M/s M.K. Aggarwal & Co.
Chartered Accountants,
30, Nishant Kunj,
Pitampura,
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Ph: 011 47517171
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M/s K.B. Chandna & Co.
Chartered Accountants,
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New Delhi – 110049
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LIMITED REVIEW REPORT

TO THE BOARD OF DIRECTORS OF POWER FINANCE CORPORATION LIMITED

We have reviewed the accompanying statement of unaudited financial results of **Power Finance Corporation Limited** (the "Company") for the quarter ended 30th June, 2016. Management is responsible for the preparation and fair presentation of this statement and the same has been approved by the Board of Directors. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

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

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

M.K. Aggarwal

M.K. AGGARWAL & CO.
30, Nishant Kunj,
Pitampura,
New Delhi-34
Chartered Accountants

CA M.K. AGGARWAL
Partner
Membership No. 014956

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

K.B. CHANDNA & CO.
FRN 000862N
NEW DELHI
CHARTERED ACCOUNTANTS

CA SANJEEV CHANDNA
Partner
Membership No. 087354

Date: 09.08.2016
Place: New Delhi

POWER FINANCE CORPORATION LIMITED						
URJANIDHI, 1, BARAKHAMBA LANE, CONNAUGHT PLACE, NEW DELHI. Website: http://www.pfcindia.com						
CIN L65910DL1986GOI024862						
STATEMENT OF UN-AUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE 2016						
						(₹ in Crore)
Sl. No.		PARTICULARS	QUARTER ENDED			YEAR ENDED
			30-06-2016	31-03-2016	30-06-2015	31-03-2016
			(Un-audited)	(Audited)	(Un-audited)	(Audited)
1)	**Income from Operations**					
	(a)	Interest Income	7,072.05	6,608.14	6,709.32	27,079.44
	(b)	Other Operating Income	33.55	96.85	46.01	394.21
		Total Income from Operations (Net)	**7,105.60**	**6,704.99**	**6,755.33**	**27,473.65**
2)	**Expenses**					
	(a)	Interest, Finance and Other Charges (including Provisions)	4,466.61	4,779.95	4,284.87	18,212.83
	(b)	Employee Benefit Expenses	25.26	21.43	23.03	90.37
	(c)	Depreciation and Amortization	1.18	1.74	1.30	6.17
	(d)	Other Expenses	175.67	14.09	156.61	194.28
		Total Expenses	**4,668.72**	**4,817.21**	**4,465.81**	**18,503.65**
3)	**Profit from Operations before Other Income and Exceptional Items (1-2)**		**2,436.88**	**1,887.78**	**2,289.52**	**8,970.00**
4)	Other Income		53.06	82.00	3.77	90.66
5)	**Profit from ordinary activities before Exceptional Items (3+4)**		**2,489.94**	**1,969.78**	**2,293.29**	**9,060.66**
6)	Exceptional items		--	--	--	--
7)	**Profit from Ordinary Activities before Tax (5+6)**		**2,489.94**	**1,969.78**	**2,293.29**	**9,060.66**
8)	**Tax Expense**		**777.39**	**710.13**	**717.08**	**2,947.18**
	(a)	Provision for Income Tax				
		Current Year	661.60	677.04	693.20	2,822.26
		Earlier Years	0.00	12.54	-0.43	12.11
	(b)	Deferred Tax Liability / (Deferred Tax Asset)	115.79	20.55	24.31	112.81
9)	**Net Profit from Ordinary activities after tax (7-8)**		**1,712.55**	**1,259.65**	**1,576.21**	**6,113.48**
10)	Extraordinary items (Net of tax expense - Nil)		--	--	--	--
11)	**Net Profit for the period (9-10)**		**1,712.55**	**1,259.65**	**1,576.21**	**6,113.48**
12)	Paid-up Equity Share Capital (Face value of share is ₹ 10)		1,320.04	1,320.04	1,320.04	1,320.04
13)	Reserves excluding Revaluation reserves (As per audited balance Sheet as at 31st March)		--	--	--	34,445.99
14)	**Earnings Per Share (EPS) (Face value ₹ 10/- each) (not annualised)**					
	(a)	Basic and Diluted EPS (before Extraordinary items) (in ₹)	12.97	9.54	11.94	46.31
	(b)	Basic and Diluted EPS (after Extraordinary items) (in ₹)	12.97	9.54	11.94	46.31
	See accompanying notes to the Financial Results					

Notes :-

1. The above financial results for the quarter ended 30.06.2016 have been reviewed and recommended by the Audit Committee of Directors and approved by the Board of Directors in their respective meetings held on 09.08.2016. The same have been subjected to Limited Review by Joint Statutory Auditors M/s K. B. Chandna & Co., Chartered Accountants and M/s M. K. Aggarwal & Co., Chartered Accountants.

