PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated : February 12, 2007
100% Book Built Issue

POWER FINANCE CORPORATION LIMITED

(Incorporated on July 16, 1986 under the Companies Act, 1956 as a public limited company. Registered Office: 'Urja Nidhi', 1, Barakhamba Lane, Connaught Place, New Delhi 110 001, India. Tel: +91 11 2345 6000. Fax: +91 11 2341 2545. Contact Person: Mr. J.S. Amitabh, Company Secretary. Tel: +91 11 2345 6786 Fax: +91 11 2345 6786. E-mail: ipo@pfcindia.com. Website: www.pfcindia.com. For details of changes in our registered office, see the section titled "History and Certain Corporate Matters" beginning on page 105 of this Prospectus.

PUBLIC ISSUE OF UP TO 117,316,700 EQUITY SHARES OF RS. 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. 85 PER EQUITY SHARE OF POWER FINANCE CORPORATION LIMITED ("PFC", OR "THE COMPANY", OR "THE ISSUER") AGGREGATING RS. 9,971.92 MILLION (THE "ISSUE"). THE ISSUE COMPRISES AN ISSUE OF UP TO 114,816,700 EQUITY SHARES BY PFC (THE "NET ISSUE") AND A RESERVATION OF UPTO 2,500,000 EQUITY SHARES FOR SUBSCRIPTION BY EMPLOYEES (AS DEFINED HEREIN) (THE "EMPLOYEE RESERVATION PORTION"), AT THE ISSUE PRICE. THE ISSUE SHALL CONSTITUTE 10.22% OF THE FULLY DILUTED POST-ISSUE CAPITAL OF POWER FINANCE CORPORATION LIMITED.

ISSUE PRICE OF RS. 85 PER EQUITY SHARE OF FACE VALUE RS. 10.

THE ISSUE PRICE IS 8.5 TIMES OF THE FACE VALUE OF EQUITY SHARES.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers ("BRLMs") and at the terminals of the Syndicate.

This is an Issue of less than 25% of the post-issue capital. However, SEBI has through its letter dated April 10, 2006 permitted the Issue through the 100% Book Building Process wherein at least 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, up to 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 2,500,000 Equity Shares shall be available for allocation on a proportionate basis to our Employees, subject to valid Bids being received at or above the Issue Price. The Company has not opted for grading of the Issue.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of the Equity Shares, there has been no formal market for the Equity Shares. The face value of the Equity Shares is Rs.10 each and the Issue Price is 8.5 times of the face value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page xii of this Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer having made all reasonable inquiries, accept responsibility for and confirm that this Prospectus contains all information with regard to the Issuer, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated December 13, 2006 and December 13, 2006, respectively. NSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED 801/ 802, Dalamal Towers, Nariman Point, Mumbai 400 021, India. Tel: +91 22 6638 1800 Fax: +91 22 2284 6824 E-mail: pfc.ipo@enam.com Website: www.enam.com Contact Person: Mr. Ashish Kumbhat	**ICICI SECURITIES LIMITED** ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India. Tel: +91 22 2288 2460 Fax: +91 22 2283 7045 E-mail: pfc_ipo@isecltd.com Website: www.icicisecurities.com Contact Person: Ms. Anupama Srinivasan	**KOTAK MAHINDRA CAPITAL COMPANY LIMITED** 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India. Tel: +91 22 6634 1100 Fax: +91 22 2284 0492 E-mail: pfc.ipo@kotak.com Website: www.kotak.com Contact Person: Ms. Purnima Swaminathan	**KARVY COMPUTERSHARE PRIVATE LIMITED** "Karvy House" 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034, India. Tel: +91 1 600 3454001 Fax: +91 40 2343 1551 Email: pfc.ipo@karvy.com Website: www.karvy.com Contact Person: Mr. Murali Krishna

ISSUE PROGRAMME

BID/ISSUE OPENED ON : WEDNESDAY, JANUARY 31, 2007	BID/ISSUE CLOSED ON : TUESDAY, FEBRUARY 6, 2007

TABLE OF CONTENTS

DEFINITIONS AND ABBREVIATIONS

General Terms

Term	Description
"Power Finance Corporation Limited" or "PFC" or "the Company", or "our Company" or "the Corporation" or "the Issuer".	Power Finance Corporation Limited, a public limited company incorporated under the Companies Act, 1956.
"we" or "us" or "our"	Refers to Power Finance Corporation Limited and, where the context requires, its subsidiaries, which are Sasan Power Limited, Coastal Gujarat Power Limited, Coastal Andhra Power Limited, Jharkhand Integrated Power Limited, Coastal Karnataka Power Limited, Coastal Maharashtra Mega Power Limited, Orissa Integerated Power Limited, Akaltara Power Limited, Coastal Tamil Nadu Power Limited, Bokaro-Kodarma-Maithon Transmission Company Limited and East-North Interconnection Company Limited.

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue.
Articles/Articles of Association	Articles of Association of our Company.
Auditors	The statutory auditors of our Company, being, M/s Bansal Sinha & Co., Chartered Accountants.
Banker(s) to the Issue	ICICI Bank Limited, HDFC Bank Limited, The Hongkong & Shanghai Banking Corporation Limited, Standard Chartered Bank, State Bank of India, Kotak Mahindra Bank Limited, Deutsche Bank AG, Yes Bank Limited, Centurion Bank of Punjab Limited and UTI Bank Limited.
Bid	An indication to make an offer during the Bidding Period by a Bidder to subscribe to or purchase our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid cum Application Form	The form in terms of which the Bidder shall make an indication to make an offer to subscribe to or purchase the Equity Shares and which will be considered as the application for the issuance of Equity Shares pursuant to the terms of the Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Bidding/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids, including any revisions thereof.
Bid/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper, both with wide circulation.
Bid/Issue Closing Date	The date after which the Syndicate shall not accept any Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper, both with wide circulation.

Term	Description
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made.
BRLMs/ Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being ENAM Financial Consultants Private Limited, ICICI Securities Limited and Kotak Mahindra Capital Company Limited.
BSE	Bombay Stock Exchange Limited earlier known as The Stock Exchange, Mumbai.
CAN/ Confirmation of Allocation Note	Means the notes or advice or intimations of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Companies Act	The Companies Act, 1956 as amended from time to time.
Cut-off Price	Any price within the Price Band finalised by our Company in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account(s) to the Issue Account(s), which in no event shall be earlier than the date on which this Prospectus is filed with the ROC.
Designated Stock Exchange	National Stock Exchange of India Limited for the purpose of this Issue.
Director(s)	Director(s) of Power Finance Corporation Limited, unless otherwise specified.
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated December 11, 2006 issued in accordance with Section 60B of the Companies Act and SEBI Guidelines, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. Upon filing with ROC at least three days before the Bid/Issue Opening Date it will become the Red Herring Prospectus. It will become a Prospectus upon filing with ROC after the determination of the Issue Price.
Eligible NRI(s)	NRI(s) from such jurisdiction outside India where it is not unlawful to make a Bid in the Issue.
Employee	All or any of the following: (a) a permanent employee of our Company as of date of the filing of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form. (b) a Director of our Company, whether a whole-time Director, part time Director or otherwise, as of the date of the filing of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form.

Term	Description
Employee Reservation Portion	The portion of the Issue being up to 2,500,000 Equity Shares available for allocation to Employees.
Equity Shares	Equity shares of our Company of face value of Rs. 10 each.
Escrow Account(s)	Account(s) opened with the Escrow Collection Bank(s) and in whose favour the Bidders will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement dated January 5, 2007 to be entered into among our Company, the Registrar, the Escrow Collection Bank(s), the BRLMs and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account will be opened, in this case being ICICI Bank Limited, HDFC Bank Limited, The Hongkong & Shanghai Banking Corporation Limited, Standard Chartered Bank, State Bank of India, Kotak Mahindra Bank Limited, Deutsche Bank AG, Yes Bank Limited, Centurion Bank of Punjab Limited and UTI Bank Limited.
FEMA	The Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
FVCI	Foreign Venture Capital Investor (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI under applicable laws in India.
Facility	Financial assistance including loans, guarantees and lease financing granted by our Company to various borrowers.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Indian GAAP	Generally accepted accounting principles in India.
Issue	Public issue of up to 117,316,700 Equity Shares at a price of Rs. 85 each for cash aggregating Rs. 9,971.92 million. The Issue comprises a Net Issue to the public of up to 114,816,700 Equity Shares and as reservation for Employees of up to 2,500,000 Equity Shares.
Issue Price	The final price at which Equity Shares will be Allotted in terms of this Prospectus, as determined by our Company in consultation with the BRLMs, on the Pricing Date.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.

Term	Description
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount.
Memorandum / Memorandum of Association/MoA	The memorandum of association of our Company.
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
NBFC/Non-Banking Financial Company	Non Banking Financial Company (as defined under the RBI Act) and registered with the RBI under applicable laws in India.
NSE	National Stock Exchange of India Limited.
Net Issue/Net Issue to the public	The Issue less the Employee Reservation Portion, i.e. the Issue of up to 114,816,700 by our Company at the Issue Price.
Non-Institutional Bidders	Bidders that are neither Qualified Institutional Buyers nor Retail Individual Bidders and who have Bid for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of the Net Issue being up to 17,222,505 Equity Shares available for allocation to Non-Institutional Bidders.
Non Residents	A person resident outside India, as defined under FEMA.
NRI/ Non Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. OCBs' are not allowed to participate in this Issue.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	The price band with a minimum price of Rs. 73 and the maximum price of Rs. 85, including any revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLMs finalised the Issue Price, i.e February 7, 2007.
Promoter	The President of India, acting through the Ministry of Power, Government of India.

Term	Description
Prospectus	This prospectus dated February 12, 2007, to be filed with the ROC after pricing containing, among other things, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information and including any corrigendum thereof.
Public Financial Institution/PFI	Public financial institution as specified in Section 4A of the Companies Act.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
QIB Portion	The portion of the Net Issue being at least 57,408,350 Equity Shares available for allocation to QIBs.
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
Refund Banks	ICICI Bank Limited and HDFC Bank Limited.
Registered Office of the Company	'Urja Nidhi', 1, Barakhamba Lane, Connaught Place, New Delhi 110 001, India.
Registrar/ Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited.
Retail Individual Bidders	Individual Bidders (including HUFs applying through their *karta*) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Net Issue being up to 40,185,845 Equity Shares available for allocation to Retail Individual Bidders.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	The Red Herring Prospectus dated January 10, 2007 to be issued in accordance with Section 60B of the Companies Act, which will not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue and including any corrigendum thereof. The Red Herring Prospectus will be filed with the ROC at least three days before the Bid/Issue Opening Date and will become a Prospectus after filing with the ROC after determination of the Issue Price.
ROC	The Registrar of Companies, National Capital Territory of Delhi and Haryana, located at New Delhi.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time.

Term	Description
Stock Exchanges	NSE and BSE.
Syndicate or members of the Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement dated January 5, 2007 to be entered into among our Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	ENAM Securities Private Limited, ICICI Brokerage Services Limited and Kotak Securities Limited.
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
TRS/ Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Underwriters	The BRLMs and the Syndicate Members.
Underwriting Agreement	The agreement dated February 7, 2007 among the members of the Syndicate, the Registrar to the Issue and our Company.
VCF/Venture Capital Fund	Foreign Venture Funds (as defined under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996) registered with SEBI under applicable laws in India.

Industry Related Terms & Abbreviations

Term	Description
Ckm	Circuit kilo metre
CPSU	Central Public Sector Undertaking
CESC Limited	Calcutta Electricity Supply Corporation Limited
DISCOM	Distribution Company
ED	Electricity Department
IEA	International Energy Agency
IREDA	Indian Renewable Energy Development Agency
GW	Giga Watts
kWh	Kilo Watt hour
KW	Kilo Watts
Mmbtu	Million metric british thermal unit
MW	Mega Watts
REC	Rural Electrification Corporation
SEB	State Electricity Board
STU	State Transmission Utility

Abbreviations

Abbreviation	Full Form
ADB	Asian Development Bank
AG&SP	Accelerated Generation and Supply Programme
ALCO	Asset Liability Committee

Term	Description
ALM	Asset Liability Management
APDP	Accelerated Power Development Program
APDRP	Accelerated Power Development and Reform Programme
APSEB	Andhra Pradesh State Electricity Board
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BHEL	Bharat Heavy Electricals Limited
BPLR	Benchmark Prime Lending Rate
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CRISIL	Credit Rating Information Services of India Limited
CSEB	Chattisgarh State Electricity Board
DDA	Delhi Development Authority
DP ID	Depository Participant's identity
DDM	Delivery through Decentralised Management
DRUM	Distribution Reform, Upgrades and Management
ECS	Electronic Clearing Services
EDC	Export Development Canada
EGM	Extraordinary General Meeting
ENAM	ENAM Financial Consultants Private Limited
EPS	Earnings per share
ERAF	Exchange Risk Administration Fund
ERMA	Exchange Risk Management Account
EURIBOR	Euro Inter Bank Offered Rate
FBT	Fringe Benefit Tax

Term	Description
FCNR	Foreign Currency Non Resident
FDI	Foreign Direct Investment
FIPB	Foreign Investment Promotion Board
FY/ Fiscal	Financial year/ Fiscal year
Financial year /Fiscal Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated
GoI	Government of India
GDP	Gross Domestic Product
HSEB	Haryana State Electricity Board
HUF	Hindu Undivided Family
HUDCO	Housing and Urban Development Corporation Limited
IBRD	International Bank for Reconstruction and Development
IFCI	Industrial Finance Corporation of India
IPP	Independent Power Producer
I.T. Act	The Income Tax Act, 1961, as amended from time to time
I-SEC	ICICI Securities Limited
JLTPR	Japanese Long Term Prime Rate
KfW	Kreditanstalt fuer Wiederaufbau
KMCC	Kotak Mahindra Capital Company Limited
KEB	Karnataka State Electricity Board
LIBOR	London Inter Bank Offered Rate
MIBOR	Mumbai Inter Bank Offered Rate
MoP	Ministry of Power
MICR	Magnetic Ink Character Recognition
MPSEB	Madhya Pradesh State Electricity Board
MSEB	Maharashtra State Electricity Board
NAV	Net Asset Value
NBFC	Non Banking Financial Company
NCT	National Capital Territory
NDMC	New Delhi Municipal Corporation
NEFT	National Electronic Fund Transfer
NHPC	National Hydroelectric Power Corporation Limited
NPA	Non-Performing Asset

Term	Description
NPV	Net Present Value
NQAQSR	NQA Quality Systems Registrar Limited
NRECA	National Rural Electric Cooperative Association
NSDL	National Securities Depository Limited
NTPC	National Thermal Power Corporation Limited
OFAP	Operational and Financial Action Plan
OPEC	Organisation of the Petroleum Exporting Countries
OSEB	Orissa State Electricity Board
p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PLR	Prime Lending Rate
PGCIL	Power Grid Corporation of India Limited
PSU	Public Sector Undertaking
RBI	The Reserve Bank of India
ROAA	Return on Average Earning Assets
ROANW	Return on Average Net Worth
RoNW	Return on Net Worth
RSEB	Rajasthan State Electricity Board
RTGS	Real Time Gross Settlement
SBAR	State Bank Average Rate
SERC	State Electricity Regulatory Commission
SLR	Statutory Liquidity Ratio
SPU	State Power Utility
SPV	Special Purpose Vehicle
UMPP	Ultra Mega Power Project
UPSEB	Uttar Pradesh State Electricity Board
U.S.	United States
USAID	United States Agency for International Development
WCDL	Working Capital Demand Loan
WPI	Wholesale Price Index

PRESENTATION OF FINANCIAL AND MARKET DATA

Financial Data

Unless indicated otherwise, the financial data in this Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and included in this Prospectus. Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

Currency of Presentation

All references to "India" contained in this Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$", "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America. All references to "€"Euro" are to Euros, the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to "Yen" or "Japanese Yen" or "JPY" are to the Japanese Yen, the official currency of Japan. All references to "FRF" are to the French Franc. All references to "DM" or "Deutsche Mark" are to the Deutsche Mark.

