011.

The total borrowing of the Company is Rs. 5,698.75 million as on 31st March 2011 as compared to Rs. 3108.01 million as on 31st March 2010. Continuous and persistent efforts have enabled PFS to maintain its cost of borrowings despite the rising interest rate scenario in the market.

#### REALISATION

13. The Company gives utmost priority to the realization of the amounts due towards principal and interest. During the year, PFS recovered short-term loan of Rs.2,440 million, and interest of Rs. 736.02 million on both short-term and long-term loans. There was no outstanding amount recoverable as on 31st March, 2011. The Company has regularly realized all the amounts due from the borrowers during the year and has not made any additional provision on Loan Assets (non performing) in its financial statements upto the year ended 31st March, 2011 other than the statutory provisions as mandated by the Reserve Bank of India. During the year 2010-11, the Company has created provision for contingencies against standard assets in its financial statement amounting to Rs. 17.77 million, in accordance RBI Circular No. DNBS.PD.CC.No.207/ (13.02.002 /2010-11 dated 17th January, 2011.

#### CREDIT RATINGS

14. During the financial year ended 31<sup>st</sup> March, 2011, the long term bank borrowings have been rated LA+ by ICRA while our Non Convertible Debentures have been rated LA+ by ICRA and BWR AA by Brickwork. The Company's short term domestic borrowing programme was awarded the highest rating of 'A1+' by ICRA.

#### HUMAN RESOURCE

15. Human Resources becomes critical to the rapid growth of your Company. Broadening and deepening the human skills and conducive HR practices have been core to the HR initiatives. Apart from the campus recruitments being made from the reputed institutions, direct recruitments have been made for specialised positions. In order to keep pace with the recent trends in the industry, the remuneration structure in PFS has been revised upward. This should help in attracting and retaining the best talent in the industry. Other HRD initiatives taken include employee welfare measures, in-house and out-station training programmes and promoting participative management.

#### DIRECTORS' RESPONSIBILITY STATEMENT

16. In pursuance of Section-217 (2AA) of the Companies Act, 1956, the Directors make the following statement:
  - (i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed by PFS along with proper explanation relating to material departures;
  - (ii) The Directors have selected such Accounting policies, and applied them consistently, and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the

state of affairs of the Company at the end of the Financial Year 2010-11 and of the profit or loss of the Company for that period;

- (iii) Proper and sufficient care has been taken by the Directors for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
- (iv) The Annual Accounts have been prepared on a going concern basis.

#### NON-ACCEPTANCE OF PUBLIC DEPOSIT

17. PFS is a Non- Deposit taking Systemically Important NBFC. It has not accepted any public deposit during the year 2010-11.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO ETC.

18. Since PFS is engaged in investment and lending activities, particulars relating to conservation of energy and technology absorption are not applicable to it.

The Company has incurred expenditure of Rs. 21.45 million (previous year Rs. 1.42 million) in foreign exchange during the year ended 31st March, 2011. These included payment of Rs 15.45 million as charges/ fee for raising ECB.

#### PARTICULARS OF EMPLOYEES

19. During the Financial Year ended on 31st March, 2011, no employee was employed for full or part of the year and who was in receipt of remuneration from PFS of more than Rs. 6.00 million per annum or Rs.0.5 million per month, in aggregate.

#### AUDITORS

20. M/s. Deloitte Haskins & Sells were appointed as Statutory Auditors of the Company for financial year 2009-10 by the shareholders and shall hold office upto the conclusion of the forthcoming Annual General Meeting.

The Auditors have audited the Accounts of the Company for the year ended 31st March, 2011. Audited Accounts together with the Auditor's Report thereon are annexed to this report.

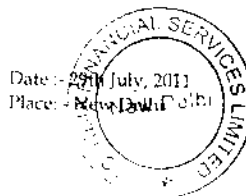
#### CORPORATE GOVERNANCE

21. A detailed report on Corporate Governance and Management Discussion & Analysis report, pursuant to the requirement of Clause 49 of the Listing Agreement forms part of the Annual Report. A certificate obtained from the Statutory Auditor of the Company, confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is annexed to the Report on Corporate Governance

#### ACKNOWLEDGEMENT

22. The Board of Directors acknowledge with deep appreciation the cooperation received from Ministry of Power, Ministry of Finance, Reserve Bank of India, SEBI, NSE, BSE, PTC India Limited and other stakeholders, International Finance Corporation (IFC), DEG Germany, various Banks, Consortium Partners and Officials of the Company.

For and on behalf of the Board of Directors



T.N. Thakur  
Chairman & Managing Director

## REPORT ON CORPORATE GOVERNANCE

### Company's philosophy on Corporate Governance

Corporate Governance is to ensure fairness and transparency in all dealings and in the functioning of the management. Corporate Governance is concerned with the morals, ethics, values, parameters, conduct and behaviour of the Company and its management. The spirit of governance of PTC India Financial Services Limited (PFS) is derived from this philosophy and has been articulated through the Company's various policies.

Being a finance Company, PFS has to regularly pursue businesses that maximise returns while effectively managing the inherent risks. Decision making and execution is driven by its governance structure, ethics and value systems. Corporate Governance ensures transparency and accountability. The presence of strong governance standards earns faith of all the stakeholders which is very essential for successfully running any organization and contributes in a best possible manner in sustaining and enhancing economic growth. Corporate Governance also has broader social and institutional dimensions. Properly designed rules of governance focus on implementing the values of fairness, transparency, accountability, and responsibility to all the stakeholders.

As per the requirements of the listing agreement with the Stock Exchanges, and also in tune with our practice of sharing the information with the shareholders, government, clients, employees and society at large, a report on the Corporate Governance is given below as a part of the Director's Report along with the Certificate issued by the Statutory Auditors regarding compliance with the requirements in regard to Corporate Governance specified in Clause 49 of the listing agreement.

PFS is committed to achieve the best standards of the Corporate Governance. The Company has built up a strong foundation for making Corporate Governance a way of life by having an independent Board with experts of eminence, forming a core team of top level executives, inducting competent professionals across the organization and putting in place best systems and processes. Going beyond PFS has endeavoured to regulatory and legal compliances and adopt practices of high level of business ethics.

### Board of Directors

The Board of Directors of PFS provide leadership and strategic guidance, objective judgement and exercises control over the Company, while remaining at all times accountable to the stakeholders.

### Composition

As on 31st March, 2011 the Company's Board comprised of 10(Ten) Directors out of which 6 are Independent Directors. The Composition of the Board is in conformity with Clause 49 of the Listing Agreement.

Brief profile of the Directors is set out separately in the Annual Report.

S.No.	Name of Director	Designation
1.	Mr. Tantra Narayan Thakur	Chairman and Managing Director
2.	Dr. Ashok Halda	Whole Time Director and Chief Financial Officer
3.	Mr. Pratapnath Abraham	Non-Executive Director (Independent Director)
4.	Dr. Uddesh Kohli	Non - Executive Director (Independent Director)
5.	Mrs. Rama Murali	Non - Executive Director (Independent Director)
6.	Mr. Ramarao Muralidharan Coimbatore	Non - Executive Director (Independent Director)
7.	Mr. Mukesh Kumar Goel	Non - Executive Director
8.	Mr. Sudhar Kumar	Non - Executive Director (Independent Director)
9.	Mr. Neil Kant Arora*	Non - Executive Director
10.	Mr. Surinder Singh Kohli	Non - Executive Additional Director (Independent Director)

\* resigned on 11th May, 2010

### Number of Board Meeting

There were 9 (Nine) Meetings of the Board of Directors held during the financial year ended 31st March, 2011 i.e. on 21st June, 2010, 19th July, 2010; 24th September, 2010; 13th October, 2010; 9th November, 2010, 13th December, 2010; 7th January, 2011, 1st March, 2011 and 25th March, 2011

### Board Meetings and Attendance:

S No.	Name	Designation	Board Meeting Held during the tenure	attended	No. of Directorships as on 31 <sup>st</sup> March, 2011	Membership in committees or other companies (Kudo Shareholders' Grievance Cell as on 31 <sup>st</sup> March 2011)	Absentee (No. of days)
1	Mr. T. N. Thakur	Chairman and Managing Director	9	9	6	N/A	Present
2	Dr. Ashok Halda	Whole Time Director and Chief Financial Officer	9	9	5	N/A	Absent
3	Mr. Deepak Arinabhi (resigned on 22 <sup>nd</sup> September, 2010)	Non - Executive Director (Independent Director)	2	2	Not applicable	Not applicable	Not applicable
4	Mr. Shashi Shekhar (resigned on 17 <sup>th</sup> January, 2011)	Non - Executive Director (Independent Director)	7	4	Not applicable	Not applicable	Absent
5	Mr. P. Abraham	Non - Executive Director (Independent Director)	9	9	13	4	Present
6	Dr. Uddesh Kohli	Non - Executive Director (Independent Director)	9	8	7	6	Absent
7	Mrs. Rama Murali	Non - Executive Director (Independent Director)	9	8	-	N/A	Absent
8	Mr. C. R. Muralidharan	Non - Executive Director (Independent Director)	9	6	2	1	Absent
9	Mr. M. K. Goel	Non - Executive Director	9	5	8	1	Absent
10	Mr. Sudhar Kumar	Non - Executive Director (Independent Director)	9	4	6	N/A	Absent
11	Mr. Neil Kant Arora (resigned on 11 <sup>th</sup> May, 2011)	Non - Executive Director (Independent Director)	4	5	4	Not applicable	Absent
12	Mr. J. B. Naidu (resigned on 13 <sup>th</sup> December, 2010)	Non - Executive Director (Independent Director)	6	2	Not applicable	Not applicable	Absent
13	Mr. S. S. Kohli (appointed on 13 <sup>th</sup> December, 2010)	Non - Executive Additional Director (Independent Director)	3	3	-	-	Not applicable

None of the Directors on the Board is a member of more than 10 committees and chairman of more than 5 committee (as prescribed in the clause 49 of the Listing Agreement), across all the companies in which he/she is a Director.

None of the Directors of the Company are in any way related to each other.

Detail of shareholding of Directors as on 31st March, 2011 are as under:

Sr. No.	Name of the Director	Nn of shares
1.	Mr. T. N. Thakur	7000
2.	Dr. Uddesh Kohli	3500

#### Information available to the Board

Detailed Agenda Notes with information as enumerated in the Listing Agreement were circulated in advance to the Board. All the relevant information as mentioned in clause 49 of the Listing Agreement have been placed before the Board for its consideration. The information regularly supplied to the Board / Board Committees specifically includes:

- Annual budgets and any updates therein.
- Agenda Notes for financing of various long term and short term projects.
- Quarterly results for the Company.
- Annual Financial Statements of the Company
- Minutes of meetings of Audit Committee and other Committees of the Board.
- Any material default in financial obligations to and by the Company or substantial non-payment for services provided by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, if any.
- Details of any joint venture or collaboration agreement.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service.
- Other materially important information.

#### Code of Conduct

The Board of Directors after Listing of Shares of PFS, in its meeting held on 25th May, 2011 has adopted Code of Conduct for Board Members and Senior Management Personnel. The code is a comprehensive code applicable to all Directors and Members of Senior Management of the Company. It is in alignment with Company's vision and values to achieve the Mission and Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. A copy of the Code has been put on the website of the Company i.e. [www.ptcfinancial.com](http://www.ptcfinancial.com).