M.K. AGGARWAL & CO. ★ Chartered Accountants ★ 30, Nishant Kunj, Pitampura, New Delhi-34

K.B. CHANDNA & CO. ★ CHARTERED ACCOUNTANTS ★ FRN : 000862N NEW DELHI

2	Interest, Finance and Other charges at 2(a) above, includes provisions made during the quarter ended 30.06.2016 in respect of: (i) Non-performing loans ₹ 110.95 crore (corresponding previous quarter ₹ 40.49 crore). Gross Non-performing loans as at 30.06.2016 amount to ₹ 7,561.86 crore (as at 31.03.2016 ₹ 7,520.21 crore), (ii) Standard Assets ₹ (17.91) crore (corresponding previous quarter ₹ 6.44 crore), on the outstanding balance of standard assets, (iii) Restructured Standard Assets ₹ 107.57 crore (corresponding previous quarter ₹ 201.34 crore). The qualifying Restructuring / Reschedulement / Renegotiation (R/R/R) loans outstanding as at 30.06.2016 amount to ₹ 22,753.81 crore in Private sector and ₹ 10,785.73 crore in Govt. Sector (as at 31.03.2016 ₹ 21,479.20 crore in Private sector and ₹ 10,783.78 crore in Govt. Sector), and (iv) Reversal(net) of provision for Diminution in value of investments ₹ 26.94 crore (corresponding previous quarter Nil). As regards provision on Standard Assets as per RBI norms, the accounting policy for the current year stands changed and requires provision enhancement from 0.30% on 31.03.2016 to 0.35% by 31.03.2017. Accordingly, provision for the quarter ended 30.06.2016 has been made on pro-rata basis. Due to this change in the accounting policy, profit before tax for the current quarter has decreased by ₹ 23.18 crore. As regards R/R/R loans on which restructuring provisioning as per RBI norms is applicable, the accounting policy for the current year stands changed and requires provision enhancement from 3.50% on 31.03.2016 to 4.25% by 31.03.2017. Accordingly, provision for the quarter ended 30.06.2016 has been made on pro-rata basis. Due to this change in the accounting policy, profit before tax for the current quarter has decreased by ₹ 62.89 crore.
3	(i) From the current financial year, Company has adopted RBI Prudential norms contained in RBI's Master Circular dated 01.07.2015 for 'Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015' as amended from time to time, to be read with the paras mentioned below. (ii) For operationalization of RBI's asset classification norms, the Company has communicated its understanding to RBI vide letters dated 13.08.2015 and 13.01.2016, which inter-alia provides that loan assets (excluding lease asset) outstanding as on 31.03.2017 and overdue for 4 months or more will be classified as Non-Performing Asset (NPA). Accordingly, the additional provision, if any, will be accounted at the year end. (iii) For R/R/R norms, RBI vide its letter dated 11.06.2014 : (a) has exempted the Company from application of its restructuring norms for Transmission & Distribution, Renovation & Modernization and Life Extension projects and also the hydro projects in Himalayan region or affected by natural disasters for a period of 3 years i.e. till 31.03.2017, and (b) has directed that for new project loans to generating companies restructured w.e.f. 01.04.2015, the provisioning requirement would be 5% and for stock of such outstanding loans as on 31.03.2015 to all generating companies, provisioning shall commence with a provision of 2.75% with effect from 31.03.2015 and reaching 5% by 31.03.2018; this provision is in addition to the provision for diminution in fair value. For implementing RBI's directions dated 11.06.2014, Company vide its letter dated 03.07.2014 has communicated its implementation strategy to RBI, which has been further reiterated vide Company's letter dated 27.11.2014, inter-alia stating that i) all new project loans sanctioned with effect from 01.04.2015 to generating companies would be regulated by RBI norms on R/R/R, ii) project loans to generating companies already sanctioned up to 31.03.2015 are to be governed by MoP approved R/R/R Norms and iii) Non Project loans will be governed by RBI norms on R/R/R w.e.f. 01.04.2015. RBI vide its letter dated 04.02.2015 has informed that the Company's request is under examination. Company has not received any further directions from RBI in the matter and accordingly, Company is implementing the RBI norms in line with RBI directions dated 11.06.2014 read with manner of implementation communicated to RBI as stated above. Compliance status of various RBI directions including R/R/R norms has been communicated to RBI vide Company's letter dated 03.03.2016. The matter regarding manner of implementation of R/R/R norms has again been taken up with RBI under intimation to MoP vide letter dated 25.07.2016. Reply from RBI is awaited. (iv) For credit concentration norms, RBI vide its letter dated 16.06.2016, has extended exemption in respect of exposure to Central / State Government entities till 31.03.2022. Thus, the Company continues to follow MoP approved credit concentration norms for Central / State Government entities.