Market Data

Unless stated otherwise, industry data used throughout this Prospectus has been obtained from publicly available documents prepared by various sources including officially prepared materials from the government and its various ministries and various multilateral institutions including:

- World Energy Outlook 2004 and 2006;
- World Economic Outlook 2005;
- Central Electricity Authority's website (www.cea.nic.in);
- Annual Report of Ministry of Power, 2004-05 (www.powermin.nic.in);
- Annual Report of Ministry of Power, 2005-06 (www.powermin.nic.in)
- Ministry of Power's Performance Report, 2004-05;
- Ministry of Power's website (www.powermin.nic.in);
- Planning Commission's website (www.planningcommission.nic.in);
- UNDP, Human Development Indicators 2006 (www.hdr.undp.org);
- Report of the Operation Evaluation Department, Meeting India's Energy Needs (1978-1999): A country sector review;
- International Energy Agency's Report on Key World Energy Statistics (2005); and
- Dun and Bradstreet's Report on "India's Top 500 Companies" (2006).

Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although, we believe industry data used in this Prospectus is reliable, it has not been verified by any independent sources.

FORWARD-LOOKING STATEMENTS

We have included statements in this Prospectus which contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements".

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which our Company has its businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" beginning on page xii of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to the Issue.

RISK FACTORS

An investment in equity securities involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with the sections entitled "Our Business" beginning on page 50 of this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page176 of this Prospectus as well as the other financial and statistical information contained in this Prospectus. Any of the following risks as well as the other risks and uncertainties discussed in this Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Internal Risk Factors

We have significant exposure to certain borrowers and if these exposures become non-performing, the quality of our asset portfolio may be adversely affected.

We are a power sector specific public financial institution. This sector has a limited number of borrowers and our past and future exposure to these borrowers is anticipated to be large. In addition, many of these borrowers are public sector utilities that are loss making.

As of September 30, 2006, our ten largest single borrowers in the aggregate accounted for 45.70% of our total outstanding exposure and the ten largest borrower groups in the aggregate accounted for 67.35% of our total outstanding exposure. For further details, see the section titled "Selected Statistical Information" beginning on page 167 of this Prospectus. Any negative trends or financial difficulties particularly among our large borrowers could increase the level of non-performing assets in our portfolio and adversely affect our business and financial performance. For the foreseeable future, we expect to continue to have a significant concentration of loans to certain borrowers. Credit losses on our significant single borrowers and borrower group exposures could adversely affect our business and financial performance and the price of our Equity Shares.

The escrow account mechanism created by us for the payment obligations of the state sector power utilities may not be effective in all cases.

We have a mechanism of creating escrow accounts with most of our borrowers in the state sector. As of September 30, 2006, 96.76% of our outstanding loans to state sector power utilities have an escrow mechanism in place. Under this mechanism we ensure that certain predetermined amounts from the payments received by our borrowers from their respective customers are deposited in an escrow account pursuant to a tripartite escrow agreement among us, our borrower and an escrow agent. The deposited amount is available for use by the borrower except in the case of a default on account of non-payment of dues to our Company by the borrower. In such case, the escrow agent makes the default amount available to us on demand.

The escrow agreement mechanism is effective only in the event of revenue from the end users (including power traders, industrial, commercial, household and agricultural consumers) being paid to our borrowers and deposited into the escrow facilities. We do not have any arrangement in place to ensure this occurs and the effectiveness of the escrow mechanism is limited to that extent. In the event the end users of power do not make payments to our borrowers, the escrow mechanism will not ensure the timely repayment of our loans, which may adversely affect our financial condition and results of operations.

We may not be able to recover, or there may be a delay in recovering, the expected value from our securities and collaterals which may affect our financial condition.

We have granted certain loans to our borrowers where partial security has been created or disbursements have been made pending security or loans have been granted without security. As of September 30, 2006, out of our total loans outstanding of Rs. 385,629.42 million, Rs. 177,329.59 million, or 45.98%, of our outstanding loans are secured by charges on project assets, Rs. 9,492.55 million, or 2.46%, of our outstanding loans are secured by a partial charge on assets, Rs. 173,015.41 million, or 44.87%, of our outstanding loans are unsecured but have a state government guarantee as collateral and Rs. 25,791.87 million, or 6.69%, of our outstanding loans are unsecured. These unsecured loans include Rs. 2,279.57 million, or 0.59%, of our outstanding loans that have been issued to the NTPC and PGCIL against a negative lien, Rs. 5,299.31 million, or 1.37%, of our outstanding loans were made to state governments, Rs. 14,222.85 million, or 3.69%, of our outstanding loans made to state utilities on escrow cover, Rs. 3,801.85 million, or 0.99%, of our outstanding loans made to borrowers pending the creation of a security and Rs. 188.30 million, or 0.05%, of our outstanding loans are totally unsecured.

Although, legislation has been introduced, which may strengthen the rights of creditors for faster realization of collateral in the event of default, we cannot guarantee that we will be able to realize the full value of our collateral, on account of certain factors including delays due to the fact that certain loans have been granted by us as a part of consortium of lenders or delays in taking immediate action in bankruptcy foreclosure proceedings, stock market downturns and defects in the perfection of collateral and fraudulent transfers by borrowers. Further, in the event that a specialized regulatory agency gains jurisdiction over the borrower, actions on behalf of the creditors may be further delayed. Any failure to recover the expected value of collateral security could expose us to a potential loss.

In addition, the RBI has devised a corporate debt restructuring system to put in place an institutional mechanism for timely and transparent restructuring of corporate debt. The applicable RBI guidelines envisage that in case of debts amounting to Rs. 200 million and above, lenders holding more than 75% of such debt can decide to restructure the debt and such a decision would be binding on the remaining lenders. In situations where other lenders own more than 75% of the debt of a borrower, we could be required by the other lenders to agree to restructure the debt, regardless of our preferred method of settlement. Apart from the applicable RBI guidelines, we may be a part of a syndicate of lenders wherein the majority elects to pursue a different course of action than the course of action chosen by us. Any such unexpected loss could adversely affect our business, financial performance and the price of our Equity Shares.

We have negative cash flows.

Our operating profit before allocation for working capital changes as of September 30, 2006 and March 31, 2006 was Rs.6,224.44 million and Rs. 11,179.58 million. However, our net cash flow from operating activities has turned negative amounting to Rs. 21,983.64 million and Rs. 49,635.42 million respectively in these periods as a result of increase in our lending operations. The net cash flow from investing activities represents sale and purchase of fixed assets, equity investments in our subsidiaries and investments and sale of units of Small Is Beautiful amounting to Rs. 16.59 million and Rs. 74.23 million as of September 30, 2006 and March 31, 2006 respectively. As of September 30, 2006 and March 31, 2006 our net cash flow from financing activities was Rs. 18,626.87 million and Rs. 49,974.33 million as a result of increase in the amount of our borrowings. As a result, our net cash flow for the six months period ended September 30, 2006 turned negative amounting to Rs. 3,373.36 million against a positive cash flow for the year ended March 31, 2006 amounting to Rs. 264.68 million. For further details on our cash flows, see the section titled "Management's Discussion and Analysis of Financial Condition and Result of Operation – Cash Flows on page 190 of this Prospectus.

The Reserve Bank of India has recently issued guidelines which when made applicable to us may impose certain restrictions on our lending that may adversely affect our growth, profitability and business operations.

We are a government Company under section 617 of the Companies Act and are currently exempt from the applicability of the RBI prudential norms. The Reserve Bank of India vide its notification (No. RBI/2006 07/204/ DNBS.PD/CC.No.86/03.02.089/2006-07) dated December 12, 2006 has amended the regulatory framework governing NBFCs to address concerns arising from certain divergent regulatory requirements for banks and NBFCs. Under the amendment, the RBI has proposed to bring all deposit taking and systemically important companies, which are defined as NBFCs having an asset size of Rs. 1,000 million or more under the provisions of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 (the "Directions"). However, the date from which Govt owned NBFCs are to fully comply with these guidelines will be decided later. Such companies including ourselves are therefore, required to prepare a road map for compliance with various elements of the NBFC regulations, in consultation with the Govt of India and submit the same to the Reserve Bank of India (Department of Non–Banking Supervision) by March 31, 2007.

Given the very recent introduction of the notification, the uncertainties surrounding the date of its implementation and applicability to our organisation, it is difficult to accurately assess the impact it will have on our operations going forward. However, we cannot assure you that the introduction of this notification and its applicability to us will not have a material adverse effect on our future financial condition and results of operations.

Our ability to borrow from various banks may be restricted on account of recent guidelines issued by the Reserve Bank of India imposing restrictions on banks in relation to their exposure on NBFCs that may adversely affect our growth, margins and business operations.

The Reserve Bank of India vide its notification (No. RBI/2006-07/205/DBOD.No. FSD.BC.46/24.01.028/2006-07) dated December 12, 2006 has amended the regulatory framework governing banks to address concerns arising from divergent regulatory requirements for banks and NBFCs. This notification reduces the exposure (both lending and investment, including off balance sheet exposures) of a bank on NBFCs like ourselves. Accordingly, banks exposure limits on our Company will be reduced from the current 25% of the banks capital funds to 15% of its capital funds. Furthermore, RBI has suggested that banks may consider fixing internal limits for their aggregate exposure to all NBFCs put together.

The requirements of this notification are scheduled to take effect on banks from the end of March 2007. However, the RBI has allowed banks, that are unable to comply with aforesaid notification, to approach them to seek more time for compliance. This notification limits the exposure that banks may have on NBFCs such as our Company, which may restrict our ability to borrow from such banks and may increase our cost of borrowing, which could adversely impact our growth, margins and business operations.

If the level of non-performing assets in our loan portfolio were to increase, our financial condition would be adversely affected.

As of September 30, 2006, we had gross NPAs of Rs. 896.72 million, which forms 0.23% of our loan assets against which we have made provision of Rs. 282.53 million. The provisioning has been made in terms of prudential norms laid down internally by us, which can be referred to in the section titled "Financial Statements-Significant Accounting Policies" beginning on page 142 of this Prospectus.

Loans have been granted by us to private sector on a non-recourse or limited recourse basis, which increases the risk of non-recovery and may adversely affect our financial performance.

We began lending to the private power utilities in fiscal 1997. As of September 30, 2006, Rs. 31,546 million, or 8.18%, of our loans outstanding were to borrowers that are private power utilities. Under the terms of our private sector lending, 8.16% of our loans were made on non-recourse and /or limited recourse basis either fully or partially secured and 0.02% of our loans outstanding were made only on a limited recourse basis whereby the project sponsors give guarantees for loans. Out of the loans extended on non-recourse basis, Rs. 25,751.14 million, or 6.68%, of the loans outstanding are fully secured and Rs. 5,721.14 million, or 1.48%, of the loans outstanding are partially secured. We expect to increase our exposure to private power utilities. The ability of borrowers to perform their obligations will depend primarily on the financial condition of the projects, which may be affected by many factors beyond the borrowers' control, including competition, operating costs, regulatory issues and other risks. If borrowers with non-recourse or limited recourse loans were to be adversely affected by these or other factors and were unable to meet their obligations, the value of the underlying assets available to repay the loans could be or may become insufficient to pay the full principal and interest on the loans, which could expose us to significant losses.

Our borrowers' insurance of assets may not be adequate to protect them against all potential losses to which they may be subject, which could affect our ability to recover the loan amounts due to us.

Under our loan agreements, where loans are extended on the basis of charge on assets, our borrowers are required to create a charge on their assets in our favour in the form of hypothecation or mortgage or both. In addition, terms and conditions of the loan agreements require our borrowers to maintain insurance against damage caused by any disasters including floods, fires and earthquakes or theft on their charged assets as collateral against the loan granted by us. However, in most cases our borrowers do not have the required insurance coverage, or they have not renewed the insurance policies or the amount of insurance coverage may be less than the replacement costs of all covered property and is therefore insufficient to cover all financial losses that our borrowers may suffer. In the event the assets charged in our favour are damaged, it may affect our ability to recover the loan amounts due to us.

We will be impacted by volatility in interest rates in our operations, which could cause our net interest margins to decline and adversely affect our profitability.

We will be impacted by volatility in interest rates in our operations. Interest rates are highly sensitive due to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility. The RBI has in its Third Quarter Review of the Annual Statement on Monetary Policy for the year 2006-2007 on January 31, 2007, introduced, inter alia, higher provisioning for the banks' exposure to NBFCs, which may affect our borrowing costs.

When interest rates decline, we are subject to greater re-pricing and prepayment risks as borrowers take advantage of the attractive interest rate environment. In periods of low interest rates and high competition among lenders, borrowers may seek to reduce their borrowing cost by asking lenders to re-price loans. If we are required to restructure loans, it could adversely affect our profitability. If borrowers prepay loans, the return on our capital may be impaired as any prepayment premium we receive may not fully compensate us for the costs of utilizing funds elsewhere. If interest rates rise we may have greater difficulty in maintaining a low effective cost of funds compared to our competitors, who may have access to lower cost funds.

Our interest income and profitability is dependant on the continued growth of our asset portfolio. Any inability to continue to maintain or grow our asset portfolio, could adversely affect our interest income and profitability.