#### Code for Prevention of Insider Trading

In terms of Securities and Exchange Board of India (Insider Trading) Regulations, 1992, the Company has formulated a comprehensive Code for Prevention of Insider Trading to preserve the confidentiality and to prevent misuse of unpublished price sensitive information. Every Director, officer and designated employee of the Company has a duty to safeguard the confidentiality of all such information obtained in the course of his or her work at the Company and not to misuse his or her position or information regarding the Company to gain personal benefit or to provide benefit to any third party. The code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the Company and the consequences of non-compliance. The Company Secretary has been appointed as Compliance Officer and is responsible for adherence to 'Code for Prevention of Insider Trading'. In line with the requirement of Code for Prevention of Insider Trading, trading window was closed from time to time, whenever some price sensitive information was submitted to the Board and other Committees of Directors. Notice of closure of trading window was issued to all the employees well in advance, restraining all the employees not to deal in the shares of the Company when the window is closed.

#### Committees of the Board of Directors

The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The Board of Directors and its committees meet at regular intervals.

As on 31st March, 2011 the Board had ten (10) committees:

- 1) Audit Committee
- 2) Nomination Committee
- 3) Remuneration Committee
- 4) Shareholders' & Investors' Grievance Committee
- 5) Compensation committee for ESOP
- 6) Asset Liability Management Committee
- 7) Risk Management Committee
- 8) Committee of Directors for IPO
- 9) Committee of Directors for Bond issuance
- 10) Committee of Directors

#### 1. Audit Committee

The role and terms of reference of Audit Committee is in line with the requirements of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee includes the following:

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 outside legal or other professional advice.
- 4 To secure attendance of outsiders with relevant expertise, if it considers necessary.

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with the management the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2M) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements.

1. Disclosure of any related party transactions

g. Qualifications in the draft audit report, if any.

5. Reviewing, with the management the quarterly/ annual financial statements before submission to the Board for approval.
6. 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, if any, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function including the appointment and removal of the internal audit firm and frequency of internal audit.
9. Discussion with internal auditors any significant findings and follow up there on.
10. 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 systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
13. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
14. Carrying out any other functions which may be specified under amendments from time to time as per the Listing Agreement, Companies Act, 1956 and other applicable statute.

The Committee is chaired by Mrs. Rama Murali, Independent Director w.e.f. 9th November, 2010. The Composition of Audit Committee as at 31st March 2011 and meeting attended by members are as follows:

S. No.	Name of Members	No. of meetings attended during the year
1	Mrs. Rama Murali	6
2	Mr. P. Abraham	6
3	Mr. C. R. Muralidharan	3

The constitution of Audit committee is in line with requirement of Section 205A of the Companies Act, 1956 and clause 49 of the Listing Agreement and presently consists of three Non - executive and Independent Directors.

During the Financial Year, 2010-11, 6 meetings of Audit Committee were held on 21st June, 2010, 19th July, 2010, 9th November, 2010, 24th November, 2010, 1st March, 2011 and 25th March, 2011.

Attested by the Chairman of the Audit Committee

The Ex - Chairman of the Audit Committee, Mr. P. Abraham was present at the last A.C.M of the company.

CEO, Internal auditors and Statutory auditors are permanent invitees at meetings of the Audit Committee.

## 2. Nomination Committee

The Board originally constituted Nomination cum Remuneration Committee on 5th August, 2008 and subsequently renamed it to its present name on 13th December, 2010. It has been constituted for the purpose of ensuring 'fit and proper' status of proposed/ existing Directors of the Company in terms of RBI guidelines. During the last year no meeting of the committee was held. The Committee comprises of the following members:

Name of the Directors	Designation
Mr. T. N. Thakur	Chairman
Mr. P. Abraham	Member
Dr. Uddesh Kohli *	Member
Mr. S. S. Kohli *	Member

\* Appointed as member on 25th May, 2011

## 3. Compensation Committee for ESOP

The Compensation Committee for ESOP was constituted by the Board on 29th April, 2008. It has been constituted for the purpose of preparing and managing an ESOP scheme for the Company. During the year, no meetings of the Compensation committee for ESOP were held.

The Committee comprises of the following members:

Name of the Directors	Designation*
Mr. T. N. Thakur	Member
Mr. S. S. Kohli	Member
Dr. Uddesh Kohli	Member

\*The members shall appoint a chairman from amongst themselves.

## 4. Asset Liability Management Committee

The Asset Liability Management Committee was originally constituted pursuant to Board resolution dated 30th March, 2009. It has been constituted for the purpose of performing functions as required under the asset liability management policy and comprises of the following members:

Name of the Directors	Designation
Mr. T. N. Thakur	Chairman
Mr. P. Abraham	Member
Dr. Ashok Haldia	Member
Mr. C.R. Muralidharan *	Member

\* Appointed as member on 25th May, 2011

The scope of Asset Liability Management Committee includes market risk management and it shall specifically focus on interest rate risk, foreign exchange risk, and liquidity risk.

During the year, 3 meetings of Asset Liability Management Committee were held on 21st June, 2010; 24th September, 2010 and 31st March, 2011.

## 5. Risk Management Committee

The Risk Management Committee was constituted by Board on 7th July, 2009. It has been constituted under Risk Management Policy of the Company for the purpose of reviewing risk management in relation to various risks, namely, market risk, credit risk, and operational risk and comprises of the following members:

Name of the Directors	Designation
Mr. S. S. Kohli	Chairman
Dr. Ashok Haldia	Member

During the year, 3 meetings of Risk Management Committee were held on 21st June, 2010; 24th September, 2010 and 29th March, 2011.

#### 6. Shareholders'/Investors' Grievance Committee

The Shareholders' and Investor' Grievance Committee was constituted by Board on 13th December, 2010. The Shareholders' and Investors' Grievance Committee presently comprises of the following members:

Name of the Directors	Designation*
Dr. Uddesh Kohli	Member
Dr. Ashok Haldia	Member
Mr. C.R. Muralidharan	Member

\*The members shall appoint a chairman from amongst themselves.

Scope and terms of reference:

The Committee has the powers to promptly resolve the complaints of shareholders' / investors such as non-receipt of shares after transfer, non-receipt of declared dividends, non-receipt of balance sheet and other related types of complaints / queries.

Shares were allotted to the public under the Initial Public Offer of the Company on 26th March, 2011 therefore, during the year, no meeting of Shareholders' and Investor' Grievance Committee was held.

During the year ended, the Company has not received any complaints from the investors.

#### 7. Remuneration Committee

The Remuneration Committee was constituted pursuant to Board resolution dated 13th December, 2010. It presently comprises of the following members:

Name of the Directors	Designation	Attendance in the meeting
Mr. P. Abraham	Chairman	Present
Mrs. Rama Murali	Member	Absent
Dr. Uddesh Kohli	Member	Present

During the year, 1 meeting of Remuneration Committee was held 11th March, 2011.

Scope and terms of reference:

The scope and terms of reference of the Remuneration Committee are in line with the listing agreement, provisions of the Companies Act, 1956 and any guidelines / circulars issued by Reserve Bank of India and include determining on behalf of the Board and the shareholders of the Company, the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

#### 8. Committee of Directors for IPO

The Committee of Directors for IPO (IPO Committee) was constituted pursuant to Board resolution dated 22nd March, 2010 for taking the necessary steps for IPO and pre-IPO private placement. It comprised of the following members:

Name of the Directors	Designation
Mr. T. N. Thakur	Chairman
Dr. Ashok Haldia	Member
Mr. P. Abraham	Member
Dr. Uddesh Kohli	Member

During the year, 9 meetings of Committee of Directors for IPO were held 20th April, 2010; 2th June, 2010; 7th September, 2010; 18th December, 2010; 5th March, 2011; 11th March, 2011; 15th March, 2011; 21th March, 2011 and 26th March, 2011.

#### 9. Committee of Directors for Issuance of Bonds

The Committee of Directors for issuance of Bonds was originally constituted by Board on 21st August, 2009. It has been constituted for taking the necessary decision related to raising the fund through Bond and other similar purpose of considering and determining the terms and conditions of issuance and allotments of secured non-convertible debentures and comprises of the following members:

Name of the Directors	Designation
Mr. T. N. Thakur	Chairman
Dr. Ashok Haldia	Member
Dr. Uddesh Kohli	Member

During the year, 3 meetings of Committee of Directors for issuance of Bonds were held 19th November, 2010; 27th January, 2011 and 31st March, 2011.

#### 10. Committee of Directors

The Committee of Directors was constituted by Board on 21st August, 2009. It has been constituted for the purpose of considering and sanctioning debt financing or equity participation or both taken together to a single Company upto Rs.250 million, subject to an aggregate limit of overall limit by Rs.1,000 million in a Financial Year. It presently comprises of the following members:

Name of the Directors	Designation
Mr. T. N. Thakur	Chairman
Dr. Ashok Haldia	Member
Dr. Uddesh Kohli	Member

During the year, 3 meetings of Committee of Directors were held 31st May, 2010; 29th September, 2010 and 1st March, 2011.

#### Annual General Meeting

The details of the last three Annual General Meetings of the Company are as under:

AGM	Date	Day	Time	Location	Special Resolution
4th AGM	24/09/2010	Friday	5.00 PM	Board Room, 2nd Floor, NBCC Towers, 15, Bhikaji Cama Place, New Delhi.	Further issue of Equity Shares (Section 81(A)) of the Companies Act, 1956
3rd AGM	25/09/2009	Friday	5.00 PM	Board Room, 2nd Floor, NBCC Towers, 15, Bhikaji Cama Place, New Delhi	None
2nd AGM	05/08/2008	Tuesday	5.30 PM	Board Room, 2nd Floor, NBCC Towers, 15, Bhikaji Cama Place, New Delhi.	None

#### Subsidiary Companies

The Company does not have any subsidiary company.

#### Disclosures

(1) There were no materially significant transactions with related parties i.e. promoters, directors or the management, conflicting with the Company's interest, subsidiaries or relatives etc. that may have any potential conflict with the interest of the Company. Further, the details of related party transactions are presented in Note no 7 on Schedule 19 'Notes to Accounts' to Annual Accounts in the Annual Report.



- (2) There were also no instances of non-compliance on any matter related to the Capital Markets during the last three years. There were no penalties imposed or strictures passed against the Company by the statutory authorities in this regard.
- (3) The Company's Whistle Blower policy is inbuilt system of Grievance Redressal which deals with grievances of employees. Under this system grievances of the employees are redressed effectively. The Company affirms that no personnel have been denied access in the audit committee.
- (4) The Company has fully complied with all the mandatory requirements prescribed under Clause 49 of the Listing Agreement of the stock exchange relating to Corporate Governance and adopted all suggested items to be included in the Report on Corporate Governance.
- (5) In the preparation of financial statements, the Company has followed the accounting principles in India, the applicable accounting standards notified under section 211(3C) of the Companies Act, 1956, the relevant provisions of the Companies Act, 1956 and the Non-Banking financial (Non Deposit Accepting or Holding) Companies prudential Norms (Reserve Bank) Directions, 2007.

#### Remuneration to Directors

The remuneration paid to the Whole-time Directors during the financial year ended 31st March, 2011 is as under:

Name of Director	Salary and allowances	Perquisites to provision fund	Contribution to provident fund	Commission	(Rs. in Lacs)	
					Total	ESOP
Dr. Ashok Haldia	38.02	5.03	2.05	Nil	45.10	Nil

#### Means of Communication

PfS recognizes communication as a key element of the overall Corporate Governance framework and therefore emphasizes continuous, efficient and relevant communication to all external constituencies. Quarterly/annual financial results are usually published in financial and national newspapers like Financial Express / Business Express in English and Jansatta in Hindi. The same are also available on the website of the Company, viz. www.pfsfinancial.com and have also been submitted to stock exchanges as per requirement. The Company also communicates with its institutional shareholders through investor conferences.

