

PUBLIC ISSUE OF TAX FREE BONDS of face value of ₹ 1,000 each in the nature of secured, redeemable, non-convertible debentures, upto ₹ 4,033.13 Crore



POWER FINANCE CORPORATION LIMITED (PFC)
(A Government of India undertaking "Nav-ratna Company")

ABOUT THE ISSUER

- Leading financial institution in India focused on the power sector
- Registered with RBI as a non-deposit taking systemically important NBFC & classified as an IFC

<p>Role as Government Agency in Indian Power Sector</p>	<ul style="list-style-type: none"> ▪ Established as an integral part of, and continue to play a strategic role in, the Gol's initiatives for the development of the power sector in India ▪ Works closely with Gol instrumentalities, State governments and power sector utilities, other power sector intermediaries and private sector clients for the development and implementation of policies and structural and procedural reforms for the power sector in India ▪ Also, involved in various Gol programs for the power sector, including acting as the nodal agency for the UMPP program and the R-APDRP and as a bid process coordinator for the ITP scheme
<p>Products & Services</p>	<ul style="list-style-type: none"> ▪ Provides a comprehensive range of financial products and related advisory and other services from project conceptualization to the post-commissioning stage for the clients in the power sector, including for generation (conventional and renewable), transmission and distribution projects as well as for related renovation and modernization projects. ▪ Provides various fund based financial assistance, including project finance, short-term loans, buyer's line of credit and debt refinancing schemes, as well as non-fund based assistance including default payment guarantees and letters of comfort ▪ Provides various fee-based technical advisory and consultancy services for power sector projects.
<p>Consistent Financial Performance</p>	<ul style="list-style-type: none"> ▪ Total loan assets increased from ₹ 43,902.83 crores as of Mar-07 to ₹ 1,10,421.25 crores as of Sep-11 ▪ Total loans sanctioned pending disbursement (net of any loan sanctions cancelled) of ₹ 1,67,232 crores as of Sep-11 ▪ Total income increased from ₹ 3,927.65 crores as of Mar-07 to ₹ 6,084.57 crores as of Sep-11 ▪ Profit after tax increased from ₹ 986 crores as of Mar-07 to ₹ 1,108.27 crores as of Sep-11 ▪ Gross NPAs of ₹ 13.16 crores, ₹ 13.16 crores, ₹ 13.16 crores, ₹ 230.65 crores and ₹ 237.86 crores as of Mar-08, Mar-09, Mar-10, Mar-11 and Sep-11, respectively, which represented 0.03%, 0.02%, 0.02%, 0.23% and 0.22%% of total loan assets, respectively, as of such dates. ▪ Net worth ₹ 18,717.96 crores as of Sep-11 ▪ Capital adequacy ratio was 18.2%, 15.7% and 18.22% as of Mar-10, Mar-11 and Sep-11 respectively.

TAX BENEFITS OF THE BONDS

- The income by way of interest on these Bonds is fully exempt from Income Tax under Section 10(15)(iv)(h) of the Income Tax Act, 1961 and shall not form part of Total Income
- No deduction of tax at source (TDS) from the interest, which accrues to the bondholders in these bonds irrespective of the amount of the interest or the status of the investors
- Wealth Tax is not levied on investment in Bond under section 2(ea) of the Wealth-tax Act, 1957
- However, no deduction from the total income will be available for invested amount

ISSUE OPENS ON: *December 30, 2011* **ISSUE CLOSURES ON:** *January 16, 2012**

**The subscription list for the Issue shall remain open for subscription at the commencement of banking hours and close at the close of banking hours, with an option for early closure (subject to the Issue being open for a minimum of 3 days) or extension by such period, upto a period of 30 days from the date of opening of the Issue, as may be decided by the Board of Directors/ Committee of the Company. In the event of such early closure of the subscription list of the Issue, the company shall ensure that public notice of such early closure is published on or before the day of such early date of closure through advertisement/s in a leading national daily newspaper.*