Our average net interest margin has declined from 5.95% in fiscal 2004, to 4.45% in fiscal 2005, to 3.43% in fiscal 2006 and to 3.37% in the first half year of fiscal 2007. These declining net interest margins are primarily attributable to interest rate restructuring of certain existing loans and competitive pressures experienced during the low interest rate environment in fiscal years 2004, 2005 and 2006. During this period, our interest income and our profitability were dependant in part on the continued growth of our asset portfolio. If we are unable to continue to maintain or grow our asset portfolio, in particular, during periods of sustained interest rate declines, our interest income and profitability may be adversely affected.

We take advantage of certain tax benefits available to us as a lending institution. If these tax benefits were no longer available to us it would adversely affect our results.

As of September 30, 2006, we were entitled to the tax benefits which have enabled us to reduce our effective tax rate. For fiscal 2002, fiscal 2003, fiscal 2004, fiscal 2005, fiscal 2006 and six months ended September 30, 2006 our effective tax liability as a percentage (computed by dividing current tax liability by profit before tax, as per books of accounts) was 19.11%, 19.05%, 20.10%, 17.95%, 17.26% and 20.64% respectively, compared to statutory corporate tax rates (including surcharge and cess) of 35.70%, 36.75%, 35.88%, 36.59%, 33.66% and 33.66% in fiscal 2002, fiscal 2003, fiscal 2004, fiscal 2005, fiscal 2006 and six months ended September 30, 2006 respectively. For further information see the section titled "Financial Statements-Tax Shelters" beginning on page 149 of this Prospectus. From fiscal 2007, onwards we will not be able to avail the tax benefit in respect of Sec 10 (23G) of the Income Tax Act, 1961 as the provision has been omitted w.e.f. the Finance Act, 2006. This withdrawal has reduced the tax benefits in the first six-month period of fiscal 2007 that were available to us until fiscal 2006. For details of the tax benefits and the impact these benefits have on our results of operations, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting our Financial Results-Tax Benefits and Incentives" beginning on pages 179 of this Prospectus. If the laws or regulations regarding these tax benefits were to change further, our taxable income and tax liability may rise, which would adversely impact our financial results.

Our contingent liabilities could adversely affect our financial condition.

As of September 30, 2006, we have contingent liabilities of Rs. 21,694.11 million including non- funded contingent exposure of Rs. 1,503.85 million in the form of guarantees and Rs. 19,908.61 million in the form of letters of comfort issued to borrowers' banks in connection with letters of credit. These contingent non-funded exposures form 2.52% of our total exposure. Other contingent liabilities are Rs. 281.65 million, which are claims against our Company. If these contingent liabilities were to fully materialize, our financial condition could be adversely affected. For further details on our contingent liabilities, see the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Off-Balance Sheet Arrangements and Financial Instruments" beginning on page 194 of this Prospectus and "Financial Statements"- Significant Notes on Accounts Attached to Restated Financial Statements" beginning on page 139 of this Prospectus.

Certain state electricity boards, which were our borrowers, have been restructured and our arrangements with the restructured entities have not yet been formalized.

We have granted certain term loans to various state electricity boards in India. The state governments of the states of Andhra Pradesh, Karnataka, Orissa, Uttar Pradesh, Rajasthan, Maharashtra, Assam, Gujarat and Haryana have restructured their state electricity boards into separate entities for generation, transmission and distribution. Such restructuring entails the transfer of all liabilities and obligations of the state electricity board to the state government, which then transfers them to the separate entities. Under the restructuring, the transfer of liabilities and obligations in relation to loans granted by us is conceptualized to be effected by a transfer agreement between our Company, the respective state government and the respective separate entity. Whilst, we have entered into transfer agreements with the separate entities formed as a result of the restructuring of the APSEB (Andhra Pradesh), the KEB (Karnataka), the HSEB (Haryana) and the OSEB (Orissa) and the respective state governments in respect to loans granted by us, we are yet to execute transfer agreements with the separate entities formed as a result of the restructuring of the UPSEB (Uttar Pradesh), RSEB (Rajasthan), MSEB (Maharashtra), GEB (Gujarat) and ASEB (Assam) and the respective state governments.

Further, pursuant to the Madhya Pradesh Reorganisation Act, 2000, the State of Madhya Pradesh was divided into the states of Madhya Pradesh and Chattisgarh. Consequent to the creation of the state of Chattisgarh, certain liabilities and obligations of the MPSEB (Madhya Pradesh) were transferred to the CSEB (Chattisgarh). We are yet to execute transfer agreements with the CSEB and the MPSEB, with respect to loans granted to the MPSEB. Further, MPSEB has been restructured into separate entities and loans amongst the new entities are yet to be transferred by executing transfer agreements.

We cannot assure you that we will be able to enter into transfer agreements within a reasonable period to ensure that the terms of our original loan agreements will continue with the new entities.

We currently engage in foreign currency borrowing and lending and we are likely to continue to do so in the future, which will expose us to fluctuations in foreign exchange rates, which could adversely affect our financial condition.

As of September 30, 2006, we had foreign currency borrowings outstanding of US$ 240.17 million, Japanese Yen 18,262.05 million and Euro 36.24 million, the total of which was equivalent to Rs. 20,488.32 million, or 7.03%, of our total borrowings. We may continue to be involved in foreign currency borrowing and lending in the future, which will further expose us to fluctuations in foreign currency rates. Volatility in foreign exchange rates could adversely affect our business and financial performance and the price of our Equity Shares. We are also affected by adverse movements in foreign exchange rates to the extent they impact our borrowers negatively, which may in turn impact the quality of our exposure to these borrowers. Foreign lenders may also impose conditions more onerous than domestic lenders.

We are involved in a number of legal proceedings that, if determined against us, could adversely impact our business and financial condition.

We are involved in a number of legal proceedings that, if determined against us, could adversely impact our business and financial condition.

We are involved in thirteen proceedings with the Income Tax Department that are currently before various judicial forums in India. These cases pertain to appeals we have filed in relation to demands raised on us by the Income Tax Department for various assessment years. We have deposited these demands with the Income Tax Department from time to time. However, we have also filed appeals against the demands. The total amount claimed by us against the Income Tax Department aggregates to Rs. 2,242.57 million. If these cases are decided against us, we will not be able to recover this amount. However, in relation to cases pertaining to the assessment years 1996-1997, 2000-2001, 2001-2002 and 2002-2003 the Income Tax Department has appealed against the refunds of Rs. 166.93 million granted to us in relation to the aforesaid assessment years. If these cases are decided against us, we shall have to pay these amounts to the Income Tax Department.

In addition, Bihar State Hydroelectric Power Corporation Limited ("BSHPCL") has filed a civil suit against us and a former employee has filed a writ petition against us. The claim amount in these cases cannot be quantified since no specific monetary amount has been claimed from us.

Our Company is also involved in a dispute with the Delhi Development Authority ("DDA") with regard to allotment of land to our Company by the DDA in Madangir, Delhi. Our Company has claimed Rs. 40.18 million and DDA has made a counter claim of Rs. 99.9 million.

Our borrower, IMP Powers Limited has made an application before the High Court of Judicature at Bombay for approval of a scheme of compromise/arrangement in relation to its borrowing with its secured creditors, including our Company.

We have received two legal notices on behalf of the Narmada Bachao Andolan wherein we have been requested, *inter alia*, not to grant any further financial assistance to the Shree Maheshwar Hydel Project Corporation Limited in relation to the Maheshwar Project in Madhya Pradesh and to declare our existing loan to them as a non-performing asset.

In addition, there are two civil suits filed by us against Bihar State Hydroelectric Power Corporation Limited, pending before the Debts Recovery Tribunal, Delhi. The aggregate amount claimed by us in these cases is approximately Rs. 71.96 million. For further details, see the section titled "Outstanding Litigation and Material Developments" beginning on page 198 of this Prospectus.

Our statutory auditors in fiscal 2006 have qualified their report.

Our statutory auditors, M/s Bansal Sinha & Co., Chartered Accountants for the six month period ended September 30, 2006, have included two qualifications in their Auditors Report on the accounts. These are reproduced as below:

"As regards the liability of Rs.10,396.69 million shown as Interest Subsidy Fund in the Balance Sheet, received under Accelerated Generation and Supply Program (AG&SP) Scheme from Ministry of Power, Government of India, the excess/shortage, if any, could not be ascertained as such not commented upon."

"Note No. 6 regarding revision of interest rates due to withdrawal of exemption under section 10(23G) of the Income Tax Act, 1961 with effect from April 1, 2006. Pending identification of the affected parties/loans and raising demands thereon, the impact on the profits of the period under audit could not be ascertained.

Since the effect of the qualification has not been quantified, it is not possible to adjust the difference in the 'Restated Summary Statements'.

We may incur shortfalls in the advance subsidy received under the Accelerated Generation and Supply Programme (AG&SP) of the GoI, which may affect our financial condition.

In fiscal 1998, the GoI started the AG&SP, a scheme for providing interest subsidies for various projects. We oversee and operate this scheme on behalf of the GoI. The scheme subsidises our normal lending rates on loans to state power utilities. The subsidy is paid in advance directly to us from the central government budget and is to be passed on to the borrowers against their interest liability arising in future under the AG&SP.

We maintain an interest subsidy fund account on account of the subsidy claimed from the GoI at net present value which is calculated at certain pre-determined and indicative discount rates, irrespective of the actual repayment schedule, moratorium period and duration of repayment. The impact of the difference between the indicative discount rate and period considered at the time of drawal and the actuals can be ascertained only after the end of the respective repayment period in relation to that particular loan. There might be instances where there is a shortfall or a surplus in the subsidy received from the GoI. In the event of there being a shortfall, we shall have to bear the difference, which may affect our financial condition.

If we are unable to manage our growth effectively, our business and financial results could be adversely affected.

Our business has grown since we began operations in March 1988. From March 31, 2002 to March 31, 2006, our disbursements increased at a compounded annual growth rate of 22.61%. We intend to continue to grow our business, which could place significant demands on our operational, credit, financial and other internal risk controls. It may also exert pressure on the adequacy of our capitalization, making management of asset quality increasingly important.

Our asset growth will be primarily funded by the issuance of new debt. We may have difficulty in obtaining funding on attractive terms. Adverse developments in the Indian credit markets, such as the recent increase in interest rates, may significantly increase our debt service costs and the overall cost of our funds.

Any inability to manage our growth effectively on favourable terms could have a material adverse effect on our business and financial performance and the price of our Equity Shares. Because of our growth and the long gestation period for power sector investments, our historical financial statements may not be an accurate indicator of our future financial performance.

We might not be able to develop or recover costs incurred on our Ultra Mega Power Projects and Transmission Projects and our failure to do so may have an adverse effect on our profitability.

We are the nodal agency on the initiative of the GoI to facilitate development of UMPPs having a capacity of 4,000 MW each and have incorporated nine subsidiary companies to act as Special Purpose Vehicles ("SPVs") for these projects. Additionally, we have also incorporated two subsidiaries as SPVs for two transmission projects. We intend to continue to explore these and similar opportunities in the future. It is proposed to transfer these SPVs to successful bidders, through a tariff based international competitive bidding process, who will then implement these projects, on payment of development costs incurred by each company. These SPVs have been set up to facilitate the tie-up of inputs, linkages and clearances for these projects to facilitate development of the UMPPs. It is proposed that these SPVs shall undertake preliminary studies and shall obtain necessary clearances and tie-ups including water, land and power selling arrangements, prior to award of these projects to successful bidders. We have and are likely to continue to incur expenses in connection with these UMPPs on account of proposed pre-feasibility studies, establishment costs including costs on account of obtaining fuel linkages, water supply, clearances, acquisition of land, pre-bid conferences, advertisements and publicity. It may be possible that we are unable to develop these UMPPs on account of various factors including environmental problems, resistance by local residents or our inability to find a developer. Further, there might be instances where we may also not be able to fully recover our expenses from the successful bidder, which may result in financial loss to us and to that extent it would adversely affect our financial condition.

We may make equity investments in power sector in the future and such investments may not be recovered.

We may make equity investments in the power sector either directly or indirectly. As of September 30, 2006, our investments in equity and equity linked instruments were Rs. 160.32 million. The value of these investments depends on the success and continued viability of these businesses. In addition to the project-specific risks described in the above risk factors, we have limited control over the operations or management of these businesses. Therefore, our ability to realize expected gains as a result of our equity interest in a business is highly dependent on factors outside our control. Write-offs or write-downs in respect of our equity investments may adversely affect our financial performance and the price of our Equity Shares.

The GoI will hold a majority of our Equity Shares after the Issue and can therefore determine the outcome of shareholder voting and influence our operations.

After the completion of this Issue, our principal shareholder, being the GoI, will hold 89.78% of our Equity Shares. Consequently, our principal shareholder will be able to exercise a significant degree of influence over us and will be able to control the outcome of any proposal that can be passed with a majority shareholder vote. In addition, the GoI significantly influences our operations through its various departments and policies.

Future sale of Equity Shares by our principal shareholder and additional issuances of equity may dilute your holdings and may adversely affect the market price of our Equity Shares.

Any future issuance of our Equity Shares may dilute the positions of investors in our Equity Shares, which could adversely affect the market price of our Equity Shares. Additionally, sales of a large number of our Equity Shares by our principal shareholder could adversely affect the market price of our Equity Shares. The perception that any such primary or secondary sale may occur could also adversely affect the market price of our Equity Shares.

We are subject to restrictive covenants under our credit facilities that could limit our flexibility in managing our business.

There are restrictive covenants in the agreements we have entered into with certain banks and financial institutions for our short term borrowings, medium term borrowings, long term borrowings and bonds trust deeds. These restrictive covenants require us to maintain certain financial ratios and seek the prior permission of these banks/ financial institutions for various activities, including, amongst others, selling, leasing, transferring or otherwise disposing of any part of our business or revenues, effecting any scheme of amalgamation or reconstitution, implementing a new scheme of expansion or taking up an allied line of business. Such restrictive covenants in our loan and bond documents may restrict our operations or ability to expand and may adversely affect our business. Though, we have received necessary approvals from our lenders for this Issue, these restrictive covenants may also affect some of the rights of our shareholders, including the payment of the dividends in case of any default in debt to such lenders. For details of these restrictive covenants, see the section titled "Financial Indebtedness" beginning on page 77 of this Prospectus.

Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.

Our future performance depends on the continued service of our management team and skilled personnel. We also face a continuous challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for management and other skilled personnel in our industry, and it may be difficult to attract and retain the personnel we need in the future. While, we have employee friendly policies including an incentive scheme to encourage employee retention, the loss of key personnel may have an adverse effect on our business, results of operations, financial condition and ability to grow.

Our trademark or logo has not been registered under the Trade Marks Act, 1999 and our failure to protect our intellectual property rights may adversely affect our business.