All important information pertaining to the Company is also mentioned in the Annual Report of the Company containing inter-alia audited financial statements, consolidated financial statements, directors' report, auditors' report, report on corporate governance which is circulated to the members and others entitled thereto for each Financial Year.

Registrar & Share Transfer agent  
Karvy Computershare Pvt. Limited  
Plot No. 17-24  
Vithal Ray Nagar Madhapur  
Hyderabad 500081

#### Share Transfer System

The shares under physical segment are transferred through Karvy Computershare Private Limited. It receives the shares to be transferred along with the transfer deed from transferor, verifies it, and prepares the Memorandum of Transfer etc. Pursuant to Clause 49 of the Listing Agreement, a Share Transfer Committee has also been constituted to take note and approve the transfer of shares of the Company.

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository

Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

#### CED/CFO certification

As required by the revised Clause 49 of the Listing Agreement, the Certificate duly signed by Mr. T.N. Thakur, Chairman & Managing Director and Dr. Ashok Haldia, Director & CFO was placed before the Board of Directors at the meeting held on 25th May, 2011.

#### Utilisation of proceeds from Initial Public Offering (IPO)

The details of utilisation of proceeds from IPO upto 31st March, 2011 is presented in Note no 16 (C) on Schedule 19 - 'Notes to Accounts' to Annual Accounts in the Annual Report.

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity No GDRs/ADRs/Warrants or any Convertible instruments has been issued by the Company, except grant of ESOPs as mentioned in Note no 4 on Schedule 19 - 'Notes to Accounts' to Annual Accounts in the Annual Report.

#### Shareholders Information

##### 1) Annual General Meeting

Date 28.09.2011 Time 11:30 AM

Venue: Dr. Sarvepalli Radhakrishnan Auditorium at Kendriya Vidyalaya No. 2, A.P.S. Colony (Delhi-Gurgaon Road), Delhi Cantt. New Delhi - 110010

##### 2) Financial calendar for year ended 31st March, 2011

Particulars	Date
Financial year	1st April 2010 to 31st March 2011
Un-audited financial results for the first three quarters	Not applicable since the Company was listed w.e.f. 30th March, 2011.
Annual Financial year results	25th May, 2011

##### 3) Tentative Financial calendar for year ending 31st March, 2012

Particulars	Date
Un-audited financial results for the first three quarters	Will be announced and published within 45 days from the end of each quarter
Annual Financial year results	Will be announced and published within 60 days from the end of each financial year

##### 4) Date of Book Closure

The Register of Members and Share Transfer Books of the Company will remain closed from 17th September, 2011 to 28th September, 2011 inclusive of both days.

##### 5) Payment of Dividend

The Board of Directors of your Company has not recommended any dividend for the Financial Year ended 31st March, 2011.

##### 6) Listing on Stock Exchanges

PfS shares are listed on the following stock exchanges

National Stock Exchange of India Limited	Bombay Stock Exchange Limited
Script Code: PFS EQ	Series Code: 533344
Stock Code: INE500K00011	

The annual listing fees for the financial year ending 31st March, 2012 have been paid to NSF and BSE.





# 7) Market Price Data

## NSE

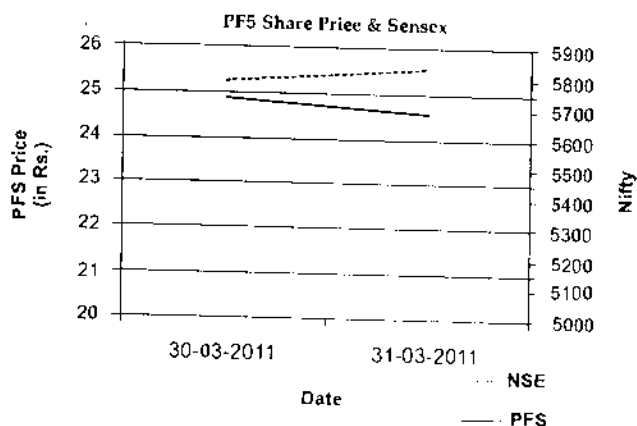
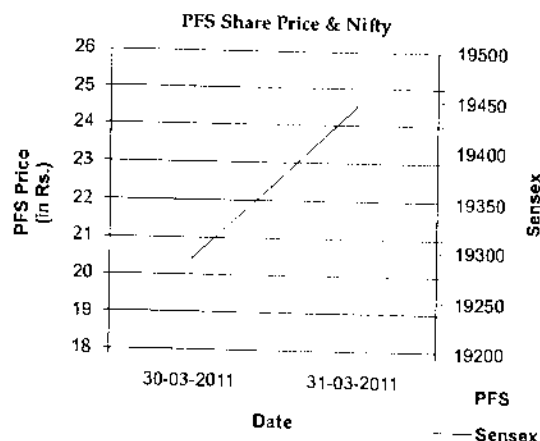
Month	High(Rs.)	Low(Rs.)	Closing(Rs.)
March, 2011	27.00	23.50	24.65

## BSE

Month	High(Rs.)	Low(Rs.)	Closing(Rs.)
March, 2011	28.00	23.50	24.60

\*The Company was listed on 30th March, 2011.

## 8) Performance in comparison to indices



## 9) Registrar and Transfer Agents

### For Equity and Infrastructure Bond

Registered Office	Communication Address
Karvy Computershare Private Limited "Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500034, India Tel: +91 40 23312454 Toll Free: 1800 4258282	Madhapur Hyderabad-500081 Andhra Pradesh, India Tel: +91 40 23420815-28 Fax: +91 40 23420814/59 Email: onward.rtr@karvy.com

Fax: +91 40 23311968

Website: www.karvycomputershare.com

## For Non-Convertible Debentures Series - I, II & III

MCS Limited

Sri Venkatesh Bhavan

W-40, Okhla Industrial Area Phase II,

New Delhi

Tel No. 011 - 41406149

Fax No. 011 - 41709881

## 10) Distribution of shareholding

\* Distribution of shareholding as on 31st March, 2011

S. No.	Category	No. of Cases	% of Cases	Amount	% of Amount
1	1 - 5000	12,853	44.55	44,892,550	0.80
2	5001 - 10000	5,348	18.54	49,152,560	0.88
3	10001-20000	3,921	13.59	65,932,890	1.17
4	20001-30000	1,118	3.88	29,751,020	0.53
5	30001-40000	2,764	9.58	98,048,750	1.74
6	40001-50000	290	1.01	13,884,000	0.25
7	50001-100000	2,372	8.22	163,758,350	2.91
8	100001 & Above	182	0.63	5,155,413,230	91.72
Total:		28,848	100.00	5,620,833,350	100.00

\* Shareholding pattern as on 31st March, 2011

S. No	Description	No. of Cases	Total Shares	% Equity
1	Promoters	7	337,250,001	60.00
2	Banks	5	20,745,010	3.69
3	Clearing members	284	10,553,789	1.88
4	Foreign institutional investors	6	108,006,883	19.22
5	HUF	695	2,217,000	0.39
6	Insurance companies	2	15,340,277	2.73
7	Bodies corporates	50	15,721,150	2.80
8	Mutual funds	4	7,444,570	1.32
9	Non residents	243	619,350	0.11
10	Resident individuals	27,551	44,185,305	7.86
Total:		28,847	562,083,335	100.00

## 11) Dematerialization of shares

Number of shares held in dematerialized and physical mode as on 31st March, 2011.

S. No	Category	No. of cases	Total Shares	% To Equity
1	Physical	8	191,251,507	34.03%
2	N S D L	19,444	353,572,529	62.90%
3	C D S L	9,396	17,259,299	3.07%
Total		28,848	562,083,335	100.00%



million in the previous year. Similarly, the amount of equity sanctioned was Rs.917 million compared to Rs.1279 million in the previous year. Effective commitments for debt as on 31st March, 2011 were Rs.33,649 million as compared to Rs.18,332 million as on 31st March 2010. Upfront financing of CER amounted to Rs.222.38 million in the year 2010-11 as against Rs.50.00 million in the year 2009-10.

6. The number of new projects for which financial assistance was sanctioned during the year was 20 taking the total number of sanctioned projects till 31st March, 2011 to 62. The financial assistance sanctioned by PFS so far would help capacity creation of more than 14000 MW. Fuel wise assisted projects comprised of 20 coal-based thermal projects, 17 biomass-based projects, 5 hydro-based projects, and 4 wind-based projects.
7. The portfolio mix of PFS has undergone significant changes and logically so. Starting with focus on equity investment, PFS graduated to financing of debt - short term as well as long term. As on 31st March, 2011, short term loans constituted significant portion of total outstanding debt - more than 60% of the loan outstanding. The percentage, however, reduced with the long term loans getting ripe for disbursement as the sanctioned projects progressed in implementation stages. In the years to come, a large portion of the debt outstanding may continue to comprise of long term loans.

#### Risk Management

8. Risk management is a central part of PFS' strategic management. Being a financial institution, PFS is exposed to risks that are particular to its lending and investment activities and the environment within which it operates. PFS' goal in risk management is to ensure that it understands, measures and monitors various risks that arise and that the organization adheres to the policies and procedures which are established to address these risks.
9. PFS has, along with ICRA Management Consulting Services, developed various policies, guidelines for risk management. A software based Credit Rating Model to facilitate internal rating based approach for rating of borrowers and projects was also developed. PFS is following standard processes and procedures for its various activities. A risk based internal audit function is undertaken by an independent external party to validate the implementation of the various policies and procedures.

#### Risk Organisation

10. Though the Board has the overall responsibility of risk management, there are two committees of the Board which take care of managing overall risk in the organization. In accordance of RBI guidelines to enable NBFCs to adopt best practices and greater transparency in their operations, the Board of Directors of PFS has constituted a Risk Management Committee to review risk management in relation to various risks, namely, market risk, credit risk, and operational risk, and an Asset Liability Management Committee. Asset Liability Management Committee (ALCO) takes care of the liquidity risk, interest rate risk and foreign currency risk while Risk Management Committee looks after the overall risk of the organization with specific focus on credit risk and operational risk. In assessment of risk of credit proposals, PFS follows a multiple layer approach. The credit approval note prepared by appraisal officers and the internal rating assigned to a proposal is reviewed by an independent risk management team. The rating as well as approval note is further reviewed by whole time directors before presentation to the approving authority. PFS has engaged well known and experienced consulting firms to support in the development of Risk Management Framework as well as to provide continuous support for following sound risk management practices.