General Terms of the Issue

Issuer	Power Finance Corporation Limited
Issue of Bonds	Aggregating ₹ 1,000 Crores with an option to retain an oversubscription upto the Shelf Limit (i.e. ₹ 4033.13 Crores)
Face Value / Issue Price	₹ 1,000
Minimum Application	₹ 10,000
Market Lot / Trading Lot	One Bond
Pay-in Date	Application Date (Full Application Amount is payable on Application)
Ratings	CRISIL AAA/Stable to the long term borrowing programme of ₹ 38,500 Cr CRISIL A1+ to the short term borrowing programme of ₹ 5000 Cr ICRA AAA to the Long Term Borrowing Programme of ₹ 43,500 crores during FY12
Listing	BSE
Security	The Bonds issued by the Company will be secured by creating a charge on the book debts of the company and/or identified immovable property by a first/pari passu charge, as may be agreed between the Company and the Debenture Trustee, pursuant to the terms of the Debenture Trust Deed.
Debenture Trustee	GDA Trustee & Consultancy Limited
Registrar	Karvy Computershare Private Limited
Modes of Payment	1. At par cheques 2. Demand Drafts
Issuance	**In dematerialized form and physical form
Trading	In dematerialized form only
Interest on Application Moneys	On Allotment - Same as the Coupon Rate On Refunds - 5%
Deemed Date of Allotment	Deemed Date of Allotment shall be the date on which the Directors of the Company or any committee there of approves the Allotment of the Bonds for each Tranche Issue. All benefits relating to the Bonds including interest on Bonds (as specified for each tranche by way of Tranche Prospectus) shall be available to the investors from the Deemed Date of Allotment. The actual allotment of Bonds may take place on a date other than the Deemed Date of Allotment

Specific Details on Individual Series

Options	Series of Bonds	
	Tranche-1 Series I	Tranche-1 Series II
Tenor	10 Years	15 Years
Redemption Date	10 Years from the Deemed Date of Allotment	15 Years from the Deemed Date of Allotment
Redemption Amount (₹/Bond)	Repayment of the Face Value plus any interest that may have accrued at the Redemption Date	
Frequency of Interest Payment	Payable Annually	
Minimum Application Size	₹10,000 (10 Bonds)	
In Multiples of	₹ 5,000 (5 Bonds)	₹ 5,000 (5 Bonds)
Face Value(₹/Bond)	₹ 1,000	₹ 1,000
Issue Price(₹/Bond)	₹ 1,000	₹ 1,000
Coupon Rate	8.20% p.a.	8.30% p.a.
Interest Payment Date	15 th day of October of every year; 1 st interest payment on October 15, 2012 for the period commencing from deemed date of allotment to October 14, 2012. The last interest payment shall be made at the time of redemption of bonds for balance tenure of the bonds.	
Nature of Indebtedness and Ranking	The claims of the Bondholders shall rank pari passu with other secured creditors having a charge over the on the book debts of the company and/or identified immovable property as may be agreed between the Company and the Debenture Trustee, pursuant to the terms of the Debenture Trust Deed and such claims shall be superior to the claims of any unsecured creditors	

PFC would allot Tranche-1 Series-II Bonds which have the longest maturity to all valid applications, wherein the applicants have not indicated their choice of the relevant series of Bonds in their Application Form.

Eligible Investor Categories and Allocation

Investor Categories	Category I	Category II	Category III
Who can apply	<ul style="list-style-type: none"> • Public Financial Institutions, Statutory Corporations, Commercial Banks, Co-operative Banks and Regional Rural Banks, which are authorised to invest in the Bonds; • Provident Funds, Pension Funds, Superannuation Funds and Gratuity Fund, which are authorised to invest in the Bonds; • Insurance companies registered with the IRDA; • National Investment Fund; • Mutual Funds; • Foreign Institutional Investors (including sub-accounts) • Companies; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the Bonds; • Public/private charitable /religious trusts which are authorised to invest in the Bonds; • Scientific and/or industrial research organisations, which are authorised to invest in the Bonds; • Partnership firms in the name of the partners; • Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009) 	<p>The following investors applying for an amount aggregating to above ₹ 5 lakhs across all Series in each tranche</p> <ul style="list-style-type: none"> • Resident Indian individuals; • Hindu Undivided Families through the Karta and • Non Resident Indians on repatriation as well as non-repatriation basis. 	<p>The following investors applying for an amount aggregating to upto and including ₹ 5 lakhs across all Series in each tranche</p> <ul style="list-style-type: none"> • Resident Indian individuals; • Hindu Undivided Families through the Karta and • Non Resident Indians on repatriation as well as non-repatriation basis.
Allocation / Priority	50% of the Overall Issue Size*	25% of the Overall Issue Size*	25% of the Overall Issue Size*
	*on first come first serve basis to be determined on the basis of date of receipt of applications duly acknowledged by the Bankers to the Issue		

For further details, please refer to Shelf Prospectus & Prospectus Tranche-1 dated December 22, 2011