We do not have a registered trademark over our name and logo under the Trade Marks Act, 1999 and consequently do not enjoy the statutory protections accorded to a registered trademark. Any failure to protect our intellectual property rights may adversely affect our business.

We filed a draft Prospectus dated June 5, 2006 with the SEBI, on which the SEBI had issued its observations. However, we were unable to proceed with the issue within the time frame stipulated by SEBI.

We had earlier filed a draft Prospectus with the SEBI on June 5, 2006 for a public issue of our equity shares and concurrent offer for sale by the President of India. SEBI had given its observations on the same by way of a letter dated July 18, 2006. However, thereafter our Company was unable to proceed with the issue, within the time frame stipulated by SEBI, as the Government of India, by way of a letter dated July 20, 2006, directed our Company to put the offer for sale on hold, pending further review. The revised approval only for the fresh issue of our Equity Shares was received from the Government of India on November 30, 2006. Accordingly, we refiled our Draft Prospectus for the Issue of 117,316,700 Equity Shares on December 11, 2006. The SEBI gave its observations on the same through its letter dated January 2, 2007.

The power sector financing industry is becoming increasingly competitive and our growth will depend on our ability to compete effectively and maintain a low effective cost of funds.

We face increasing competition from public and private sector commercial banks in India and from other financial institutions that provide power sector finance products or services. Many of our competitors have greater and cheaper resources than we do. Competition in our industry depends on, among other things, the ongoing evolution of government policies relating to the industry, the entry of new participants into the industry and the extent to which there is consolidation among banks and financial institutions in India.

Our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds. Our borrowing costs have been competitive in the past initially due to the sizeable equity contribution by the GoI as a 100% owner, the availability of tax-free bonds, SLR bonds and loans guaranteed by the GoI and subsequently as a result of our strong credit ratings. With the growth of our business, we are increasingly reliant on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds on acceptable terms will depend on various factors including our ability to maintain our credit ratings. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates to our borrowers, which could adversely affect our business growth.

Power projects carry certain risks, which to the extent they materialize could adversely affect our business and financial performance.

Our business mainly consists of lending to and providing advisory services to power sector projects in India. Power sector projects carry project-specific as well as general risks. These risks are generally out of our control and include:

- political, regulatory, fiscal, monetary, legal actions and policies that may adversely affect the viability of projects to which we lend;
- changes in government and regulatory policies relating to the power sector;
- delays in the construction and operation of projects to which we lend;
- adverse changes in demand for, or the price of, power generated or distributed by the projects to which we lend;
- the willingness and ability of consumers to pay for the power produced by projects to which we lend;
- shortages of, or adverse price developments for, raw materials and key inputs for power production such as coal and natural gas;
- increased project costs due to environmental challenges and changes in environmental regulations;
- potential defaults under financing arrangements of project companies and their equity investors;
- failure of co-lenders with us under consortium lending arrangements to perform on their contractual obligations;
- failure of third parties such as contractors, fuel suppliers, sub-contractors and others to perform on their contractual obligations in respect of projects to which we lend;
- adverse developments in the overall economic environment in India;
- adverse fluctuations in interest rates or currency exchange rates; and
- economic, political and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve.

To the extent these or other risks relating to the power projects we finance materialize, the quality of our asset portfolio and our profitability may be adversely affected.

Negative trends in the Indian power sector or the Indian economy could adversely affect our business and financial performance.

We were founded with the objective of extending finance to and promoting Indian power projects and related activities. For the foreseeable future, we expect to continue to be a sector specific public financial institution with a focus on the Indian power sector. Any negative trends or financial difficulties in the Indian power sector could adversely affect our business and financial performance.

We believe that the further development of India's power sector is dependent on regulatory framework, policies and procedures that facilitate and encourage private and public sector investment in the power sector. Many of these policies are evolving and their success will depend on whether they properly address the issues faced and are effectively implemented.

Additionally, these policies will need continued support from stable and experienced regulatory regimes throughout India that not only stimulate and encourage the continued movement of capital into power development, but also lead to increased competition, appropriate allocation of risk, transparency and more efficient power supply and demand management to the end consumer.

The allocation of capital and the continued growth of the power sector are also linked to the continued growth of the Indian economy. Since much of the power supply in India has historically been provided by the central and state governments at a relatively low charge to consumers, the growth of the power industry will be impacted by consumers' income levels and the extent to which they would be willing to pay or can be induced to pay for power.

If the central and state governments' initiatives and regulations in the power sector do not proceed to improve the power sector as intended, or if there is any downturn in the macroeconomic environment in India or in the power sector, our business and financial performance and the price of our Equity Shares could be adversely affected.

Material changes in the regulations that govern us and our borrowers could cause our business to suffer and the price of our Equity Shares to decline.

We are regulated by the Companies Act and some of our activities are subject to supervision and regulation by statutory authorities including the RBI, SEBI and Stock Exchanges. Additionally, our borrowers in the power sector are subject to supervision and regulation by the CERC and SERC. See the section titled "Regulations and Policies in India" beginning on page 103 of this Prospectus. Further, we are subject to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. We also receive certain benefits and take advantage of certain exemptions available to our classification as a public financial institution under section 4A the Companies Act. The laws and regulations governing us could change in the future and any such changes could adversely affect our business, our future financial performance and the price of our Equity Shares, by requiring a restructuring of our activities, which may impact our results of operations.

Two of our short-term borrowings are linked to overnight MIBOR with a put and call option. Further, certain of our cash credit facilities can be recalled by our lenders at any time. In the event the call option is exercised or the cash credit facilities are recalled by our lenders, our financial condition may be adversely affected.

We have been granted financial assistance, as on September 30, 2006, amounting to Rs. 5,000 million from HDFC Bank Limited and Andhra Bank which are in the nature of overnight MIBOR linked loans. These loans have a put and call option in favour of the aforesaid lenders to recall the loans on a notice period of three clear working days. Futhermore, as on September 30, 2006, we also have certain cash credit facilities amounting to Rs. 2,305.10 million, which can be recalled by our respective lenders at any time. In the event any of the aforesaid lenders exercise the call option or any of our lenders recall the cash credit facilities, we may face adverse liquidity problems and our financial condition may get affected to the extent of the financial assistance recalled.

We are in the process of executing a perpetual lease deed for our registered office premises and consequently do not have title to the premises at present.

In accordance with the Memorandum of Agreement dated February 5, 2002 entered into with NDMC, we were required to execute a perpetual lease deed with the NDMC after completion of construction of the building where our registered office is located. We are currently in process of completing formalities for execution of the perpetual lease deed to be entered into with the NDMC, as a result of which, we presently do not hold title to the premises where our registered office is situated.

External Risk Factors

We are an Indian company and all of our assets and customers are located in India. Consequently, our financial performance will be influenced by political, social and economic developments in India and in particular by the policies of the GoI.

A slowdown in economic growth in India could adversely impact our business.

The Indian economy has grown 9.1 per cent in the first quarter and 9.2 per cent in the second quarter of fiscal 2007 and 8.5 per cent and 7.5 per cent and 8.4 per cent, respectively, in fiscal 2004, 2005 and 2006. As per estimates of the Central Statistical Organisation, the GDP growth rate in fiscal 2006 was 8.4% up by 0.9% over fiscal 2005 GDP growth rate of 7.5%. During the first half of fiscal 2007, the level of electricity generation grew by 8 per cent, compared to 5.1 per cent during fiscal 2006. Any slowdown in the Indian economy or in the growth of industries to which we provide financing to or future volatility in global commodity prices could adversely affect our borrowers and contractual counter parties. This in turn could adversely affect our business and financial performance and the price of our Equity Shares.

Significant shortages in the supply of crude oil, natural gas or coal could adversely affect the Indian economy and the power sector projects to which we have exposure, which could adversely affect us.

India imports approximately 75.0% of its requirements of crude oil. Crude oil prices are volatile and are subject to a number of factors such as the level of global production and political factors such as war and other conflicts, particularly in the Middle East, where a substantial proportion of the world's oil and natural gas reserves are located. As per OPEC estimates during the year 2005, OPEC countries hold around 78.40% (around 904 billion barrels) of the world crude oil reserves of 1,154 billion barrels. The majority of the OPEC oil reserves comes from Middle East, with Iraq, Iran, Kuwait and Saudi Arabia contributing 68% of OPEC's total oil reserve. International crude oil prices rose from a yearly average price of US$ 36.05/barrel during the year 2004, to US$ 50.64/barrel during the year 2005, and to US$ 73.67/barrel during the month of April 2006. The prices have fallen since then to US$ 58.71/barrel as on November 30, 2006. Any significant increase in oil prices could affect the Indian economy, including the power sector, and the Indian banking and financial system. High oil prices could also add to inflationary pressures in the Indian economy. Additionally, increases in oil prices may have a significant impact on the power sector and related industries in which we have substantial exposure. This could adversely affect our business including our ability to grow, the quality of our asset portfolio, our financial performance, our ability to implement our strategy and the price of our Equity Shares.

In addition, natural gas is a significant input for power projects. Natural gas prices have been highly volatile during the last year. Henry Hub natural gas spot price has increased from $6.98 mmbtu as on March 31, 2006 to $8.45 mmbtu as on December 2, 2006. India has experienced interruptions in the availability of natural gas, which has caused difficulties in these projects. Continued difficulties in obtaining reliable, timely supply of natural gas could adversely affect some of the projects we finance and could impact the quality of our asset portfolio and our financial performance.

The Indian power sector has been suffering generation loss due to shortage of coal. The generation loss on account of shortage of coal is 3,588 million units during fiscal 2005 and 1,653.50 million units from March 31, 2005 to September 30, 2005.

Continued shortages of fuel could adversely affect some of the projects we finance and could impact the quality of our asset portfolio and our financial performance.

Political instability or changes in the government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The leadership of India has changed many times since 1996. The current central government, which came to power in May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Although, the current government has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous governments, the rate of economic liberalization could change, and specific laws and policies affecting banking and finance companies, foreign investment and other matters affecting investment in our securities could change as well. Any major change in government policies due to coalition constraint might affect the growth of Indian economy and thereby our growth prospects. Additionally, as economic liberalization policies have been a major force in encouraging private funding of power sector development, any change in these policies could have a significant impact on power sector development, business and economic conditions in India, which could adversely affect our business, our future financial performance and the price of our Equity Shares.

Difficulties faced by other financial institutions or the Indian financial sector generally could cause our business to suffer and the price of our Equity Shares to decline.

We are exposed to the risks consequent to being part of the Indian financial sector. This sector in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years, and some co-operative banks have also faced serious financial and liquidity difficulties. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect our business and financial performance and the price of our Equity Shares.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business. In addition, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares. India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural and allied sector recorded a negative growth of 6.9%. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further, prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

Any downgrading of our debt rating or India's sovereign rating by a credit rating agency could have a negative impact on our business.

Any adverse revisions to our credit rating or India's sovereign credit ratings for domestic and international debt by credit rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance, our ability to obtain financing for lending operations and the price of our Equity Shares.

The Indian and global financial sector is very competitive and the ability of banks and financial institutions to grow depends on their ability to compete effectively.

There is heavy competition among Indian public and private sector banks, foreign banks operating in India and financial institutions to lend to power sector. Some of these institutions are smaller and may be more flexible and better positioned to take advantage of market opportunities than big banks. In particular, private banks may have operational advantages in implementing new technologies, rationalizing branches and recruiting employees through incentive-based compensation. Additionally, both the Indian and global financial sector may experience further consolidation, resulting in fewer banks and financial institutions. The GoI has recently permitted foreign banks to set up wholly owned subsidiaries in India. It has also allowed takeovers of Indian banks by permitting foreign banks to acquire up to a 74 per cent stake in an existing private bank. These developments are likely to further increase competition and may stimulate consolidation in the Indian financial sector. These competitive pressures affect the Indian financial sector and our growth will depend in large part on our ability to respond in an effective and timely manner to these competitive pressures.

There may be other changes to the regulatory framework that could adversely affect us.

The statutory and regulatory framework for the Indian power sector has changed significantly in recent years and the impact of these changes is yet to be seen. The Electricity Act, 2003 (the "Electricity Act") puts in place a framework for reforms in the sector, but in many areas the details and timing are yet to be determined. It is expected that many of these reforms will take time to be implemented. Furthermore, there could be additional changes in the areas of tariff and other policies, the unbundling of the State Power Utilities, restructuring of companies in the power sector, open access and parallel distribution, and licensing requirements for, and tax incentives applicable to companies in the power sector. In 2004, the GoI reviewed the Electricity Act. We presently do not know what the nature or extent of review in future will be, and cannot assure that such review will not have an adverse impact on our financial condition and results of operations.

Dis-intermediation of the Power Sector could adversely affect us.

Development of the capital markets may lead to dis-intermediation by the borrowers. The Indian capital markets are developing and maturing and, as such, there may be a shift in the pattern of power sector financing. Financially stronger state power utilities might source their fund requirement directly from the market. We have a large exposure to state power utilities and such changes may have an adverse impact on our business, financial condition and results of our operations and the price of our Equity Shares.

You will not be able to immediately sell any of the Equity Shares you purchase in this Issue on the Stock Exchanges.

Under the SEBI Guidelines, we are permitted to allot equity shares within 15 days of the closure of the public issue. Consequently, the Equity Shares you purchase in this Issue may not be credited to your book or demat account, with Depository Participants within 15 days of the closure of the public issue. You can start trading in the Equity Shares only after they have been credited to your demat account and listing and trading permissions are received from the Stock Exchanges.

Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that the trading in Equity Shares will commence within the specified time periods.

After this Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop.

Prior to this Issue, there has been no public market for our Equity Shares. The prices of our Equity Shares may fluctuate after this Issue due to a wide variety of factors, including:

- Volatility in the Indian and global securities markets;
- Our operational performance, financial results and capacity expansion;
- Developments in India's economic liberalization and deregulation policies, particularly in the power sector;

and

- Changes in India's laws and regulations impacting our business.

We cannot assure that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

Notes to Risk Factors:

- Public issue of 117,316,700 Equity Shares of Rs. 10 each for cash at a price of Rs.85 per Equity Share aggregating Rs. 9,971.92 million comprising a Net Issue of 114,816,700 Equity Shares of Rs. 10 each and a reservation for Employees of 2,500,000 Equity Shares of Rs. 10 each by the Company. The Issue would constitute 10.22% of the fully diluted post Issue paid-up capital of the Company.
- The net worth of our Company was Rs. 68,710.44 million as of September 30, 2006, as per our restated financial statements included in this Prospectus.
- The book value per Equity Share as of September 30, 2006 was Rs. 66.68 per Equity Share.
- The average cost of acquisition per Equity Share to the Promoters is Rs. 10 per Equity Share.
- Refer to our financial statements relating to related party transactions in the section titled "Financial Statements-Statement of Related Party Transactions" beginning on page 159 of this Prospectus.
- Except, as disclosed in the section titled "Our Management" beginning on page 114 of this Prospectus, none of our Directors or key managerial personnel have any interest, other than reimbursement of expenses incurred or normal remuneration or benefits.
- Investors may contact the BRLMs and other members of the Syndicate for any complaints in relation to the Issue.
- Any clarification or information relating to the Issue shall be made available by the BRLMs and our Company to the investors at large and no selective or additional information will be available for a section of investors in any manner whatsoever. For any clarifications or information relating to the Issue, investors may contact the BRLMs, who will be obliged to provide such clarification or information to the investors.