#### Risk Management Policies

11. PFS has put in place a comprehensive policy framework for management of risks. The policies include

- **Credit Risk Management Policy:** - Credit risk management policy provides for identification and assessment of credit risk, assessment and management of portfolio credit risk, and risk monitoring and control. The issues relating to the establishment of exposure limits for various categories, for example, based on geographical regions, fuel, industry wise, rating wise are also covered. The policy also deals with rating models aiming at high quality, consistency and uniformity in the appraisal of proposals.
- **Asset Liability Management Policy:** - The objectives of Asset Liability Management Policy are to align market risk management with overall strategic objectives, articulate current interest rate view and determine pricing, mix and maturity profile of assets and liabilities. The asset liability management policy involves preparation and analysis of liquidity gap reports and ensuring preventive and corrective measures. It also addresses the interest rate risk by providing for duration gap analysis and control by providing limits to the gaps.
- **Foreign Exchange Risk Management Policy:** - The policy covers the management of foreign exchange risk related to existing and future foreign currency loans or any other foreign exchange risks derived from borrowing and lending. The objective of the policy is to serve as a guideline for transactions to be undertaken for hedging of foreign exchange related risks. It also provides guiding parameters within which the Asset Liability Management Committee can take decisions for managing the above mentioned risks.
- **Interest Rate Policy:** - Interest rate policy provides for risk based pricing of the debt financing by us. It provides the basis of pricing the debt and the manner in which it can be structured to manage credit risk, interest rate risk and liquidity risk, while remaining competitive.
- **Policy for investment of Surplus Funds:** - The policy of investment of surplus funds i.e. treasury policy provides the framework for managing investment of surplus funds. Realizing that the purpose of mobilization of resources in our Company is to finance equity as well as loans to power sector projects, the prime focus is to deploy surplus funds with a view to ensure that capital of PFS is not eroded and that surplus funds earn optimal returns.
- **Operational Risk Management Policy:** - The operational risk management policy recognizes the need to understand the operational risks in general, and those in specific activities of the Company. Operational risk management is not understood as a process of eliminating such risk but as a systematic approach to manage such risk. It seeks to standardize the process of identifying new risks and designing appropriate controls for these risks, minimize losses and customer dissatisfaction due to possible failure in processes.
- 12. Apart from these policies there are various guidelines to help understand and mitigate different kinds of other risks. These include, guidelines for financing bio-mass projects, guidelines for financing CERs, operational guidelines for debt financing, KYC Guidelines and the like.

#### Credit Risk Rating Model

13. PFS had appointed ICRA Management Consulting Services Limited (IMaCS) to develop internal rating software. Though IMaCS had the standard power project model, PFS team has customized the rating model using its domain expertise. All the proposals are rated on the rating model. There are separate rating models for balance sheet funding and SPV funding. The Model is an expert judgment model where each proposal is evaluated on more than 100 parameters to arrive at a rating score. The model has 5 rating grades out of which only first 4 are investment grade. The interest rate offered to borrower is also dependent on the rating score.

#### Monitoring Mechanism

14. To monitor the funded projects, there is a robust monitoring mechanism put in place. There are separate teams for monitoring of equity and of debt projects. While monitoring of equity investments is carried out by

the portfolio managers only, there is a separate team for monitoring of debt projects.

15. For equity investments, there is online reporting software for receiving information about investee companies on a periodic basis. Further, a detailed status report on investments is presented periodically in the Management Information System (MIS) to whole time Directors. In all of the investee companies, PFS has nominee director on their Boards who keep the company informed about various important decisions taken by the investee companies. Further, through early warning signal system, critical parameters related to financial, technical, regulatory, management and other aspects of the projects are continuously monitored.

16. A status report on both debt and equity projects is also presented to the Board of PFS periodically (at least quarterly) to ensure that directors are kept informed about the developments in the projects especially about any areas of concerns.

#### Outlook

17. As stated earlier, power sector requires huge investment. It is also well accepted that the existing institutional structure and available mechanism neither has the capacity to mobilise nor provide the requisite funding. PFS has emerged as an institution with promise in financing power projects. PFS expects to continue to maintain the growth momentum. With the additional capital raised during the year, the ability of PFS to leverage and increase debt financing has increased manifold. It is faced with the challenges as well. Our constant endeavour has been to find out the opportunities in those challenges.
18. Interest rates have been on rise in last few quarters. In response to increase in the policy rates by Reserve Bank of India (RBI), banks have raised their base rates in aggregate by 2% to 3% over last one year. That despite, PFS has been able to maintain its over all cost of borrowings. It will continue to broad-base its sources of funding and pursue the banks and other lenders for lowering the spread charged from PFS for on lending. Starting from borrowing from the banks under the Line of Credit, PFS has progressed to raise funds through issuance of NCDs, Infrastructure Bonds, and ECB from bilateral and multilateral institutions at very competitive rates. The recent announcement made by the Government of India facilitating setting-up of Infrastructure Development Fund would add new dimensions to fund mobilization strategy of PFS. The power sector currently also faces serious concerns on health of distribution companies, availability of the domestic coal,

limitation on import of coal, delays in land acquisition and obtaining clearances. Many of the projects have faced problems in timely financial closure and project implementation. These factors may have impact on slowing down the implementation of private power projects and consequently credit off-take.

19. Macro level issues relating to the health of the distribution companies and the availability of coal may require intervention at the level of Government of India, various State Governments and regulators. PFS seeks to address these and other implementation risks, by remaining cautious during due-diligence process.
20. Linkages with PTC would continue to help PFS in easy access to pipeline of projects for financing and to domain expertise of PTC in power sector. This apart, PFS has developed strong linkages with the banks, financial institution, project developers, multilateral, bilateral institutions, equity funds, and the like, which would help in further development of business. PFS has put in place a comprehensive risk management framework and is continuously working to upscale the same to match the organizational and operational growth.
21. PFS is not only a multi-product company but is also highly customer-focused. PFS applies a distinctive approach in structuring the financial products. Being customer-focused, emphasis is on understanding of the risks and mitigation measures required in the context of the specific needs of the project. Ensuring quality in servicing while financing power projects is the hall-mark of PFS's business strategy, operational framework and HR practices.
22. PFS has enhanced its focus on renewable energy as these projects does not have significant fuel and environmental clearance risks, and receive regulatory, fiscal and non-fiscal support. It has also started focusing on newer areas in the energy value chain including financing for equipment manufacturing, EPC contracts in transmission sector, and working capital needs. PFS has started exploring opportunities for portfolio take-over as various commercial banks are exhausting their exposure limits for the power sector, and buy-out financing.

#### Cautionary Note

23. Certain statements in the "Management Discussion and analysis" section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Management envisages in terms of future performance and outlook.



# **AUDITORS' CERTIFICATE ON THE COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

**TO THE MEMBERS OF PTC INDIA FINANCIAL SERVICES LIMITED**

We have examined the compliance of conditions of Corporate Governance by PTC India Financial Services Limited for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adapted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells

Chartered Accountants  
(Registration No.015125N)

Jaideep Bhargava  
Partner

(Membership No. 090295)

Date: 29th July, 2011

Place: Gurgaon

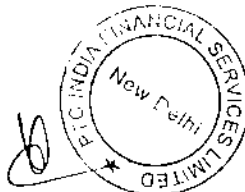
To  
The Board of Directors  
PTC India Financial Services Limited

- a. We have reviewed the financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2011 and that to the best of our knowledge and belief:
  - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - These statements together present a true and fair view of the Companies affairs and are in compliance with existing accounting standards, applicable law and regulations;
- b. There are, to the best of our knowledge and beliefs, no transactions entered into by the Company during the year 2010-11 which are fraudulent, illegal or violative of the Company's Code of Conduct;
- c. We accept responsibility for establishing and maintaining internal control and that we have evaluated the effectiveness of internal control system of the Company and we have disclosed to the auditors and audit committee, deficiencies in the design or operation of the internal control system (if any), of which we are aware and the steps we have taken or purpose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee-
  - i. Significant changes in internal control during the year.
  - ii. Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements, and
  - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee have significant role in the company's internal control systems.

sd/-  
(Dr. Ashok Haldia)  
Director & CFO

sd/-  
(T.N. Thakur)  
CMD

Date: 25th July, 2011  
Place: New Delhi



## PTC India Financial Services Limited AUDITOR'S REPORT

1. We have audited the attached Balance Sheet of PTC India Financial Services Limited ("the Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further in our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2011 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 015125N)

Jaideep Bhargava  
Partner  
(Membership No. 090295)

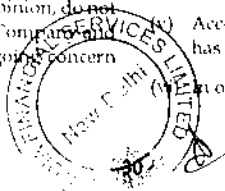
Date : 25th May, 2011  
Place : Gurgaon

### ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

Having regard to the nature of the Company's business/activities during the year, clauses (ii) and (xiii) of Companies (Auditor's Report) Order, 2003 (hereinafter referred as the Order) are not applicable.

- (i) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
  - (ii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
  - (iii) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of goods and services. There are no purchases of inventory during the year. During the course of our audit, we have not observed any major weakness in such internal control system.
  - (iv) According to the information and explanations given to us, there were no contracts, arrangements or transactions that were required to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
  - (v) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
  - (vi) In our opinion, the internal audit functions carried out during the year



by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.

(vii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of generation of power and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

(viii) According to the information and explanations given to us in respect of statutory dues:

- (a) The Company has generally been regular in depositing undisputed dues, including provident fund, income-tax, sales tax, service tax and other material statutory dues applicable to it with the appropriate authorities. There were no undisputed amounts payable in respect of these dues as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues in respect of sales tax, wealth tax, service tax, customs duty, excise duty and cess, which have not been deposited. The details of disputed dues of Income Tax as at March 31, 2011 are as follows:

(Rupees in lacs)				
Nature of the Statute	Nature of dues	Forum where pending	Amount* (Rs. in lacs)	Period to which amount relate
Income Tax Act	Income Tax	-Appellate Authority upto Commissioner's level	13.97	2007-08

\*Amount as per demand orders including interest and penalty wherever indicated in the order.

- (ix) As the Company has been registered for a period of less than five years, paragraphs 4 (x) of the Order is not applicable.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and debenture holders. The Company has not taken any loans from financial institutions during the year.
- (xi) In our opinion, the Company has maintained adequate records where it has granted loans and advances on the basis of security by way of

pledge of shares, debentures and other securities.

(xii) Based on our examination of the records and evaluations of the related internal controls, the Company has maintained proper records of the transactions and contracts in respect of its dealing in shares securities, debentures and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name.

(xiii) According to the information and explanations given to us, the Company has not given any guarantees during the year for loans taken by others from banks or financial institutions.

(xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

(xv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.

(xvi) According to the information and explanations given to us, the Company has not made preferential allotment of shares during the year.

(xvii) According to the information and explanations given to us, during the year covered by our audit report, the Company had issued 900 debentures for Series 3 of face value of Rs.1,000,000 per debenture. Subsequent to year end the Company has created security in respect of the debentures issued under Series 3.

(xviii) The Company has raised money by way of initial public offering of equity shares during the year. The Management has disclosed the end use of money raised by public issue in note 16 of schedule 19 and we have verified the same.