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4	Subsequent to alignment of accounting policy with RBI prudential norms w.e.f. 01.04.2016: (i) valuation of Quoted Current Investments has been made category-wise against the earlier policy of scrip-wise valuation. Due to this change in the accounting policy, profit before tax for the current quarter has increased by ₹ 63.65 crore; (ii) policy of classifying a loan asset as a loss asset on becoming 'Doubtful for more than 3 years' with 100% NPA provision applicable up to 31.03.2016 stands replaced with continuation of asset classification as Doubtful instead of loss asset, with NPA provision @ 50%. Accordingly, on a loan account, which became due for classification as `doubtful for more than three years' during the current quarter, provision has been made in accordance with RBI norms. Due to this change in the accounting policy, profit before tax for the current quarter has increased by ₹ 283.63 crore.
5	In case of a restructured loan asset, categorized as sub-standard by the Company on 15.04.2015, the borrower has obtained an ad-interim stay on further proceedings from Hon'ble High Court of Madras vide order dated 17.06.2015. The Company had sought a legal opinion with respect to asset classification, based on which, in the previous year the loan asset has been re-classified from restructured sub-standard to restructured standard asset and the NPA provision amounting to ₹ 339.99 crore made till the date of reclassification was reversed during the previous year. The matter is sub-judice and ad-interim stay is continuing. Based on the subsequent legal opinion sought, the Company maintained asset classification as standard as on 31.03.2016 and continues the same in the current quarter also amid further progress in the project. Subsequent to reclassification of the account as restructured standard asset in previous year, (i) interest income of ₹ 493.14 crore has been recognized on accrual basis remaining overdue (consisting of ₹ 164.36 crore during current quarter and ₹ 328.78 crore during previous year). The interest income recognized on accrual basis remaining overdue during corresponding previous quarter amount to ₹ 99.05 crore. (ii) provision, as applicable to a restructured standard asset, has been made which stands at ₹ 156.79 crore as on 30.06.2016 (as on 31.03.2016 ₹ 148.82 crore). (iii) provision treating the account as Sub-standard, on the loan balance of ₹ 4,251.91 crore as on 30.06.2016, after considering the provision as stated at (ii) above, has not been recognized amounting to ₹ 268.40 crore. On 30.06.2016, the Company has moved petition for vacating the order of interim stay. The said petition is pending for hearing.
6	In accordance with the requirement of Section 135 of the Companies Act, 2013 read with DPE guidelines, during the quarter ended 30.06.2016, provision of ₹ 166.15 crore for FY 2016-17 (corresponding previous quarter ₹ 145.79 Crore) has been made for Corporate Social Responsibility activities.
7	During the current quarter, Odisha Generation Phase-II Transmission Limited, a wholly owned subsidiary of PFC Consulting Ltd (wholly owned subsidiary of the Company) has been transferred to the successful bidder.
8	During the current quarter, the Company has subscribed to 26,05,42,051 fully paid equity shares of NHPC Limited of face value of ₹ 10/- per share under Offer for Sale. The shares have been subscribed at a cost of ₹ 21.78/- per share aggregating to ₹ 567.50 crore.
9	The Company amortizes exchange differences on long term foreign currency monetary items over their tenure. Consequently, as at 30.06.2016 the unamortized debit balance under Foreign Currency Monetary Item Translation Difference Account (FCMITDA) is ₹ 1,076.90 crore (as at 31.03.2016 debit balance of ₹ 739.74 crore).

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10	In case of a borrower account which was classified as a doubtful loan asset, the Company invoked the pledge of equity shares. Accordingly, 6,57,46,779 number of equity shares of ₹ 10/- each pledged by the promoters have been transferred to the Company on 01.06.2016. These equity shares have been recognised at a value of ₹ 1/-. Further, 6,61,00,000 number of equity shares of ₹ 10/- each have been allotted to the Company on 01.06.2016 on partial conversion of sub-debt loan given earlier to the extent of ₹ 66.10 crore. A provision for diminution in value of these shares has been made. The impact of provision netting after the provision earlier made is ₹ 46.27 crore. As on 30.06.2016, the Company holds 23.32% of paid-up equity share capital of the borrower company. There is regular reporting on the status of the project development to the Ministry of Power, Govt. of India and the borrower company's affairs are being controlled by a professionally managed team.
11	The Board of Directors of the Company at its meeting held on July 14, 2016, subject to the approval of the shareholders, has approved increase in the authorized share capital of the Company from present ₹ 2,000 crore divided into 2,00,00,00,000 equity shares of ₹ 10/- each to ₹ 10,000 crore divided into 10,00,00,00,000 equity shares of ₹ 10/- each and corresponding amendment in the capital clause of Memorandum of Association of the Company. In its said meeting, the Board of Directors has also recommended to the shareholders to approve issuance of Bonus Shares by capitalizing the "Securities Premium Account" at the forthcoming AGM, to the extent that the holder of each share of the Company shall be entitled to one bonus share (i.e. in the ratio of 1:1).
12	The identification of business segment is done in accordance with the system adopted for internal financial reporting to the Board of Directors and management structure. The Company's primary business is to provide finance for power sector which in the context of Accounting Standard - 17 is considered the only primary business segment. Hence, no segmental reporting is required.
13	Figures for the previous period have been regrouped / reclassified wherever necessary, to confirm to current period classification.

	M.K. GOEL
Place : New Delhi	**Chairman & Managing Director**
Date : 09.08.2016	**DIN - 00239813**

M.K. AGGARWAL & CO. Chartered Accountants 30, Nishant Kunj, Pitampura, New Delhi-34

K.B. CHANDNA & CO. CHARTERED ACCOUNTANTS FRN : 000862N NEW DELHI