SUMMARY

We are a leading power sector public financial institution and a non-banking financial company providing fund and non-fund based support for the development of the Indian power sector. Our organization occupies a key position in the government's plans for the growth of this sector. We perform a major role in channeling investment into the power sector and function as a vehicle to develop this sector.

We commenced our operations in fiscal 1988 as part of a GoI initiative to enhance funding of power projects in India. We initially provided funding to power projects for SEBs and power departments. In-line with the government's decision to encourage private sector participation, we began financing power projects in the private sector from fiscal 1997. We have grown to become a professionally managed organization that we believe is a financier of choice for power sector projects.

Our clients include state power utilities, central power sector utilities, power departments, private power sector utilities (including independent power producers), joint sector power utilities, power equipment manufacturers and power utilities run by local municipalities. These clients are involved in all aspects of the generation, transmission and distribution and related activities in the power sector in India.

We view ourselves as a specialized institution in power sector financing. We draw on our knowledge of the power sector and financing expertise to provide products and services to our clients. Our financial products and services include financing in the form of rupee term loans, foreign currency loans, bridge loans, short term loans, transitional loans, bill discounting, equipment leasing, buyers' line of credit, loans to equipment manufacturers, line of credit for the import of coal, debt refinancing, asset acquisition schemes, study assistance and non-fund based products such as guarantees. We also offer comfort letters in connection with our term loans, wherever our borrowers are required to establish letter of credit with its bankers. In addition, we provide technical and management advisory and consultancy services.

We are also allied with the GoI in the implementation of its Accelerated Generation and Supply Program ("AG&SP") and Accelerated Power Development and Reform Program ("APDRP"). Under these programs, projects meeting certain specific criteria are eligible for assistance. AG&SP aims to support eligible projects to renovate and modernise existing power plants and support new generation plants. The AG&SP scheme subsidises our normal lending rates, to State Power Utilities. The subsidy is paid in advance directly to us out of the central government budget on the basis of disbursements made during the period. The interest subsidy is passed on to the State Power Utilities during the life of the loan. APDRP supports the implementation of government reforms and improvements of distribution systems to improve the delivery of power to consumers. Under this scheme electricity distribution projects which fulfilled the criteria laid down by the MoP were eligible for financial assistance in the form of grants and loans from the government to part finance these projects. The balance funding of the projects under APDRP is arranged by the State Power Utilities themselves, either from internal resources, loans from us or other sources. However, as per revised APDRP guidelines of GoI, the financial assistance will be restricted to grant only.

In fiscal 1999, the GoI granted us "Mini Ratna" status. This means we are considered a public sector enterprise that, by virtue of our operational efficiency and financial strengths, has been accorded greater operational freedom and autonomy in decision making. Further, in recognition of our performance and our consistent achievement of targets negotiated under the Memorandum of Understanding we enter into with the Government on an annual basis, the Government has rated our performance as "Excellent", continuously from fiscal 1994 to fiscal 2004. For fiscal 2005, we were awarded "Very Good" rating. Our rating for fiscal 2006 is currently awaited.

As of September 30, 2006 we have made cumulative sanctions of Rs. 1,139,487.38 million and cumulative disbursements of Rs. 677,978.08 million to power sector projects. The cumulative guarantee assistance as on September 30, 2006 was Rs. 17,078.11 million. In fiscal 2005, we made a profit after tax of Rs. 9,705.31 million, in fiscal 2006, our net profit was Rs. 9,754.14 million and in the six months ended September 30, 2006 our net profit was Rs. 4,013.01 million. As on March 31, 2005, we had total assets of Rs. 311,455.45 million and net worth of Rs. 59,974.96 million. As on March 31, 2006, we had total assets of Rs. 374,903.89 million and our net worth was Rs.65,055.27 million. As on September 30, 2006, we had total assets of Rs. 400,852.01 million and a net worth of Rs. 68,710.44 million.

We have demonstrated growth in our operating income and loan assets, which have grown at a compounded annual growth rate of 9.45% and 21.28% respectively from fiscal 2002 to fiscal 2006. Our sanctions and disbursements have also grown at a compounded annual growth rate of 27.47% and 22.61% respectively from fiscal 2002 to fiscal 2006. Our establishment and administrative expenses to loan assets ratio was 0.12% (annualized) for the six months ended September 30, 2006, 0.14% for fiscal 2006 and 0.15% in fiscal 2005.

For fiscal 2005, our net interest margin was 4.45% with an average yield on earning assets of 9.97% and average cost of funds of 7.26%. For fiscal 2006, our net interest margin was 3.43% with an average yield on earning assets of 8.90% and average cost of funds of 7.07%. For the six months ended September 30, 2006, our net interest margin was 3.37% (annualized) with an average yield on earning assets of 9.08% (annualized) and average cost of funds of 7.31% (annualized).

We hold the highest credit ratings of "AAA" and "LAAA" for our long term domestic borrowings and "P1+" and "A1+" for our short term borrowings from the domestic credit rating agencies CRISIL and ICRA, respectively. The international credit rating agencies Moody's and Standard & Poor's have given us the long-term foreign currency issuer ratings of Baa3 & BB+, respectively, which are at par with sovereign ratings for India.

Our growth has been driven by the substantial investment requirements of the power sector in India combined with the growth in the Indian economy over the last several years. As per estimates of the Central Statistical Organisation of India, the GDP growth rate was 9.1 per cent in the first quarter and 9.2 per cent in the second quarter of fiscal 2007. In fiscal 2006 the GDP growth was 8.4% up by 0.9% over fiscal 2005 GDP growth rate of 7.5%. We believe that continued future growth of the Indian economy would require substantial investment in the power sector.

Being a government company, we are exempt from provisions of the RBI Act relating to the maintenance of liquid assets, the creation of reserve funds and directions relating to the acceptance of public deposits. In addition, we are currently exempt from provisions of the RBI Act relating to the application of prudential norms. However, the RBI vide its notification (No. RBI/2006-07/204/DNBS.PD/CC.No. 86/03.02.089/2006-07) dated December 12, 2006 has amended the regulatory framework governing NBFCs and has proposed to bring all deposit taking and systemically important companies, which are defined as NBFCs having an asset size of Rs. 1,000 million or more under the provisions of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Directions"). However, the date from which Govt owned NBFCs are to fully comply with these guidelines will be decided later. Such companies including ourselves are therefore, required to prepare a road map for compliance with various elements of the NBFC regulations, in consultation with the Govt of India and submit the same to the Reserve Bank of India (Department of Non–Banking Supervision) by March 31, 2007.

Since fiscal 2004 we have used our own prudential norms with respect to the classification of loan assets as Non-Performing Assets ("NPAs"). As of September 30, 2006, we had gross NPAs of Rs. 896.72 million and net NPAs were at Rs. 614.18 million, which equates to 0.23% and 0.16% respectively of our loan assets. As of March 31, 2006, we had gross NPAs of Rs. 916.99 million and net NPAs were at Rs. 698.34 million, which equates to 0.26% and 0.20% respectively of our loan assets. Our capital to risk-weighted asset ratio as of September 30, 2006 and March 31, 2006 were 17.77% and 18.23% respectively, and our return on average total assets in the six months ended September 30, 2006 and fiscal 2006 were 2.07% (annualized) and 2.84% respectively. In addition, as a government company, we are entitled to certain tax concessions. For details on the tax benefits applicable to us, see the sections titled "Statement of Tax Benefits" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 35 and 176, respectively of this Prospectus.

The President of India, acting through nominees from the MoP, currently holds 100% of the issued and paid up equity capital of our Company. After the Issue the government's shareholding will be 89.78% of the diluted post issue paid up equity capital of our Company. The GoI, acting through the MoP, oversees our operations and has power to appoint our Directors.

Strengths

We believe that the following are our primary strengths:

Exclusive focus on financing the power sector

We are a leading power sector public financial institution and a non-banking financial company providing fund and non-fund based support for the development of the Indian power sector. We were founded with the sole objective of, and our focus continues to be on, extending finance to and promoting Indian power projects and related activities. We have developed extensive power sector knowledge and have the capacity to appraise and extend financial assistance for a wide variety of projects. We also have the skills and the expertise to provide solutions to various problems faced by power sector utilities. This has been demonstrated in the variety of products and services that we offer to our clients. We provide value to our clients by improving their operational and managerial capabilities and also by assisting them in their sustainable reform and restructuring programs.

In the government's ninth plan period (fiscal 1998 to fiscal 2002) our disbursements, excluding short term loans, were Rs. 135,844.51 million against a total expenditure in the power sector of Rs. 1,195,760 million resulting in a share of 11.36% for this period. In the government's tenth plan period (fiscal 2003 to fiscal 2007) our disbursements, excluding short term loans, for the first four year period were Rs. 281,649.45 million against estimated expenditure of Rs. 1,228,390 million in the power sector (as per Planning Commission's tenth Plan mid-term appraisal) for the same period, resulting in a share of 22.93% for this period.

Established relationship with the Government

We are a government Company that occupies a key position in government plans for the growth and development of the Indian power sector. We have played and will continue to play a key role in the implementation of government policies and programes including the implementation of the Electricity Act.

We work closely with state governments and state power sector utilities and assist them to undertake reforms within their organizations. As on September 30, 2006, 28 states have set up State Electricity Regulatory Commissions and 15 States have reorganized their operations to establish unbundled and/or corporatised State Power Utilities. We have established strong relationships with the GoI and act as a nodal agency to implement various policies and programmes of the GoI. The major reform programmes in which we are involved are the Accelerated Generation and Supply Programme (AG&SP), Accelerated Power Development and Reform Programme (APDRP), Distribution Reform, Upgrades and Management programme (DRUM) and Delivery through Distributed Management programme (DDM).

Well developed client relationships

We have well developed relationships with the major power sector organizations in India including state power utilities, power departments, central power sector utilities, private power sector utilities (including independent power producers), joint sector power utilities, power equipment manufacturers and municipal power utilities. We consider our clients to be our business partners and support their growth and development. We interact with our clients on a regular basis at various levels and undertake client workshops and seminars to facilitate discussion of issues and identify concerns. These forums also allow us to promote our products and services and adjust our offerings in-line with client needs.

To further our client relationships, we have recently connected all our major clients with video conferencing facilities for live interactions with us. We have also made our funding application forms available online so that they can be downloaded and completed by our clients. We believe these and other client friendly initiatives have resulted in well developed relationships with our clients.

We in line with our role as a development financial institution, have been, from time to time, organizing meetings with the chairpersons of SPUs, energy secretaries and other senior power sector officials from state governments. The main objective of these meetings is to have a better understanding of the role, responsibility and expectations which the SPUs and state governments may have from our Company and to evolve a common strategy to re-orient the operations of our Company vis-à-vis SPUs for a mutually beneficial relationship and faster growth.

Financial performance

We have demonstrated growth in our operating income and loan assets, which have grown at a compounded annual growth rate of 9.45% and 21.28% respectively from 2002 to 2006. Our sanctions and disbursements have also grown at a compounded annual growth rate of 27.47% and 22.61% respectively from 2002 to 2006.

We made a profit after tax of Rs. 9,705.31 million in fiscal 2005 and net profit of Rs. 9,754.14 million in fiscal 2006. In the six months ended September 30, 2006, our net profit was Rs. 4,013.01 million. As on March 31, 2005, we had total assets of Rs. 311,455.45 million and net worth of Rs. 59,974.96 million. As on March 31, 2006, we had total assets of Rs. 374,903.89 million and our net worth was Rs. 65,055.27 million. As on September 30, 2006 we had total assets of Rs. 400,852.01 million and net worth of Rs. 68,710.44 million. The return on average net worth for fiscal 2005 was 16.85%, for fiscal 2006 it was 15.60% and for the six months ended September 30, 2006 it was 12% (annualized).

Our financial performance results, in part, from our high collection performance and low establishment and administrative expenses.

Our success in collection owes much to our effective credit process, which involves extensive screening and financial analysis to assess potential risks and devise appropriate risk mitigation mechanisms. We further have implemented a systematic process to continuously monitor and evaluate outstanding loans for recovery. As of March 31, 2005, we reported gross NPAs of Rs. 1,954.19 million, which forms 0.66% of our loan assets, as of March 31, 2006, we had gross NPAs of Rs. 916.99 million, which forms 0.26% of our loan assets and as of September 30, 2006, we had gross NPAs of Rs. 896.72 million, which forms 0.23% of our loans assets.

In addition, we have low establishment and administrative expenses and our operational efficiency is high, which increases our profitability. Our establishment and administrative expenses of Rs. 233.06 million, Rs. 484.70 million and Rs. 446.27 million for the six months ended September 30, 2006, fiscal 2006 and fiscal 2005 were 0.12% (annualized), 0.14% and 0.15% of our loans assets, respectively.

Stringent internal procedures and credit review mechanism

We follow a systematic institutional and project appraisal process to assess and mitigate credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring of credit risk mitigation measures. We use a range of quantitative as well as qualitative parameters as a part of the appraisal process to make a sound assessment of the extent of underlying credit risk in a project. In assessing our borrowers' eligibility criteria we place an emphasis on financial and operational strength, capability and competence. We evaluate the credit quality of the borrowers by assigning risk weightings (scores) on the basis of the various financial and non-financial parameters. Our appraisal and sanctioning process for projects and schemes in power and allied sector is ISO 9001:2000 certified by M/s. NQAQSR Certification Private Limited. These stringent internal processes and credit review mechanisms reduce the number of defaults on our loans and contribute to our profitability.

Competitive cost of funds

Our cost of funds was 7.07% in fiscal 2006 and 7.31% (annualized) in the six months ended September 30, 2006, which we believe compares favourably with our competitors. Due to our status as a government Company, we are exempt from provisions of the RBI Act relating to the maintenance of liquid assets, the creation of reserve funds and directions relating to the acceptance of public deposits. We are also exempt from holding a significant portion of our funds in relatively low yielding assets, including government and other approved securities and cash reserves and as a result we are able to deliver debt financing at a competitive rate.