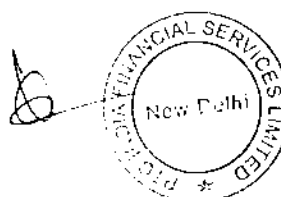
(xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 015125N)

Jaideep Bhargava

Date : 25th May, 2011  
Place : Gurgaon

Partner  
(Membership No. 090295)



# **PTC India Financial Services Limited** **BALANCE SHEET AS AT MARCH 31, 2011**

		(Rupees in lacs)	
	Schedule	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds			
Share capital	1	56,208.33	43,458.33
Employee stock option outstanding	2	46.26	123.96
Reserves and surplus	3	45,514.78	20,011.43
Loan funds			
Secured loan	4	56,987.46	31,080.10
Deferred tax liability (net)		498.72	437.51
(Refer note 9 of schedule 19)			
		<u>159,255.55</u>	<u>95,111.33</u>
<b>APPLICATION OF FUNDS</b>			
Fixed assets	5		
Gross block		3,568.80	3,504.75
Less: Depreciation		<u>552.60</u>	<u>7.74</u>
		3,016.20	3,497.01
Add: Capital work in progress		-	9.60
		<u>3,016.20</u>	<u>3,506.61</u>
Investments	6	46,365.14	40,670.40
Loan financing	7	67,558.77	26,620.10
Current assets, loans and advances			
Sundry debtors	8	48.26	0.11
Cash and bank balances	9	48,347.56	23,447.38
Other current assets	10	410.10	475.24
Loans and advances	11	<u>4,149.85</u>	<u>1,183.87</u>
		52,955.77	25,106.60
Less: Current liabilities and provisions	12		
Current liabilities		10,437.21	788.05
Provisions		<u>203.12</u>	<u>4.33</u>
		<u>10,640.33</u>	<u>792.38</u>
Net current assets		42,315.44	24,314.22
		<u>159,255.55</u>	<u>95,111.33</u>
Notes to accounts	19		

In terms of our report attached

The schedules referred to above form an integral part of the Balance Sheet

For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board of Directors

Jaideep Bhargava  
Partner

T. N. Thakur  
Chairman and Managing  
Director  
DIN: 00024322

Ashok Haldia  
Director and Chief  
Financial Officer  
DIN: 00818489

Place : Gurgaon  
Date : 25th May, 2011

Place : New Delhi  
Date : 25th May, 2011

Vishal Goyal  
Company Secretary





# PTC India Financial Services Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

		(Rupees in lacs)	
	Schedule	Year ended 31.03.2011	Year ended 31.03.2010
<b>INCOME</b>			
Income from investments	13	1,480.57	2,128.06
Interest income	14	7,352.10	1,357.37
Fee based income		1,102.51	467.71
Income from sale of power		433.60	0.13
Other income	15	516.45	1,395.70
		<b>10,885.23</b>	<b>5,348.95</b>
<b>EXPENDITURE</b>			
Personnel expenses	16	184.01	256.90
Administration and other expenses	17	563.54	256.90
Interest and other charges	18	4,271.69	1,160.44
Depreciation / Amortisation	5	545.12	4.70
Provision for contingencies		177.74	-
		<b>5,742.10</b>	<b>1,678.94</b>
<b>Profit before tax</b>		<b>5,143.13</b>	<b>3,670.01</b>
Less : Tax expense			
- Current tax		1,031.10	651.00
- Deferred tax charge (Refer note 9 of schedule 19)		409.30	473.77
<b>Profit after tax</b>		<b>3,702.73</b>	<b>2,545.24</b>
<b>Balance as per last balance sheet</b>		<b>2,708.30</b>	<b>672.64</b>
Less : Transfer to statutory reserve		(741.00)	(509.50)
<b>Balance carried to balance sheet</b>		<b>5,670.11</b>	<b>2,708.38</b>
Basic earnings per share (Rs.)		0.05	0.59
Diluted earnings per share (Rs.)		0.85	0.59
(Refer note 8 of schedule 19)			
Notes to accounts	19		

In terms of our report attached

The schedules referred to above form an integral part of the profit and loss account

For Deloitte Haskins & Sells  
Chartered Accountants

**Jaideep Bhargava**  
Partner

For and on behalf of the Board of Directors

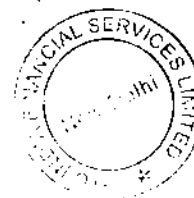
**T. N. Thakur**  
Chairman and Managing  
Director  
DIN: 00024322

**Ashok Haldia**  
Director and Chief  
Financial Officer  
DIN: 00618489

Place : Gurgaon  
Date : 25th May, 2011

Place : New Delhi  
Date : 25th May, 2011





**Vishal Goyal**  
Company Secretary

# PTC India Financial Services Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rupees in lacs)

	Year Ended 31.03.2011	Year Ended 31.03.2010
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	5,143.13	3,670.01
Adjustment for:		
Depreciation / Amortisation	545.12	4.70
Provision for contingencies	177.74	-
Employee stock options	(77.70)	113.98
Loss on sale of fixed assets	0.36	-
Profit / (loss) on sale of non trade current investments (net)	-	(0.60)
Dividend Income on investment other than in power project companies	(170.48)	(464.14)
Interest on fixed deposits	(514.07)	(1,393.88)
Interest - others	(0.03)	(0.02)
Interest and other charges	4,271.69	1,160.44
Operating profit before working capital changes	9,375.76	3,090.49
Increase/Decrease:		
Current assets and loans and advances	(2,657.85)	(709.22)
Trade and other payables	146.22	(45.06)
Loan financing	(40,938.67)	(24,620.10)
Investments in power project companies (net)	(5,641.65)	(20,669.23)
Cash generated from operations	(39,716.19)	(42,953.12)
Direct taxes paid	(1,340.69)	(1,193.79)
Net cash generated from operating activities	(41,056.88)	(44,146.91)
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(55.15)	(3,505.79)
Proceeds from sale of fixed assets	0.08	6.48
Profit / (loss) on sale of non trade current investments (net)	-	0.60
Dividend Income on investment other than in power project companies	170.48	464.14
Interest on fixed deposits	717.88	1,128.67
Interest - others	0.03	0.02
Net cash used in investing activities	833.32	(1,911.88)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of fresh equity shares (including share premium)	35,270.32	-
Received pursuant to sale of equity shares of Macquarie India Holdings Ltd	8,077.60	-
Equity shares application money refundable	139.28	-
Issue expenses paid	(205.98)	-
Proceeds from long term borrowings	28,367.36	26,620.10
Proceeds/(payments) from/to short term borrowings	(2,460.00)	2,460.00
Interest and other charges	(4,064.84)	(443.11)
	65,123.74	28,636.99
Net increase/(decrease) in cash and cash equivalents	24,900.18	(17,421.80)
Opening cash and cash equivalents	23,447.38	40,869.18
Closing cash and cash equivalents	48,347.56	23,447.38
Notes:		
1 Closing cash and cash equivalents comprise : #		
Cheques in hand		0.01
Balance with scheduled banks in:		
Current accounts:		
Received on behalf of Macquarie India Holdings Limited lying in escrow account	8,077.60	
- Unclaimed share application money lying in escrow account	139.28	
- Others	3,274.02	221.02
Fixed deposit accounts	36,856.66	23,226.35
Total	48,347.56	23,447.38
# Refer note 16 of Schedule 19		
2 The above cash flow statement has been prepared under the indirect method set out in AS-3 notified under Companies (Accounting Standards) Rules, 2006.		

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

Jaideep Bhargava  
Partner

Place : Gurgaon  
Date : 25th May, 2011

For and on behalf of the Board of Directors

T. N. Thakur  
Chairman and Managing  
Director  
DIN: 00024322

Place : New Delhi  
Date : 25th May, 2011



Ashok Haldia  
Director and Chief  
Financial Officer  
DIN: 00818489

Vishal Goyal  
Company Secretary

# PTC India Financial Services Limited

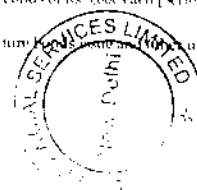
## SCHEDULES 1 TO 19 ANNEXED TO AND FORMING PART OF ACCOUNTS

(Rupees in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 1 SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
1000,000,000 (previous year 600,000,000) equity shares of Rs. 10 each	100,000.00	60,000.00
<b>ISSUED</b>		
562,083,335 (previous year 434,583,335) equity shares of Rs. 10 each	56,208.33	43,458.33
<b>SUBSCRIBED AND PAID UP</b>		
562,083,335 (previous year 434,583,335) equity shares of Rs. 10 each fully paid up	56,208.33	43,458.33
	<u>56,208.33</u>	<u>43,458.33</u>
<b>Of the above subscribed and paid up capital:</b>		
337,250,001 (previous year 337,250,001) equity shares of Rs. 10 each representing 60% (previous year 77.60%) are held by PTC India Limited, the holding company and its nominees		
<b>SCHEDULE - 2 EMPLOYEE STOCK OPTION OUTSTANDING</b>		
Stock options outstanding	88.30	537.69
Less: Deferred employee compensation expense	(42.04)	(413.73)
	<u>46.26</u>	<u>123.96</u>
<b>SCHEDULE - 3 RESERVES AND SURPLUS</b>		
<b>Securities premium</b>		
Balance brought forward	16,622.95	16,622.95
Add: Amount received pursuant to issue of equity shares	22,520.32	-
Less: Utilisation for share issue expenses (net of taxes) (Refer note 16 of schedule 19)	(719.70)	-
<b>Closing Balance</b>	38,423.57	16,622.95
<b>Statutory reserve</b>		
[In terms of Section 45-IC of the Reserve Bank of India, 1934]		
Balance brought forward	680.10	170.60
Add: Additions during the year	741.00	509.50
<b>Profit and loss account</b>	5,670.11	2,708.38
	<u>45,514.78</u>	<u>20,011.43</u>
<b>SCHEDULE - 4 LOAN FUNDS</b>		
<b>Secured</b>		
Debentures (refer note (i) below)	29,000.00	20,000.00
Term loans from banks (refer note (ii) below)	23,778.86	8,620.10
Short Term Loan from banks (refer note (iii) below)	-	2,460.00
Long Term Infrastructure bond (refer note(iv) below)	4,208.60	-
	<u>56,987.46</u>	<u>31,080.10</u>

**Note**

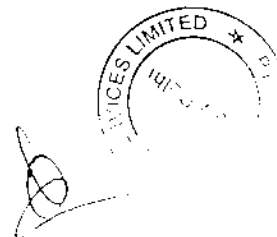
- (i) 1,000 (previous year 1,000) privately placed 10.60% secured redeemable non convertible debentures of Rs.1,000,000 each (Series 1) allotted on October 1, 2009 redeemable at par in three equal annual installments commencing from September 30, 2012. 1,000 (previous year 1000) privately placed 9.35% secured redeemable non convertible debentures of Rs. 1,000,000 each (Series 2) allotted on February 3, 2010 redeemable at par entirely on February 2, 2012. 900 (previous year Nil) privately placed 10.50% secured redeemable non convertible debentures of Rs. 1,000,000 each (Series 3) allotted on January 27, 2011 redeemable at par in six equal annual installments commencing from January 26, 2014. Series 1, Series 2 and Series 3 are secured by way of mortgage of immovable building and first charge by way of hypothecation of the receivables of the loan assets created by the proceeds of respective debentures. Further, Series 1 and Series 3 have also been secured by pari passu charge by way of hypothecation of the receivable of loan assets created by the Company out of its own sources which are not charged to any other lender of the Company to the extent of 125% of debentures.
- (ii) The term loans from banks are secured by first pari-passu charge by way of hypothecation of the current assets including book debts, investments and other receivables other than assets created by line of credit of other financial institutions / banks. Additionally, the loans are backed by an agreement of assignment of the project assets financed from proceeds of the loans, in favour of respective lenders. Amount repayable within one year Rs.454.52 lacs (previous year - Rs. 31.25 lacs).
- (iii) The short term loan from banks are secured by pledge of fixed deposits with the concerned bank. Amount payable within one year Rs. Nil (previous year - Rs. 2,460 lacs).
- (iv) 84,172 (previous year Nil) privately placed 8.25% / 8.30% secured redeemable non convertible long term infrastructure bonds of Rs. 5,000 each (Series 1) allotted on March 31, 2011 redeemable at par in five to ten years commencing from March 30, 2016. Series 1 are to be secured by way of first charge on the receivables of the assets created from the proceeds of infrastructure loans and unencumbered receivables of the Company to provide 100% security coverage.



**PTC India Financial Services Limited**  
**SCHEDULES - 5 FIXED ASSETS**

(Rupees in lacs)

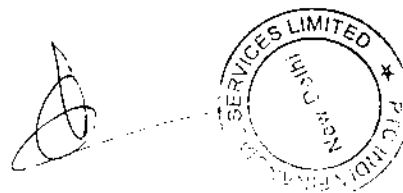
Particulars	GROSS BLOCK - AT COST			DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 31.03.2010	Additions during the year	Deletions/ adjustments	As at 31.03.2011	Upto 31.03.2010	For the year	Deletions/ adjustments	Upto 31.03.2011	As at 31.03.2011
<b>Tangible assets :</b>									
Building	11.94	-	-	11.94	0.17	0.59	-	0.76	11.18
Plant and machinery (Wind mill)	3,479.39	43.36	-	3,522.75	1.46	539.81	-	541.27	2,981.48
Office equipment	2.48	3.56	0.70	5.34	1.08	1.09	0.26	1.91	3.43
Computers	9.51	2.31	-	11.82	4.66	2.51	-	7.17	4.65
Furniture and fixtures	0.96	1.82	-	2.78	0.13	0.33	-	0.46	2.32
<b>Intangible assets :</b>									
Software	0.47	13.70	-	14.17	0.24	0.79	-	1.03	13.14
<b>Total</b>	<b>3,504.75</b>	<b>64.75</b>	<b>0.70</b>	<b>3,568.80</b>	<b>7.74</b>	<b>545.12</b>	<b>0.26</b>	<b>552.60</b>	<b>3,016.20</b>
Previous year	9.15	3,496.19	0.59	3,504.75	3.15	4.70	0.11	7.74	3,497.01
Capital works in progress									
{including capital advances of Rs. Nil (previous year Rs. 9.60 lacs)}									
									3,016.20
									3,506.61



## PTC INDIA FINANCIAL SERVICES LIMITED

### SCHEDULE - 6 INVESTMENTS

	Face Value	As at 31.03.2011		As at 31.03.2010	
		Quantity (Nos.)	Value (Rupees in lacs)	Quantity (Nos.)	Value (Rupees in lacs)
<b>Long term investment (at cost)</b>					
<b>(i) Trade - Unquoted (at cost)</b>					
(Refer note 10 of schedule 19)					
<b>In Associates - Equity shares, fully paid up</b>					
Ind-Barath Energy (Utkal) Limited	10.00	105,000,000	10,500.00	105,000,000	10,500.00
Ind-Barath PowerGencom Limited	10.00	55,630,000	5,563.00	55,630,000	5,563.00
Indian Energy Exchange Limited	10.00	5,766,026	576.60	6,939,190	693.92
PTC Bermaco Green Energy Systems Limited	10.00	1,374,646	137.46	843,684	84.37
RS India Wind Energy Limited	10.00	61,121,415	6,112.14	57,311,415	5,731.14
Varam Bio Energy Private Limited	10.00	4,390,000	439.00	4,390,000	439.00
<b>In Equity shares, fully paid up</b>					
East Coast Energy Private Limited	10.00	125,000,000	12,500.00	96,511,403	9,651.14
Meenakshi Energy and Infrastructure Holding P Limited (# Rs.10)	10.00	1	#	-	-
Meenakshi Energy Private Limited (cease to be an associate w.e.f March 29, 2011)	10.00	100,341,081	10,034.11	43,550,000	4,355.00
<b>Debentures, fully paid up</b>					
Optionally convertible debentures in Meenakshi Energy and Infrastructure Holding Private Limited	10,000,000.00	-	-	34	3,400.00
Optionally convertible debentures in Varam Bio Energy Private Limited	500,000.00	90	450.00	40	200.00
<b>(ii) Non trade - Quoted</b>					
<b>Equity shares, fully paid up</b>					
Container Corporation of India Limited	10.00	1,040	10.27	1,040	10.27
Power Grid Corporation of India Limited	10.00	81,839	42.56	81,839	42.56
<b>Total</b>			<b>46,365.14</b>		<b>40,670.40</b>
Aggregate cost of quoted investments			52.83		52.83
Aggregate cost of unquoted investments			46,312.31		40,617.57
<b>Total</b>			<b>46,365.14</b>		<b>40,670.40</b>
Aggregate market value of quoted investments			95.87		101.40
(Based on last traded price available as at year end)					



## PTC INDIA FINANCIAL SERVICES LIMITED

THE FOLLOWING INVESTMENT WERE PURCHASED AND REDEEMED DURING THE YEAR

				(Rupees in lacs)	
	Face Value (Rupees per share)	Purchased* Quantity	Value	Redeemed/sold Quantity	Value
Long term investments (Trade - Unquoted)					
Equity Shares:					
Indian Energy Exchange Limited	10.00	-	-	1,173,164	117.32
PLV Biomass Green Energy Systems Limited	10.00	530,962	53.09	-	-
RS India Wind Energy Limited	10.00	3,810,000	81.00	-	-
East Coast Energy Private Limited	10.00	28,488,597	2,848.86	-	-
Meenakshi Energy and Infrastructure Holding P Limited (# R=10)	10.00	1	#	-	-
Meenakshi Energy Private Limited	10.00	56,791,081	5,679.11	-	-
Debentures:					
Optionally convertible debentures in Meenakshi Energy and Infrastructure Holding P Limited	1000000.00	-	-	34	3,400.00
Optionally convertible debentures in Varan Bio Energy Private Limited	500000.00	50	250.00	-	-
Current Investments (Non-trade - Unquoted)					
Mutual Funds:					
Birla Sunlife Cash Manager-DDR-Folio No. 1013675388	10.00	68,203,477	6,824.99	68,203,477	6,824.99
Birla Sunlife Cash Plus-IP-DDR-Folio No. 1013674388	10.00	19,967,182	2,000.61	19,967,182	2,000.61
Birla Sunlife Cash Manager-IP-DDR-Folio No. 1013674388	10.00	17,047,732	1,705.18	17,047,732	1,705.18
Canara Robeco Treasury Advantage Super Institutional-DDR-Folio No. 234194	10.00	10,371,928	1,286.86	10,371,928	1,286.86
HDFC Liquid Fund - Premium Plan-DDR - Folio No. 5194088/10	10.00	27,455,889	3,366.04	27,455,889	3,366.04
HDFC CME-TAP-DDR - Folio No. 5194088/10	10.00	50,210,084	5,036.82	50,210,084	5,036.82
Reliance Liquidity Fund-DDR - Folio No. 4164406623	10.00	20,090,289	2,010.05	20,090,289	2,010.05
Kotak Liquid (01)-DDR - Folio No. 890862/55	10.00	15,664,445	1,915.46	15,664,445	1,915.46
TEMPLETON INDEA-TMA - INSTITUTIONAL-DDR-1610633	1000.00	161,083	1,611.92	161,083	1,611.92
TEMPLETON INDEA - ULTRA SHORT TERM BOND FUND INSTITUTIONAL-DDR-1641	10.00	13,355,597	1,337.11	13,355,597	1,337.11
DWS ULTRA SHORT TERM FUND INSTITUTIONAL-DDR 205180503	10.00	8356,789	837.17	8,356,789	837.17
IP Morgan India Liquor Fund-SI-DDR - Folio No. 3001133595	10.00	2,403,758	240.57	2,403,758	240.57
IP Morgan Treasury Fund-SI-DDR - Folio No. 3001133595	10.00	29,955,686	2,998.23	29,955,686	2,998.23
IDBI Liquid Fund-DDR - Folio No. 44058/27	10.00	2,518,466	251.85	2,518,466	251.85
Kotak Ultra Long Term-DDR - Folio No. 890862/55	10.00	19,336,725	1,949.10	19,336,725	1,949.10
Reliance Medium Term Fund-DDR - Folio No. 4164406623	10.00	13,975,056	2,389.16	13,975,056	2,389.16
Religare Ultra Short Term Fund-DDR - Folio No. 56477	10.00	13,061,845	1,308.42	13,061,845	1,308.42
IDBI MM Fund-LI-DDR - Folio No. 822428/17	10.00	5,025,939	502.67	5,025,939	502.67
Reliance Liquid Fund - Treasury Plan-Daily Dividend Plan 3410690784/2	10.00	12,887,741	1,970.20	12,887,741	1,970.20
Reliance Liquid Fund-SI-DDR - Folio No. 56477	10.00	1,021,299	102.30	1,021,299	102.30

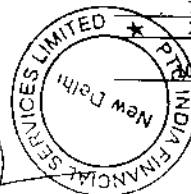
\* Includes stake divested/reinvested



# PTC INDIA FINANCIAL SERVICES LIMITED

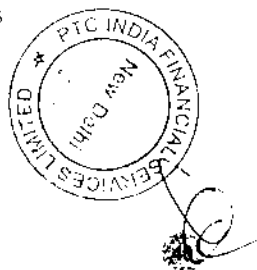
## SCHEDULES 7 TO 12

	As at 31.03.2011 (Rupees in lacs)	As at 31.03.2010 (Rupees in lacs)
<b>SCHEDULE - 7 LOAN FINANCING</b> (Considered good unless otherwise stated)		
Secured		
Loans	67,558.77	26,620.10
	<u>67,558.77</u>	<u>26,620.10</u>
<b>SCHEDULE - 8 SUNDRY DEBTORS</b> Unsecured considered good		
Less than six months	48.26	0.11
	<u>48.26</u>	<u>0.11</u>
<b>SCHEDULE - 9 CASH AND BANK BALANCES</b> Cash and bank balance #		
Cheques in hand		
Balance with scheduled banks in :		0.01
Current accounts:		
- Received on behalf of Macquarie India Holdings Limited lying in escrow account	8,077.60	
- Unclaimed share application money lying in escrow account	139.28	
- Others	3,274.02	221.02
Fixed deposit accounts*	36,856.66	23,226.35
	<u>48,347.56</u>	<u>23,447.38</u>
# Refer note 16 of schedule 19		
* Includes Rs. 235.05 lacs (previous year Rs. Nil) deposit as margin money against bank guarantee		
<b>SCHEDULE - 10 OTHER CURRENT ASSETS</b> (Considered good unless otherwise stated)		
Interest accrued but not due on :		
- Fixed deposits	83.73	287.54
- Loans	323.54	184.32
- Debentures	2.83	3.38
	<u>410.10</u>	<u>475.24</u>
<b>SCHEDULE - 11 LOANS AND ADVANCES</b> (Considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received:		
Secured (considered good)	2,723.80	
Unsecured (considered good)	494.29	506.72
Advance against investment		53.09
Balance with central excise on current accounts	44.19	46.08
Advance income tax [net of provision for income tax Rs 1687.71 lacs (previous year Rs 656.61 lacs)]	886.40	576.81
Advance fringe benefit tax [net of provision for fringe benefit tax Rs 1.49 lacs (previous year Rs 1.49 lacs)]	1.17	1.17
	<u>4,149.85</u>	<u>1,183.87</u>
<b>SCHEDULE - 12 CURRENT LIABILITIES AND PROVISIONS</b> <b>CURRENT LIABILITIES</b>		
Sundry creditors		
Total outstanding dues of creditors other than micro and small enterprises (refer note 11 of schedule 19)	1,175.89	58.83
Other liabilities	119.01	10.63
Interest accrued but not due on loan funds	925.43	718.59
Equity shares application money refundable	139.28	
Payable to Macquarie India Holdings Limited (Refer note 16 of Schedule 19)	8,077.60	
	<u>10,437.21</u>	<u>788.05</u>
<b>PROVISIONS</b>		
Provision for gratuity	6.27	0.57
Provision for leave encashment	19.11	3.76
Contingent provision against standard assets	177.74	
	<u>203.12</u>	<u>4.33</u>
	<u>20,640.33</u>	<u>792.38</u>