We fund our assets, with market borrowings of various maturities and currencies. Our market borrowings include bonds, debentures, term loans, commercial papers and inter-corporate deposits. Given our relationship with the GoI, we have also been able to source foreign currency loans from agencies such as the World Bank, ADB and Kreditanstalt fur Wiederaufbau. These sources enable us to raise long term funds at competitive costs, which supplement the funds available from commercial sources and broaden the maturity profile of our debt.

Competent and committed workforce

We have a highly competent and committed work force. As on January 4, 2007, we had a work force of 306 employees. More than half of our workforce has been with our Company for over 10 years. The members of our management team and professional staff have a variety of professional qualifications and come from a diverse set of backgrounds including power generating companies, engineering companies, leading commercial banks and lending institutions, finance companies and regulators. Our managers and professional staff have domestic and international expertise and domain knowledge in areas such as project finance, corporate lending, structured finance and law.

Strategy

We are committed to funding the integrated development of the power and associated sectors. We intend to remain a financier of choice in this area by providing financial and consultancy services to ensure the development of economic, reliable, efficient systems and institutions in the power sector.

The key elements of our business strategy are as follows:

Expand the services offered to customers

We intend to expand the financial assistance we offer to projects ancillary to the power sector, specifically those projects related to the provision of fuel to power generating utilities.

In January 2006, we formalized common lending documents with Life Insurance Corporation of India and ten Indian banks to establish the "Power Lenders Club", whereby we intend to facilitate "one stop shopping" for clients in the power sector and to provide them access to capital from a consortium of financial institutions and banks to enable power projects to achieve faster financial closure. HUDCO also joined the Power Lenders Club on November 10, 2006. We expect the Power Lenders Club to play a major role in funding of UMPPs for which we are the nodal agency.

Develop and fund ultra mega projects and diversify our business

We are currently working with the MoP and CEA to develop large size power projects. We have been designated as the nodal agency by the GoI for the development of nine UMPPs located in Sasan in Madhya Pradesh, Mundra in Gujarat, Krishnapatnam in Andhra Pradesh, Barhi in Jharkhand, Tadri in Karnataka, Girye in Maharashtra, Ib Valley in Orissa, Akaltara in Chattisgarh and Cheyyur in Tamil Nadu. As of February 8, 2007 we have incorporated nine wholly owned subsidiary companies to act as SPVs for these projects. We, through these subsidiaries and in conjunction with the MoP and CEA, will undertake all activities necessary to obtain the appropriate clearances required to establish these generation projects. It is intended that these SPVs will be transferred to successful bidder(s) selected through a tariff based international competitive bidding process managed by us and the developers will then implement these projects. We have issued letters of intent on December 28, 2006, awarding the Sasan and Mundra projects to successful bidders, namely to the consortium of Globeleq Pte, Singapore and Lanco Infratech Limited (levelised tariff of Rs. 1.196 per unit) for the Sasan project and Tata Power Limited (levelised tariff of Rs. 2.263 per unit) for the Mundra project.

Additionally, we have also incorporated two subsidiaries as SPVs for two transmission projects and are also incorporating a subsidiary for a hydroelectric project on lines similar to that of UMPPs. We may also venture into power trading through SPVs. We intend to continue to explore these and similar opportunities in the future.

Explore private equity investment in venture capital funds

We intend to set up a venture capital fund, India Power Fund, to invest in power sector projects. We are in the process of incorporating this fund and we expect that it will become operational in the near future. We have committed Rs. 2,000 million to this fund. Oriental Bank of Commerce has agreed to invest Rs. 100 million in the India Power Fund. Further, LIC has also expressed its interest to participate in the India Power Fund.

We intend to register India Power Fund as a trust and as a venture capital fund with SEBI. We intend to promote and incorporate a trusteeship company to supervise and administer the trust. We also propose to promote and incorporate an asset management company for the independent day-to-day management of the trust funds.

Diversify our borrower portfolio

We intend to promote private sector participation in electricity generation, transmission and distribution in-line with the government's focus on increasing competition in this sector. In addition, an increase in private sector participation will create new investment opportunities for us such as the funding of captive power plants.

We intend to diversify our borrower portfolio by funding coal, lignite, oil and gas companies and infrastructure agencies that transport and handle fuel for power projects.

We have also identified funding of power projects of non-conventional energy sources such as wind farms, small hydro projects and bio-mass projects as a focus area. The GoI is committed to developing an increasing number of renewable energy sources. We have signed a memorandum of understanding with the state nodal agency of Maharashtra so as to provide "one stop shopping" for the financing of non-conventional energy generation projects in the state. We are in discussions with other states about the prospects of entering into similar agreements with other state nodal agencies.

We have been identified as a nodal agency for assisting SPUs in preparation of Clean Development Mechanism ("CDM") project for renovation and modernisation of old thermal and hydro generation plants. We are taking necessary action for capacity building of SPUs and preparation of documents by them to take benefits under the CDM.

We intend to continue to focus on providing funding to captive power plants for those clients who wish to establish their own sources of power generation. Since the enactment of the Electricity Act, which allows the surplus power from captive power plants to be sold to the distribution companies and fed into the electricity grid, there has been a renewed interest in captive generation and we believe we are in a position to capitalize on the growth of this area.

Continue to encourage and promote reform in the power sector

As a financial institution that focuses on power projects, we are concerned with the balanced development of Indian power sector. We intend to continue to assist State Power Utilities to adhere to the policy directives of the GoI. We will look to involve ourselves in the development of the policy and regulatory framework of the Indian power sector. We intend to enhance our role in influencing grass root reforms to improve the financial and operational performance of these entities.

Promote and develop our consulting and advisory services

We aim to continue to deliver high quality advisory services to clients and government entities in India. We intend to promote our consultancy services and take advantage of opportunities that arise from changes in the industry as a result of the introduction of the Electricity Act. We intend to focus on advising on (1) the feasibility for joint ventures for new capacity addition, (2) human resources reforms for improving productivity in State Power Utilities, (3) computerization of accounts in State Power Utilities and (4) the establishment of new power stations.

Increase fee based services

We intend to increase fee-based services by providing products and services to meet clients' needs.

THE ISSUE

Issue:	Up to 117,316,700 Equity Shares.
Which comprises:	
Net Issue:	Up to 114,816,700 Equity Shares.
Employee Reservation Portion:	Up to 2,500,000 Equity Shares.
Of which:	
Qualified Institutional Buyers Portion:	At least 57,408,350 Equity Shares (allocation on proportionate basis) out of which 5% of the QIB Portion or 2,870,418 Equity Shares (assuming the QIB Portion is 50% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and 54,537,932 Equity Shares (assuming the QIB Portion is 50% of the Net Issue) shall be available for allocation to all QIBs, including Mutual Funds.
Non-Institutional Portion:	Up to 17,222,505 Equity Shares (allocation on proportionate basis).
Retail Portion:	Up to 40,185,845 Equity Shares (allocation on proportionate basis).
Equity Shares outstanding prior to the Issue:	1,030,450,000 Equity Shares.
Equity Shares outstanding post the Issue:	1,147,766,700 Equity Shares.
Objects of the Issue:	For details of the Objects of the Issue, see the section titled "Objects of the Issue" beginning on page 28 of this Prospectus.

Under subscription, if any, in any portion, except in the QIB Portion, would be met with spill-over from other portions at the sole discretion of our Company, in consultation with the BRLMs. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application monies will be refunded.

SUMMARY FINANCIAL INFORMATION

The following table sets forth our selected historical financial information derived from the audited and restated financial statements for the financial years ended March 31, 2006, 2005, 2004, 2003, 2002 and for the six months ended September 30, 2006 prepared in accordance with the Indian GAAP, the Companies Act and the SEBI Guidelines, and as described in the Auditors' Report of M/s Bansal Sinha & Co., Chartered Accountants, included in the section titled "Financial Statements" on page 132 of this Prospectus and should be read in conjunction with those financial statements and the notes thereto.

STATEMENT OF PROFITS, AS RESTATED

The statements of restated profits of our Company for the financial years ended March 31, 2002, 2003, 2004, 2005, 2006 and for the six months ended September 30, 2006 are set out below:

(Rs. In Million)

Particulars	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended September 30, 2006
Income:						
Operating Income	21,046.83	26,408.73	28,220.79	28,377.47	30,203.95	17,331.81
Other Income	25.61	131.89	38.39	69.98	20.26	18.72
Total Income	**21,072.44**	**26,540.62**	**28,259.18**	**28,447.45**	**30,224.21**	**17,350.53**
Expenditure:						
Interest and Other Charges	10,141.28	12,404.56	14,219.89	16,032.35	18,648.57	10,942.03
Upfront fees and Issue Expenses	52.51	63.84	13.99	72.00	76.75	25.75
Personnel & Administration Expenses	277.04	383.55	372.76	446.27	484.70	233.06
Depreciation	415.21	414.93	409.12	13.51	13.94	5.96
Amortisation Charges- Intangible Assets	0.00	0.00	0.13	0.24	0.25	0.12
Provision for Contingencies	351.82	(223.00)	5.65	228.20	(144.02)	63.88
Provision for decline in value of Investments	0.00	0.00	0.00	3.30	1.81	(0.78)
Total Expenditure	**11,237.86**	**13,043.88**	**15,021.54**	**16,795.87**	**19,082.00**	**11,270.02**
Profit Before Tax & Extra ordinary items	**9,834.58**	**13,496.74**	**13,237.64**	**11,651.58**	**11,142.21**	**6,080.51**
Less: Provision for Taxation	1,879.16	2,570.64	2,661.02	2,091.30	1,923.30	1,254.78
Less: Deferred Tax Liability	954.83	1,685.10	1,575.91	1,799.52	714.80	697.29
Less: Provision for Fringe Benefit Tax	0.00	0.00	0.00	0.00	8.09	6.68
Profit After Tax & before Extra ordinary items - (A)	**7,000.59**	**9,241.00**	**9,000.71**	**7,760.76**	**8,496.02**	**4,121.76**

(Rs. In Million)

Particulars	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended September 30, 2006
Extra Ordinary Items :						
Interest Restructuring Premium	0.00	1,291.99	1,882.91	2,117.83	1,050.51	0.00
Exchange Loss (-) / Gain	(458.00)	56.55	(401.08)	252.09	470.09	(137.03)
Total Extra Ordinary Items	**(458.00)**	**1,348.54**	**1,481.83**	**2,369.92**	**1,520.60**	**(137.03)**
Less: Taxes on Extra ordinary items	(87.51)	256.85	297.88	425.37	262.48	(28.28)
Extra Ordinary Items (Net of Taxes) - (B)	**(370.49)**	**1,091.69**	**1,183.95**	**1,944.55**	**1,258.12**	**(108.75)**
Profit After Tax available for Appropriations - (A) + (B)	**6,630.10**	**10,332.69**	**10,184.66**	**9,705.31**	**9,754.14**	**4,013.01**

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

The statements of assets and liabilities of our Company as on March 31, 2002, 2003, 2004, 2005, 2006 and for the six months ended September 30, 2006 are set out below:

(Rs. in million)

	As at 31st March,					As on September
	2002	**2003**	**2004**	**2005**	**2006**	**30, 2006**
ASSETS						
A. Fixed Assets:						
Tangible Assets	3,950.27	3,824.43	3,300.71	3,302.27	3,321.12	3,710.42
Intangible Assets*	0.00	0.00	1.22	1.22	1.25	1.25
Less: Depreciation	(2,076.01)	(2,486.40)	(2,510.12)	(2,628.43)	(2,767.95)	(2,844.92)
Less: Amortisation*	0.00	0.00	(0.13)	(0.37)	(0.62)	(0.74)
Capital Works in Progress	7.58	16.87	61.09	138.40	292.84	16.57
Net Block	**1,881.84**	**1,354.90**	**852.77**	**813.09**	**846.64**	**882.58**
B. Investments	**60.00**	**80.00**	**120.00**	**140.94**	**165.11**	**160.32**
C. Loans	**164,584.18**	**208,053.62**	**248,273.41**	**295,200.77**	**356,025.32**	**385,629.42**
D. Current Assets, Loans & Advances						
Cash & Bank Balances	957.24	1,020.70	3,530.19	3,383.70	3,648.38	275.02
Other Current Assets	6,284.62	7,227.17	7,913.90	6,220.46	6,936.22	7,870.26
Loans & Advances	6,067.67	7,162.52	6,044.23	5,696.49	7,282.22	6,034.41
Total Current Assets	**13,309.53**	**15,410.39**	**17,488.32**	**15,300.65**	**17,866.82**	**14,179.69**
Total Assets	**179,835.55**	**224,898.91**	**266,734.50**	**311,455.45**	**374,903.89**	**400,852.01**
LIABILITIES						
A. Loan Funds						
Secured Loans	7,299.80	4,091.78	0.00	0.00	0.00	0.00
Unsecured Loans	102,518.21	139,549.25	177,480.27	216,482.40	269,248.19	291,445.12
Total Loan Funds	**109,818.01**	**143,641.03**	**177,480.27**	**216,482.40**	**269,248.19**	**291,445.12**
B. Deferred Tax Liability	**3,929.53**	**5,614.63**	**7,190.54**	**8,990.06**	**9,704.86**	**10,402.15**
C. Interest Subsidy Fund from GOI	**10,934.36**	**11,285.39**	**11,027.98**	**11,558.95**	**12,003.30**	**10,396.69**
D. Current Liabilities & Provisions						
Current Liabilities	2,765.89	3,938.32	4,902.42	5,203.48	5,849.69	9,693.52
Provisions	8,088.19	8,166.75	7,328.40	5,067.99	8,320.66	5,176.75
Total Current Liabilities & Provisions	**10,854.08**	**12,105.07**	**12,230.82**	**10,271.47**	**14,170.35**	**14,870.27**
Total Liabilities	**135,535.98**	**172,646.12**	**207,929.61**	**247,302.88**	**305,126.70**	**327,114.23**
Net Assets	**44,299.57**	**52,252.79**	**58,804.89**	**64,152.57**	**69,777.19**	**73,737.78**

(Rs. in million)

	As at 31st March,					As on September
	2002	2003	2004	2005	2006	30, 2006
Represented by:						
Share Capital - (i)	**10,304.50**	**10,304.50**	**10,304.50**	**10,304.50**	**10,304.50**	**10,304.50**
Free Reserves & Surplus - (ii)	**31,969.06**	**39,277.73**	**44,893.45**	**49,670.46**	**54,750.77**	**58,458.36**
Miscellaneous Expenditure - (iii)	**—**	**—**	**—**	**—**	**—**	**52.42**
Net Worth - (i) + (ii) - (iii)	**42,273.56**	**49,582.23**	**55,197.95**	**59,974.96**	**65,055.27**	**68,710.44**
Add: Reserve for Bad & Doubtful Debts u/s 36(1)(vii)c of I.T. Act, 1961 (As per Audited Accounts)	2,026.01	2,670.56	3,606.94	4,177.61	4,721.92	5,027.34
Total Share Holders Funds	**44,299.57**	**52,252.79**	**58,804.89**	**64,152.57**	**69,777.19**	**73,737.78**

* Intangible assets include purchase of system software for office use, which is eligible for amortisation over a period of five years under the Companies Act.