# PTC INDIA FINANCIAL SERVICES LIMITED SCHEDULES 13 TO 18

	Year ended 31.03.2011 (Rupees in lacs)	Year ended 31.03.2010 (Rupees in lacs)
<b>SCHEDULE - 13 INCOME FROM INVESTMENTS</b>		
Profit on sale of long term trade investments	1,236.63	-
- Equity shares		
Profit on sale of non trade current investments		0.60
- Mutual funds		
Dividend income	1.39	1.13
- On non trade long term investment	169.09	464.14
- On non trade current investment		
Interest on debentures	73.46	1,663.32
[tax deducted at source Rs.7.35 lacs (previous year Rs.176.37 lacs)]	1,480.57	2,128.06
<b>SCHEDULE - 14 INTEREST INCOME</b>		
Interest on	7,352.10	1,357.37
- Loan		
[tax deducted at source Rs. 735.21 lacs (previous year Rs.150.05 lacs)]	7,352.10	1,357.37
<b>SCHEDULE - 15 OTHER INCOME</b>		
Interest on fixed deposits	514.07	1,393.88
[tax deducted at source Rs.57.13 lacs (previous year Rs.181.38 lacs)]		
Interest-others	0.03	0.02
Excess provision written back	2.35	1.80
	516.45	1,395.70
<b>SCHEDULE - 16 PERSONNEL EXPENSES</b>		
Salaries and other allowances	215.38	114.54
Contribution to provident and other funds	11.05	5.84
Employee stock options outstanding	(77.70)*	113.98
Staff welfare	35.28	22.54
	184.01	256.90
* Due to forfeiture/ surrender of Employee Stock Options Outstanding during the year (Refer note 4 of Schedule 19)		
<b>SCHEDULE - 17 ADMINISTRATIVE AND OTHER EXPENSES</b>		
Legal and professional	124.87	90.11
Fund raising expenses	324.52	106.82
Rates and taxes	2.78	6.41
Insurance expenses	3.36	-
Rent	24.47	12.17
Travelling and conveyance	30.70	17.51
Communication expenses	6.59	5.59
Business development	19.02	1.79
Donation	-	3.00
Directors' sitting fees	7.80	2.40
Repairs and maintenance - others	6.48	4.15
Books and periodicals	0.60	0.72
Loss on foreign currency transaction	-	0.01
Loss on sale of fixed assets	0.36	-
Miscellaneous expenses	11.99	6.22
	563.54	256.90
<b>SCHEDULE - 18 INTEREST AND OTHER CHARGES</b>		
Interest on debentures	2,165.88	708.06
Interest on loans for fixed period:-		
-Repay term loans from scheduled banks	2,089.50	416.06
infrastructure bonds	9.73	
Financial charges	6.58	36.32
	4,271.69	1,160.44





# PTC INDIA FINANCIAL SERVICES LIMITED

## SCHEDULE - 19

### NOTES TO ACCOUNTS

#### 1. Background

PTC India Financial Services Limited ("PFS") is a registered NBFC with Reserve Bank of India and has been awarded the Infrastructure Finance Company (IFC) status by RBI. PFS is set up with an objective to provide total financing solutions to the energy value chain which includes investing in equity or extending debt to power projects in generation, transmission, distribution, fuel resources and fuel related infrastructure.

#### 2. Significant accounting policies

##### (i) Basis of accounting

These financial statements have been prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under section 211(3C) of the Companies Act, 1956, the relevant provisions of the Companies Act, 1956 and the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

##### (ii) Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities, revenues and expenses and disclosures relating to the contingent liabilities. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

##### (iii) Fixed assets including intangible assets and depreciation

Fixed assets including intangible assets are stated at cost less accumulated depreciation/amortisation. Cost of acquisition comprises purchase price, duties, levies and any directly attributable cost of bringing the asset to its working condition for the intended use.

Depreciation on fixed assets (other than intangible assets) is charged on a pro-rata basis at the written down value rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing upto Rs. 5,000 are fully depreciated in the year of purchase.

Intangible assets comprising of software are amortised on a straight line method over a period of 5 years or less depending on the estimated useful life of the assets.

##### (iv) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long Term Investments are stated at cost. A provision for diminution (if any) is made to recognize a decline other than temporary in the value of investment.

Current Investments are carried at the lower of cost and fair value.

##### (v) Revenue recognition

a) Interest and other dues are accounted on accrual basis.

b) Dividend is accounted when the right to receive is established.

c) Fee based incomes are recognised when reasonable right of recovery is established and the revenue can be reliably measured.

d) Revenue from Power Supply is accounted on accrual basis.

##### (vi) Employee stock options

The Company calculates the employee stock compensation expense based on the intrinsic value method wherein the excess of intrinsic price of underlying equity shares as on the date of the grant of options over the exercise price of the options given to employees under the Employee Stock Option Scheme of the Company, is recognized as deferred stock compensation expense and is amortized over the vesting period of options.

##### (vii) Employee benefits

Provident fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the government funds are due.

Gratuity liability and long term employee benefits are provided on the basis of actuarial valuation made at the end of each financial year as per projected unit credit method.

Gains and losses arising out of actuarial valuations are recognized immediately in the profit and loss account as income or expense.

Liability for leave encashment and gratuity in respect of employees on deputation with the company are accounted for on the basis of terms and conditions of the deputation agreement with the holding company.

##### (viii) Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rates prevalent at the time of transaction. Differences on settlement of such transactions are recognized in the profit and loss account. All monetary items denominated in foreign currency at the balance sheet date are translated at the year end rates and resultant exchange differences are recognized in profit and loss account.

##### (ix) Earnings per share (EPS)

The earnings considered in ascertaining the Company's EPS comprises the net profit after tax (and includes the post tax effect of any extra ordinary items) attributable to equity shareholders. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effect of potential dilutive equity shares.

##### (x) Taxation

Provision for current taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized on unabsorbed depreciation and carried forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.



(xi) Provisions and contingencies

Provisions are recognized when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions required to settle are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of obligation cannot be made.

3. Contingent liabilities in respect of:

	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Estimated amount of contracts remaining to be executed on capital account and not provided for	-	2.40
Income tax	13.97	-

4. Employee Stock Option

The Company instituted the Employee Stock Option Plan - ESOP 2008 to grant equity based incentives to all its eligible employees. During the year ended March 31, 2009, the first tranche of ESOP was approved by the shareholders on October 27, 2008 and the Company granted two types of options i.e. Growth options granted to the employees and exercisable at intrinsic value as on the date of grant as certified by an independent valuer and Founder Member Options exercisable at face value of shares i.e. Rs. 10 per share, representing one share for each option upon exercise. Further, during the year ended March 31, 2010, second tranche of ESOP 2008 was approved by the shareholders on October 23, 2009 and provided for grant of 10,075,000 growth options exercisable at a price of Rs. 16 per share, representing one share for each option upon exercise. The maximum tenure of these options granted is 4 years from the respective date of grant.

The fair value of each stock option granted under ESOP 2008 as on the date of grant has been computed using Black-Scholes Option Pricing Model without inclusion of Dividend Yield and the model inputs are given as under:

Movement in Stock Options	Year ended 31.03.2011		Year ended 31.03.2010	
	(in Nos.)		(in Nos.)	
	Growth Options	Founder Member Options	Growth Options	Founder Member Options
Outstanding at the beginning of the year	18,395,500	1,210,000	8,865,000	1,210,000
Add: Granted during the year	-	-	10,075,000	-
Less: Forfeited/ surrender during the year	13,948,400	1,200,000	541,500	-
Options outstanding as at the end of the year	4,447,100	10,000	18,395,500	1,210,000

	Options granted during the year ended March 31, 2010	Options granted during the year ended March 31, 2009	
	Growth Options	Growth Options	Founder member Options
Price Per Option (Rs.)	16	16	10
Volatility	29.64%	73.60%	73.60%
Risk Free Rate of Interest	7.27%	7.00%	7.00%
Option Life (years)	5	5	5
Fair Value Per Option	10.55	11.36	12.76

There is no history of dividend declaration by the Company, hence the dividend yield has been assumed as Nil.

Effect of fair valuation on Financial Position

1. Impact on Profitability

Particulars	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Profit as reported for the year	3702.73	2,545.24
Add: Employee stock compensation under intrinsic value method	(77.70)	113.98
Less: Employee stock compensation under fair value method	(507.24)	621.62
Pro forma profit	4132.27	2,034.60

2. Impact on Basic/diluted EPS

Particular	Year ended 31.03.2011	Year ended 31.03.2010
- As reported (in Rupees)		
Basic	0.85	0.59
Dilutive	0.85	0.59
- As pro forma (in Rupees)		
Basic	0.95	0.47
Dilutive	0.94	0.47

5. Disclosures required as per AS - 15 (Revised) "Employee Benefits"

(A) Gratuity

Changes in the present value of the defined benefit obligation:

	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Opening defined benefit obligation	0.57	0.53
Current service cost	2.36	0.42
Interest cost	0.04	0.04
Actuarial losses / (gains)	3.30	(0.42)
Closing defined benefit obligation	6.27	0.57

Reconciliation of present value of defined benefit obligation and fair value of plan assets

	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Closing defined benefit obligation	6.27	0.57
Closing fair value of plan assets	-	-
Net asset/(liability) recognized in balance sheet	(6.27)	(0.57)

Expense recognized in profit and loss account

	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Current service cost	2.36	0.42
Interest cost	0.04	0.04
Net actuarial losses / (gains)	3.30	(0.42)
Net expense	5.70	0.04

(B) Leave encashment

Changes in the present value of the defined benefit obligation:

	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Opening defined benefit obligation	3.76	1.76
Current service cost	7.27	2.42
Interest cost	0.30	0.13
Actuarial losses / (gains)	7.78	(0.55)
Closing defined benefit obligation	19.11	3.76

Reconciliation of present value of defined benefit obligation and fair value of plan assets

	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Closing defined benefit obligation	19.11	3.76
Closing fair value of plan assets	-	-
Net asset/(liability) recognized in balance sheet	(19.11)	(3.76)

Expense recognized in profit and loss account

	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Current service cost	7.27	2.42
Interest cost	0.30	0.13
Net actuarial losses / (gains)	7.78	(0.55)
Net expense	15.35	2.00

C) The principal assumptions used in determining defined retirement obligations for the Company's plans are shown below:

	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Discounting Rate	8.00%	7.50%
Future Salary Increase	5.50%	5.00%

The estimates of future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors on long term basis.

D) In respect of the defined contribution plans, the Company has recognized the following amounts in the profit and loss account:

	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Employer's contribution to provident fund	11.05	5.84

6. The Company's main business is to provide finance for energy value chain through investment and lending into such projects. All other activities revolve around the main business. The Company does not

have any geographic segments. As such, there are no separate reportable segments as per Accounting Standard 17 on 'Segment Reporting' notified under the Companies (Accounting Standards) Rules, 2006.

7. Related party disclosures

(a) List of related parties and relationships

Related parties where control exists or with whom transactions have taken place during the year are given below:

Holding company	: PTC India Limited
Associate companies	: Ind-Barath Energy (Utkal) Limited : Ind-Barath PowerGencom Limited : Indian Energy Exchange Limited : Meenakshi Energy Private Limited (cease to be an associate w.e.f. March 29, 2011) : PTC Bermaco Green Energy Systems Ltd : RS India Wind Energy Limited : Varam Bio Energy Private Limited
Key management personnel	: Mr. Ashok Haldia

(b) Details of related party transactions in the ordinary course of the business:

(i) Transactions with holding company

Nature of transactions	Year ended 31.03.2011	Year ended 31.03.2010
Rent paid	24.32	12.12
Reimbursement of expenses *	201.38	97.22

\* Includes Rs. 45.10 lacs (previous year Rs. 28.94 lacs) towards remuneration of Director.

(ii) Transactions with key management personnel

Nature of transactions	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Reimbursement of expenses	1.54	1.05
Remuneration paid**	45.10	31.91

\*\* Also included under reimbursement of expenses to holding company as disclosed at (i) above.

(iii) Transactions with associates

Nature of transactions	(Rupees in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Investment in equity share capital :		
- Ind Barath Energy (Utkal) Limited	-	10,500.00
- Meenakshi Energy Private Limited	5,679.11	2,855.00
- PTC Bermaco Green Energy Systems Limited	53.09	35.28
- Varam Bio Energy Private Limited	-	27.81
- RS India Wind Energy Limited	381.00	-
Advance against investment :		
- PTC Bermaco Green Energy Systems Limited	-	52.95
Investment in debentures		
- Varam Bio Energy Private Limited	250.00	200.00
Sale of investment in equity share capital		
- India Energy Exchange Limited	117.32	-



Nature of transactions	Year ended 31.03.2011	Year ended 31.03.2010
Investment balances outstanding at the balance sheet date:		
- Ind Barath Energy (Utkal) Limited	10,500.00	10,500.00
- Ind Barath PowerGencom Limited	5,563.00	5,563.00
- Indian Energy Exchange Limited	576.60	693.92
- Meenakshi Energy Private Limited	18,834.11	4,355.00
- PTC Barmaco Green Energy Systems Limited	137.46	84.37
- RS India Wind Energy Limited	6112.14	5,731.14
- Varan Bio Energy Private Limited	439.00	439.00
Advance against investment as on the Balance sheet date		
- PTC Barmaco Green Energy Systems Limited	-	53.09
Investment in debentures as on the Balance sheet date		
- Varan Bio Energy Private Limited	450.00	200.00

#### 8. Earnings per share

	Year ended 31.03.2011	Year ended 31.03.2010
Profit after tax attributable to equity shareholders (Rupees in lacs) (a)	3702.73	2,545.24
Weighted Average number of equity shares outstanding during the year (Nos.) (b)	435,980,595	434,583,335
Effect of potential dilutive equity shares on Employee Stock Options outstanding * (c)	1,566,487	-
Weighted average number of equity shares in computing diluted earnings per share [(b)+(c)]	437,547,082	434,583,335
Basic earnings per share of face value Rs. 10 each (in Rupees)	0.85	0.59
Diluted earnings per share of face value Rs. 10 each (in Rupees)	0.85	0.59

\* There were no dilutive potential equity shares for the year ended March 31, 2010.

#### 9. Deferred tax

The breakup of deferred tax assets/ (liabilities) as at March 31, 2011 is as under:

	Balance as at 31.03.2010	Adjustment during the year	Movement during the year	Balance as at 31.03.2011
(Rupees in lacs)				
Deferred tax asset arising on account of time differences in:				
- Prepaid expenses	23.47	-	(12.01)	11.46
- Share issue expenses	-	348.09	(70.94)	277.15
- Provision for retirement benefits	1.44	-	6.79	8.23
- Contingent provisions against Standard assets	-	-	57.64	57.64
Less:				
Deferred tax liability arising on account of timing differences in:				
- Depreciation	462.42	-	390.78	853.20
Net deferred tax (liabilities)	(437.51)	348.09	(409.30)	(498.72)

# Represents deferred tax asset recognised on expenditure charged to share premium account (refer note 16 below)

#### 10 The percentage holding and the investment in associate companies as at March 31, 2011 is given below:

Name of the associate company	Country of Incorporation	% holding	Face value Rupees per share	As at March 31, 2011 (Rupees in lacs)	As at March 31, 2010 (Rupees in lacs)
Ind-Barath Energy (Utkal) Limited	India	20.55%	10	18,500.00	18,500.00
Ind-Barath PowerGencom Limited	India	26%	10	5,563.00	5,563.00
Indian Energy Exchange Limited	India	21.12%	10	576.60	693.92
PTC Barmaco Green Energy Systems Ltd.	India	26%	18	137.46	84.37
RS India Wind Energy Limited	India	37%	18	6112.14	5,731.14
Varan Bio Energy Private Limited	India	26%	10	439.00	439.00
<b>Total</b>				<b>23,328.20</b>	<b>23,811.43</b>

11 Based on the information available with the Company, there are no dues as at March 31, 2011 payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006". No interest is paid / payable by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006.

12 Total number of electricity units generated and sold during the year - 11,720,432 KWH (previous year: 3006 KWH).

#### 13. Managerial remuneration:

	Year ended 31.03.2011	Year ended 31.03.2010
(Rupees in lacs)		
Salary and allowances	38.02	27.61
Perquisites	5.03	2.87
Contribution to provident funds	2.05	1.43
<b>Total</b>	<b>45.10</b>	<b>31.91</b>

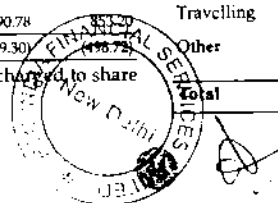
Note: The above figures do not include leave encashment and gratuity as it is provided in the books on the basis of actuarial valuation for the Company as a whole and hence individual amount cannot be determined.

#### 14. Auditors' remuneration

	Year ended 31.03.2011	Year ended 31.03.2010
(Rupees in lacs)		
Statutory audit	6.00	5.00
Audit/ Limited Review of interim financial statement	4.00	1.25
Tax audit	1.50	1.50
Relating to Initial Public Offer (IPO)	34.65	-
Other certificates	2.30	1.25
<b>Total</b>	<b>48.45</b>	<b>9.00</b>

#### 15. Expenditure incurred in foreign currency

	Year ended 31.03.2011	Year ended 31.03.2010
(Rupees in lacs)		
Fees for External Commercial Borrowings	154.49	13.65
Fees relating to IPO	56.74	-
Travelling	2.40	0.45
Other	0.87	0.12
<b>Total</b>	<b>214.50</b>	<b>14.22</b>



21.78.85

(Rupees in lacs)	
Particulars	Amount
(i) Gross Non-Performing Assets	-
(a) Related parties	-
(b) Other than related parties	-
(ii) Net Non-Performing Assets	-
(a) Related parties	-
(b) Other than related parties	-
(iii) Assets acquired in satisfaction of debt	-

Disclosures pursuant to Reserve Bank of India Notification DNBS(PD) CC No.145/03.02.01/ 2009-10 dated July 1, 2009

I. Capital Adequacy Ratio	
Particulars	As at 31 March 2011
Tier I Capital	101,723.11
Tier II Capital	177.74
Total Capital	101,900.85
Total Risk Weighted Assets	120,667.72
Capital Ratios	
Tier I Capital as Percentage of Total Risk Assets (%)	84.30 %
Tier II Capital as Percentage of Total Risk Assets (%)	0.15 %
Total Capital (%)	84.45 %

## II. Exposure to Real estate sector, both direct and indirect

The Company does not have any direct or indirect exposure to the real estate sector as at 31 March, 2011.

## III. Asset Liability Management

Maturity pattern of certain items of assets and liabilities as at 31 March, 2011

(Rupees in lacs)

Particulars	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from banks	93.75	-	-	93.75	267.02	3,146.55	4,425.19	15,752.60	23,778.86
Market Borrowings	-	-	-	-	10,000.00	6,666.67	3,333.33	13,208.60	33,208.60
<b>Assets</b>									
Receivables under financing activity	1,109.42	16.92	16.92	1,143.26	6,374.55	13,777.14	10,396.41	34,724.15	67,558.77
Investment	-	-	43.00	64.29	150.00	192.71	-	45,915.14	46,365.14

For and on behalf of the Board of Directors

T. N. Thakur  
Chairman and Managing Director  
DIN: 00024322

Ashok Haldia  
Director and Chief  
Financial Officer  
DIN: 00818489

Place: New Delhi  
Date: 25th May, 2011

Vishal Goyal  
Company Secretary



# PTC INDIA FINANCIAL SERVICES LIMITED

## PART IV

### Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.

153373

State Code

Balance Sheet Date

31 - 03 - 11  
Day Month Year

55

#### II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

3,527,031.90

Right Issue

NIL

Bonus Issue

NIL

Private Placement

NIL

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Funds

Total Liabilities

16,989,588

Total Assets

16,989,588

Paid-up Capital

5,620,833

Reserves & Surplus

4,556,105

Secured Loans

5,698,746

Unsecured Loans

-

Application of Funds

Net Fixed Assets

301,620

Investments

4,636,514

Loans

6,755,877

Net Current Assets

4,231,544

Deferred Tax (Net)

(49,872)

Misc. Expenditure

-

Accumulated Losses

NIL

#### IV. Performance of the Company (Amount in Rs. Thousands)

Turnover

1,088,523

Total Expenditure

574,210

Profit/Loss before Tax

+ 514,313

Profit/Loss after Tax

+370,273

Earning per share in Rs.

0.85

Dividend Rate %

-

#### V. Generic Names of three principal products/services of the Company (as per monetary terms)

Product Description

Financial Services

Item Code

Not Applicable

T. N. Thakur  
Chairman and Managing  
Director  
DIN: 00024322

Vishal Goyal  
Company Secretary

Ashok Haldia  
Director and Chief  
Financial Officer  
DIN: 00818489

Place: New Delhi  
Date: 25th May, 2011



**PTC INDIA FINANCIAL SERVICES LIMITED**

Regd. Office: 2nd Floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi- 110066

**ATTENDANCE SLIP**

Members of their proxies are requested to present this form for admission, duly signed in accordance with their specimen signatures registered with the Company.

Name of Attending Person  
(IN BLOCK LETTERS)

Regd. Folio no.<sup>1</sup>

No. of Shares held

DP ID no.

Client ID No.

I, hereby record my presence at the 5<sup>th</sup> Annual General Meeting of the Company being held on 28<sup>th</sup> the day of September, 2011 at 11:30 AM at Dr Sarvepalli Radhakrishnan Auditorium at Kendriya Vidyalaya No.2, A.P.S. Colony (Delhi-Gurgaon Road), Delhi Cantt, New Delhi - 110010

Please tick (✓) in the box.

☐

Member

☐

Proxy

\_\_\_\_\_  
Member's / Proxy's Signature

<sup>1</sup>Applicable for holding shares in physical mode.



**PTC INDIA FINANCIAL SERVICES LIMITED**  
 Regd. Office: 2nd Floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi- 110066

**PROXY FORM**

DP ID  Client ID

No. of Shares held  Regd. Folio No.<sup>2</sup>

I/we \_\_\_\_\_, s/o \_\_\_\_\_ in the district of \_\_\_\_\_, being a member/members of PTC India Financial Services Limited, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 5<sup>th</sup> Annual General Meeting of the company to be held on 28th day of September, 2011 at 11:30 am on Dr. Sarvepalli Radhakrishnan Auditorium at Kendriya Vidyalaya No.2 A.P.S. Colony (Delhi-Gurgaon Road), Delhi Cantt., New Delhi-110010 and any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

\_\_\_\_\_  
 (Signature)  
 (affix Revenue Stamp of appropriate value)

Note: - The proxy must be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting.

<sup>2</sup> Applicable for holding shares in physical mode.