GENERAL INFORMATION

Registered Office of our Company

Power Finance Corporation Limited
'Urja Nidhi',
1, Barakhamba Lane,
Connaught Place,
New Delhi 110 001, India.

Registration Number: 24862

Company Identification Number: U65910DL1986GOI024862

Our Company is registered at the office of the Registrar of Companies, National Capital Territory of Delhi and Haryana, located at Paryavaran Bhawan, Block B, 2nd Floor, CGO Complex, Lodhi Road, New Delhi 110 003.

Board of Directors

The following persons constitute our Board of Directors:

1. Dr. V. K. Garg, Chairman and Managing Director;
2. Mr. V. S. Saxena; Director
3. Mr. Shyam Wadhera; Director
4. Mr. Satnam Singh; Director
5. Mr. Arvind Jadhav, Government Nominee Director;
6. Mr. G.P. Gupta, Independent Director;
7. Prof. P.G. Apte, Independent Director;
8. Dr. S.P. Parashar, Independent Director;
9. Mr. Subodh Bhargava, Independent Director; and
10. Mr. B.K. Mittal, Independent Director.

For further details of our Chairman and Managing Director and other Directors, see the section titled "Our Management" beginning on page 114 of this Prospectus.

Company Secretary and Compliance Officer

Mr. J. S. Amitabh,
'Urja Nidhi',
1, Barakhamba Lane,
Connaught Place,
New Delhi 110 001, India
Tel: +91 11 2345 6786
Fax: +91 11 2345 6786
E-mail: ipo@pfcindia.com

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account or refund orders, etc.

Book Running Lead Managers

ENAM Financial Consultants Private Limited
801/802, Dalamal Towers,
Nariman Point,
Mumbai 400 021, India.
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824
Email: pfc.ipo@enam.com
Website: www.enam.com
Contact Person: Mr. Ashish Kumbhat

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg,
Churchgate, Mumbai 400 020, India.
Tel: +91 22 2288 2460
Fax: +91 22 2283 7045
Email: pfc_ipo@isecltd.com
Website: www.icicisecurities.com
Contact Person: Ms. Anupama Srinivasan

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar,
229, Nariman Point,
Mumbai 400 021, India.
Tel: +91 22 6634 1100
Fax: +91 22 2284 0492
Email: pfc.ipo@kotak.com
Website: www.kotak.com
Contact Person: Ms. Purnima Swaminathan

Domestic Legal Advisors to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers,
216, Okhla Industrial Estate, Phase – III,
New Delhi 110 020, India.
Tel.: +91 11 2692 0500
Fax: +91 11 2692 4900
E-mail: am.delhi_corp@amarchand.com

International Legal Counsel to the Issue

Dorsey & Whitney LLP
21, Wilson Street,
London, EC2M 2TD,
England.
Tel: +44 20 7588 0800
Fax: +44 20 7588 0555
Email: chrisman.john@dorsey.com

Syndicate Members

ENAM Securities Private Limited
Khatau Building, 2nd Floor,
44B, Bank Street,
Off Shaheed Bhagat Singh Road, Fort,
Mumbai 400 001, India
Tel.: +91 22 2267 7901
Fax.: +91 22 2266 5613
E-mail: pfc.ipo@enam.com
Website: www.enam.com
Contact Person: Mr. M. Natarajan

ICICI Brokerage Services Limited
ICICI Centre,
H.T. Parekh Marg, Churchgate,
Mumbai 400 020, India.
Tel: + 91 22 2288 2460
Fax: + 91 22 2283 7045
E-mail : pfc_ipo@isecltd.com
Website: www.icicisecurities.com
Contact Person: Mr. Anil Mokashi

Kotak Securities Limited
1st Floor, Bakhtawar,
229, Nariman Point,
Mumbai 400 021, India.
Tel: +91 22 6634 1100
Fax: +91 22 6634 3927
Email: pfc.ipo@kotak.com
Website: www.kotak.com
Contact Person: Mr. Umesh Gupta

Bankers to the Company

State Bank of India
Main Branch, Sansad Marg,
New Delhi 110 001, India.
Tel: +91 11 2337 4159
Fax: + 91 11 2336 5887
E-mail: sbi0691@sbi.co.in

Canara Bank
Janpath Branch,New Delhi 110 001, India.
Tel: +91 11 2332 3583
Fax: +91 11 2332 0441
E-mail: fcsdja@canarabank.co.in

ICICI Bank Limited
9A, Connaught Place,
New Delhi 110 001, India.
Tel: +91 11 5531 0334
Fax: +91 11 5531 0410
E-mail: namratasawhney@icicibank.com

Bank of India
54, Janpath,
New Delhi 110 001, India.
Tel: +91 11 2332 0986
Fax: +91 11 2332 0944
E-mail: boijanpatbr@vsnl.net

HDFC Bank Limited
Kailash Building, 26 K.G. Marg,
New Delhi 110 001, India.
Tel: +91 11 5139 2152
Fax: +91 11 5531 0410
E-mail: figdelhi@hdfcbank.com

IDBI Bank Limited
Surya Kiran Building, 19 K.G. Marg,
New Delhi 110 001, India.
Tel: +91 11 2335 05681
Fax: +91 11 2335 8297
E-mail: kgmarg@idbibank.com

Registrar to the Issue

Karvy Computershare Private Limited
"Karvy House",
46, Avenue 4,
Street No.1, Banjara Hills,
Hyderabad 500 034, India.
Tel: +91 1600 3554001
Fax: +91 40 2343 1551
Email: pfc.ipo@karvy.com
Website: www.karvy.com
Contact Person: Mr. Murali Krishna

Bankers to the Issue and Escrow Collection Banks

ICICI Bank Limited
Capital Market Division,
30, Mumbai Samachar Marg,
Mumbai 400 001, India.
Tel: +91 22 2262 7600
Fax: +91 22 2261 1138
Email: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

HDFC Bank Limited
BTI Operations, 26 A, Narayan Properties,
Opposite Saki Vihar,
Andheri (East),
Mumbai 400 072, India.
Tel: +91 22 2856 9202
Fax: + 91 22 2856 9256
Email: viral.kothari@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Viral Kothari

The Hongkong & Shanghai Banking Corporation Limited
52/60, M.G. Road, 2nd Floor,
Fort, Mumbai 400 001, India.
Tel: +91 22 2268 5568
Fax: +91 22 2262 3890
Email: gauravmohan@hsbc.co.in
Website: www.hsbc.co.in
Contact Person: Mr. Gaurav Mohan

Standard Chartered Bank
270, D.N. Road,
Fort, Mumbai 400 001, India.
Tel: +91 22 2268 3965
Fax: +91 22 2209 6067
Email: rajesh.malwade@in.standardchartered.com
Website: www.standardchartered.co.in
Contact Person: Mr. Rajesh Malwade

State Bank of India
New Issues & Securities Services Division,
Mumbai Main Branch,
Mumbai Samachar Marg,
P.B. No. 13, Fort,
Mumbai 400 023, India.
Tel: +91 22 2265 1579
Fax: +91 22 2267 0745
Email: mmbnewiss@sbi.co.in
Website: www.sbi.com
Contact Person: Mr. Kannan Raj

Kotak Mahindra Bank Limited
CMS Department, 4th Floor,
Dani Corporate Park,
C.S.T. Road, Kalina, Santacruz(E),
Mumbai 400 098, India.
Tel: +91 22 6759 4876
Fax: +91 22 5648 2710
Email: mahendra.rao@kotak.com
Website: www.kotak.com
Contact Person: Mr. Mahendra Rao

Deutsche Bank AG
1st Floor, Kodak House,
222, Dr. D.N. Road, Fort,
Mumbai 400 001, India.
Tel: +91 22 6658 4045
Fax: +91 22 2207 6553
Email: shyamal.malhotra@db.com
Website: www.db.com
Contact Person: Mr. Shyamal Malhotra

Yes Bank Limited
Nehru Centre, 4th Floor,
Discovery of India, Dr. A.B. Road,
Mumbai 400 018, India.
Tel: +91 22 6669 9086
Fax: +91 22 2494 7639
Email: rajesh.lahori@yesbank.in
Website: www.yesbank.in
Contact Person: Mr. Rajesh Lahori

Centurion Bank of Punjab Limited
Modern Centre, C Wing, Ground Floor,
Sane Guruji Marg, Mahalaxmi East,
Mumbai 400 011, India.
Tel: +91 22 6754 0000
Fax: +91 22 6754 0011
Email: mayankb@centurionbop.co.in
Website: www.centurionbop.co.in
Contact Person: Mr. Mayank Bhargava

UTI Bank Limited
Statesman House,
148, Barakhamba Road,
New Delhi
Tel: +91 22 2331 1051
Fax: +91 22 2331 1054
Email: abhishek.kumar@utibank.co.in
Website: www.utibank.com
Contact Person: Mr. Abhishek Kumar

Refund Banks

ICICI Bank Limited
Capital Market Division,
30, Mumbai Samachar Marg,
Mumbai 400 001, India.
Tel: +91 22 2262 7600
Fax: +91 22 2261 1138
Email: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

HDFC Bank Limited
26 A, Narayan Properties,
Opposite Saki Vihar,
Andheri (East),
Mumbai 400 072, India.
Tel: +91 22 2856 9228
Fax: + 91 22 2856 9256
Email: clayton.mendonca@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Clayton Mendonca

Auditors

M/s Bansal Sinha & Co.,
Chartered Accountants,
18/19, Old Rajinder Nagar,
New Delhi 110 016, India.
Tel: +91 11 2575 2270
Fax: +91 11 2575 2270
E-mail: bansalsinha@yahoo.com
Contact Person: Mr. Ravinder Khullar

Statement of Inter se Allocation of Responsibilities for the Issue

The following table sets forth the distribution of responsibility and coordination for various activities amongst the BRLMs:

Activities	Responsibility	Coordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	ENAM, I-Sec, KMCC	ENAM
Due diligence of the Company's operations/management/ business plans/legal, etc. Drafting and design of offer document and of statutory advertisement including memorandum containing salient features of the Prospectus. The Book Running Lead Managers shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, Registrar of Companies and SEBI including finalisation of the Prospectus and filing with the ROC.	ENAM, I-Sec, KMCC	ENAM
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	ENAM, I-Sec, KMCC	I-Sec
Appointment of Printers	ENAM, I-Sec, KMCC	KMCC
Appointment of Advertising Agency	ENAM, I-Sec, KMCC	I-Sec
Appointment of Registrar to the Issue	ENAM, I-Sec, KMCC	I-Sec
Appointment of Bankers to the Issue	ENAM, I-Sec, KMCC	ENAM
Marketing of the issue which will cover, *inter alia* ● Formulating international institutional marketing strategy, road show marketing presentation; and ● Finalising the list and division of investors for one on one meetings, institutional allocation.	ENAM, I-Sec, KMCC	KMCC
Retail/Non-Institutional marketing strategy which will cover, *inter alia*, ● Formulating marketing strategies, preparation of publicity budget; ● Finalising media, marketing and public relations strategy; ● Finalising centres for holding conferences for brokers, etc.; ● Finalising collection centres and arranging for selection of underwriters and underwriting agreement; and ● Follow-up on distribution of publicity and issue material including form, Prospectus and deciding on the quantum of the issue material.	ENAM, I-Sec, KMCC	KMCC
Managing the book, coordination with Stock Exchanges and pricing.	ENAM, I-Sec, KMCC	KMCC
Post bidding activities including management of Escrow Accounts, co-ordinate non-institutional allocation, coordination with Registrar and Banks, intimation of allocation and dispatch of refund to Bidders, etc.	ENAM, I-Sec, KMCC	I-Sec
The post issue activities of the issue will involve essential follow up steps, which include finalisation of trading and dealing instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as Registrar to the Issue, Banker to the Issue and the bank handling refund business. The Book Running Lead Managers shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge the responsibility through suitable agreements with the Issuer Company.	ENAM, I-Sec, KMCC	I-Sec

Credit Rating

As the Issue is of equity shares, credit rating is not required.

Grading

We have not opted for the grading of this Issue.

Trustees

As the Issue is of equity shares, the appointment of trustees is not required.

Book Building Process

Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid/ Issue Closing Date.

The principal parties involved in the Book Building Process are:

(1) The Company;

(2) Book Running Lead Managers;

(3) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs; and

(4) Registrar to the Issue.

This is an Issue of less than 25% of the post-issue capital. However, SEBI has through its letter dated April 10, 2006 permitted the issue of securities to the public through the 100% Book Building Process, wherein at least 50% of Net Issue shall be allotted on a proportionate basis to QIBs. Of the QIB Portion, 5% would be available for allocation to Mutual Funds. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded herewith. Further, up to 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details, see the section titled "Terms of the Issue" beginning on page 30 of this Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed ENAM Financial Consultants Private Limited, ICICI Securities Limited and Kotak Mahindra Capital Company Limited as the BRLMs to manage the Issue and to procure subscription to the Issue.

Illustration of Book Building and Price Discovery Process *(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the NSE (www.nseindia.com) and BSE (www.bseindia.com). The illustrative book, as shown below, shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. The issuer, in consultation with the BRLMs will finalise the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

The process of Book Building under the SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Steps to be taken for bidding:

1. Check eligibility for making a Bid (see the section titled "Issue Procedure - Who Can Bid?" beginning on page 217 of this Prospectus).
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN cards or PAN allotment letter to the Bid cum Application Form (see the section titled "Issue Procedure - 'PAN' or 'GIR' Number" beginning on page 232 of this Prospectus).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.
5. Bids by QIBs will not be submitted to sub-syndicate members.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reasons therefor.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ ISSUE OPENED ON	**:**	**WEDNESDAY,**	**JANUARY 31, 2007**
BID /ISSUE CLOSED ON	**:**	**TUESDAY,**	**FEBRUARY 6, 2007**

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of this Prospectus with ROC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In million)
ENAM Financial Consultants Private Limited 801/ 802, Dalamal Towers, Nariman Point, Mumbai 400 021, India.	19,552,784	1,661.99

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In million)
ICICI Securities Limited H.T. Parekh Marg, Churchgate, Mumbai 400 020, India.	39,105,467	3,323.96
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India.	39,105,466	3,323.96
Syndicate Members		
ENAM Securities Private Limited Khatau Building, 2nd Floor, 44B, Bank Street, Off Shaheed Bhagat Singh Road, Fort, Mumbai 400 063, India	19,552,783	1661.99
ICICI Brokerage Services Limited ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India.	100	0.01
Kotak Securities Limited 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India.	100	0.01

The above mentioned amount is indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated February 7, 2007.

In the opinion of the Board of Directors (based on a certificates dated February 7, 2007 given to them by BRLMs and the Syndicate Members), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by the Board of Directors, our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/ subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our share capital as on the date of filing of this Prospectus with SEBI is set forth below:

(Rs. in million, except share data)

		Aggregate nominal value	Aggregate Value at Issue Price
A.	**Authorized Capital***		
	2,000,000,000 Equity Shares of Rs. 10 each	20,000.00	-
B.	**Issued, Subscribed and Paid-up Capital before the Issue**		
	1,030,450,000 Equity Shares of Rs. 10 each	10,304.50	-
C.	**Present Issue in terms of this Prospectus**		
	Issue of: Up to 117,316,700 Equity Shares of Rs. 10 each fully paid up	1,173.17	9,971.92
	Comprising:		
	• Net Issue of up to 114,816,700 Equity Shares of Rs. 10 each fully paid-up.	1,148.17	9,759.42
	• Employee Reservation of up to 2,500,000 Equity Shares of Rs. 10 each fully paid up.	25.00	212.50
D.	**Net Issue to the Public**		
	Up to 114,816,700 Equity Shares of Rs. 10 each fully paid up	1,148.17	9,759.42
	Of Which:		
	QIB Portion of at least 57,408,350 Equity Shares	574.08	
	Non-Institutional Portion of up to 17,222,505 Equity Shares	172.22	
	Retail Portion of up to 40,185,845 Equity Shares	401.86	
E.	**Equity Capital after the Issue**		
	1,147,766,700 Equity Shares of Rs. 10 each fully paid up	11,477.66	97,560.17
F.	**Share Premium Account**		
	Before the Issue	Nil	
	After the Issue	8,798.75	

* The authorized equity share capital of our Company was increased from Rs. 10,000 million divided into 10 million equity shares of Rs.1,000 each to Rs. 20,000 million divided into 20 million equity shares of Rs.1,000 each via a special resolution of the shareholders dated January 18, 1991. With effect from September 26, 2002, the equity shares of Rs. 1,000 each have been split into equity shares of the face value of Rs. 10 each.

The President of India, acting through the MoP presently holds (including shares held through its seven nominees) 100% of the issued and paid up equity capital of our Company. After the Issue the shareholding of the President of India, through the MoP (including shares held through its seven nominees) shall be Rs. 10,304.50 million, i.e. 89.78% of the fully diluted post Issue paid up equity capital of our Company.

Notes to the Capital Structure

1. Share Capital History of our Company:

The following is the history of the Equity Share capital of our Company:

Date of Allotment	Number of equity shares	Face Value (Rs.)*	Issue price per share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
September 23, 1987	304,000	1,000	1,000	Cash	Allotment of shares to the President of India, acting through the MoP, against funds released by the GoI including initial subscription of seven shareholders.	Nil	304,000,000
March 25, 1988	1,000,000	1,000	1,000	Cash	Allotment of shares to the President of India, acting through the MoP, against funds released by the GoI.	Nil	1,304,000,000
November 7, 1988	2,000,000	1,000	1,000	Cash	Allotment of shares to the President of India, acting through the MoP, against funds released by the GoI.	Nil	3,304,000,000
December 13, 1989	3,000,000	1,000	1,000	Cash	Allotment of shares to the President of India, acting through the MoP, against funds released by the GoI.	Nil	6,304,000,000
February 25, 1991	2,200,500	1,000	1,000	Cash	Allotment of shares to the President of India, acting through the MoP, against funds released by the GoI.	Nil	8,504,500,000
February 17, 1992	1,250,000	1,000	1,000	Cash	Allotment of shares to the President of India, acting through the MoP, against funds released by the GoI.	Nil	9,754,500,000
September 1, 1992	100,000	1,000	1,000	Cash	Allotment of shares to the President of India, acting through the MoP, against funds released by the GoI.	Nil	9,854,500,000
July 15, 1994	450,000	1,000	1,000	Cash	Allotment of shares to the President of India, acting through the MoP, against funds released by the GoI.	Nil	10,304,500,000
Total	**10,304,500**						**10,304,500,000**

* With effect from September 26, 2002, the equity shares of Rs. 1,000 each have been split into Equity Shares of the face value of Rs. 10 each. As of the date of this Prospectus, the outstanding pre-issue share capital of our Company is 1,030,450,000 Equity Shares of face value of Rs. 10 each.

2. Promoters' Contribution and Lock-in

(a) Details of Promoters Contribution locked in for three years are as follows:

Sr. No.	Name of Shareholder	Date on which the Equity Shares were allotted / acquired	Date when made fully paid-up	Nature of pay-ment	Number of Equity Shares (Face-value of Rs. 10)*	Face Value	Issue Price	% of pre-Issue paid-up equity capital	% of post-Issue paid-up equity capital
1.	President of India acting through the MoP	July 15, 1994	July 15, 1994	Cash	45,000,000*	10	10	4.37%	3.92%
2.	President of India acting through the MoP	September 1, 1992	September 1, 1992	Cash	10,000,000*	10	10	0.97%	0.87%
3.	President of India acting through the MoP	February 17, 1992	February 17, 1992	Cash	125,000,000*	10	10	12.13%	10.89%
4.	President of India acting through the MoP	February 25, 1991	February 25, 1991	Cash	49,553,340*	10	10	4.81%	4.32%
	Total				**229,553,340**			**22.28%**	**20%**

* The face value of each equity share of our Company at the time of allotment was Rs. 1,000 each. Subsequently, with effect from September 26, 2002, the equity shares of our Company have been split into Equity Shares of the face value of Rs. 10 each.

The MoP has vide its approval (No. 3/5/2006-PF-Desk) dated December 9, 2006 granted Presidential consent for the lock-in of 20% of the fully diluted post Issue paid up equity share capital of our Company for three years from the date of Allotment and lock-in of the balance pre Issue equity share capital of our Company for a period of one year from the date of Allotment.

Lock-in period shall start from the date of Allotment of the Equity Shares in terms of this Prospectus.

Locked-in Equity Shares held by the Promoter can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16.1 (b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and amongst the Promoter/ Promoter Group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code, as applicable.

Furthermore, in terms of clause 4.16.1 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoter may be transferred to any other person holding shares which are locked-in as per clause 4.14 of the SEBI Guidelines, subject to the lock-in continuing to remain in the hands of the transferees for the remaining period and compliance with the Takeover Code, as applicable.

Furthermore, the Equity Shares subject to the lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

(b) Details of Promoter contribution locked in for one year:

Other than the above Equity Shares that are locked in for three years, the entire pre-Issue share capital shall be locked in for a period of one year from the date of Allotment in this Issue. 800,896,660 Equity Shares are locked in for one year.

3. **Shareholding Pattern of our Company**

Shareholding pattern of our Company before and after the Issue is as follows:

	Name of Shareholder	Pre-Issue		Post- Issue	
		Number of Equity Shares	Percentage of Holding (%)	Number of Equity Shares	Percentage of Holding (%)
1.	Government of India and its nominees	1,030,450,000	100%	1,030,450,000	89.78%
2.	Public (including Employees)	Nil	Nil	117,316,700	10.22%
	Total	**1,030,450,000**	**100%**	**1,147,766,700**	**100%**

4. Our Company, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any person.

5. In case of over-subscription in all categories, at least 50% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders. 5% of the QIB Portion shall be available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, up to 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category, except in the QIB Portion, would be met, with spill-over from other categories, at the sole discretion of our Company, in consultation with the BRLMs.

6. Only Employees would be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis. Employees other than as defined in this Prospectus are not eligible to participate under the Employee Reservation Portion. Bids by Employees can also be made in the Net Issue Portion to the public and such Bids shall not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 2,500,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and the proportionate allocation of the same would be at the sole discretion of our Company in consultation with the BRLMs.

7. The list of shareholders of our Company and the number of Equity Shares held by them is as under:

   (a) The shareholders of our Company as on the date of filing of this Prospectus and as on ten days prior to the date of filing of this Prospectus are as follows:

Sr. No.	Name of Shareholders	Number of Equity Shares	Shareholding (%)
1.	President of India acting through the MoP	1,030,449,300	99.99
2.	Dr. V. K. Garg, as nominee of the President of India	100	Negligible
3.	Mr. Ajay Shankar, as nominee of the President of India	100	Negligible
4.	Mr. Arvind Jadhav, as nominee of the President of India	100	Negligible
5.	Mr. Shyam Wadhera, as nominee of the President of India	100	Negligible
6.	Mr. Satnam Singh, as nominee of the President of India	100	Negligible
7.	Mr. Sudhkar Shukla, as nominee of the President of India	100	Negligible
8.	Mr. P.K. Verma, as nominee of the President of India	100	Negligible
	Total	**1,030,450,000**	**100**

(b) The shareholders of our Company two years before the date of filing of this Prospectus are as follows:

Sr. No.	Name of Shareholders	Number of Equity Shares	Shareholding (%)
1.	President of India acting through the MoP	1,030,449,300	99.99
2.	Mr. Anwar Ahmed Khan, as nominee of the President of India	100	Negligible
3.	Mr. Ajay Shankar, as nominee of the President of India	100	Negligible
4.	Mr. Arvind Jadhav, as nominee of the President of India	100	Negligible
5.	Mr. Shyam Wadhera, as nominee of the President of India	100	Negligible
6.	Mr. R. Krishnamoorthy, as nominee of the President of India	100	Negligible
7.	Mr. Kamal Dayani, as nominee of the President of India	100	Negligible
8.	Mr. Prabhakar, as nominee of the President of India	100	Negligible
	Total	**1,030,450,000**	**100**

8. Neither the President of India, acting through the MoP, who is our Promoter, nor our Directors have purchased or sold any Equity Shares during a period of six months preceding the date on which this Prospectus is filed with SEBI.
9. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.
10. There are no partly paid up Equity Shares in our Company. The Equity Shares offered through this Issue shall be fully paid up.
11. 2,500,000 Equity Shares, have been reserved for allocation to the Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum Bid in this portion being Rs. 2.5 million. Only Employees would be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis. Employees other than as mentioned in this Prospectus are not eligible to participate under the Employee Reservation Portion. Employees may bid in the 'Net Issue' portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employee Reservation Portion would be treated as part of the Net Issue to the public in the manner detailed in the section titled "Issue Procedure" on page 217 of this Prospectus.
12. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
13. Except our Chairman and Managing Director, Dr. V. K. Garg and our Directors, Mr. Shyam Wadhera, Mr. Satnam Singh and Mr. Arvind Jadhav who hold Equity Shares as nominees of the President of India, none of our other Directors or our key managerial employees hold any Equity Shares. For further details see the section titled "Our Management" beginning on page 114 of this Prospectus.
14. There would be no further issue of Equity Shares whether by way of issue of bonus shares, preferential allotment and rights issue or in any other manner, during the period commencing from submission of this Prospectus with SEBI until the Equity Shares have been listed.
15. Presently we do not intend or propose to alter our capital structure for a period of six months from the Bid/Issue Opening Date, either by way of split or consolidation of the denomination of Equity Shares or by further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except if we enter into acquisitions, joint ventures or other arrangements. We may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
16. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

17. As on January 10, 2007, the total number of holders of our Equity Shares was eight.
18. Our Company has not raised any bridge loans against the proceeds of the Issue.
19. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
20. Our Company has not granted any options or issued any shares under any employees stock option or employees stock purchase scheme.
21. No Equity Shares held by our Promoter is subject to any pledge.

OBJECTS OF THE ISSUE

The objects of the Issue are to raise capital and to achieve the benefits of listing on the Stock Exchanges.

The objects of the Issue are to augment our capital base to meet the future capital requirements arising out of growth in our assets, primarily our loan and investment portfolio due to the growth of the Indian economy and for other general corporate purposes including meeting the expenses of the Issue. We are seeking to strengthen our capital base to support the future growth in our assets.

To meet the enhanced demand for financial assistance, we need to augment our resources. We meet our financial requirements through borrowings (including private placement/public issue of bonds), from loan repayments and interest repayments. These resources are used for our various financial activities, replacement of matured debt and general corporate purposes. Hence, it is not possible to project an activity wise break up of the disbursement of funds raised.

We believe that listing will also enhance our brand name and provide liquidity to our existing shareholders including our Employees who will be allotted Equity Shares under the Employee Reservation Portion. Listing will also provide a public market for our Equity Shares in India.

Requirement and Sources of Funds:

Requirement of Funds	Rs. in million
Augment our capital base to meet our future capital requirements arising out of growth in our business and for other general corporate purposes*	9,646.72
Estimated Issue expenses*	325.20
Total	**9,971.92**

Sources of Funds	Rs. in million
Gross Proceeds of the Issue*	9,971.92
Less: Issue Related Expenses*	325.20
Net Proceeds of the Issue *	**9,646.72**

** Subject to finalisation once actual Issue expenses are incurred and determined.*

We provide a wide range of financing products and fee based services to infrastructure projects in the power and allied sectors in India. We view ourselves as a specialized institution in power sector financing. The proceeds from the Issue will be used to augment our capital base to meet our future capital requirements arising out of growth in our business and for other general corporate purposes.

The main objects clause and the objects incidental or ancillary to the main objects clause of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised by us in the Issue.

Estimated Issue Expenses*

Activity	Expenses* Rs. in million	% of the Issue Expenses	% of total Issue Size
Estimated lead management, underwriting and selling commission	10.95	3.37%	0.11%
Advertisement & Marketing expenses	172.02	52.90%	1.73%
Printing, stationery including transportation of the same	89.21	27.43%	0.89%
Others (Registrar's fees, Legal fees, listing fees, etc.)	53.02	16.30%	0.53%
Total estimated Issue expenses*	**325.20**	**100%**	**3.26%**

** Subject to finalisation once actual Issue expenses are incurred and determined.*

Interim Use of Proceeds

Our management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds from the Issue. Pending utilization of the proceeds out of the Issue for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks. Such investments would be in accordance with the investment policies approved by our Board from time to time. The Company confirms that pending utilisation of Issue proceeds, it shall not use the funds for any investment in the Equity Markets.

Monitoring Utilization of Funds

Our Board will monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue including interim use under a separate head in our balance sheet for fiscal 2007, 2008 and 2009, clearly specifying the purpose for which such proceeds have been utilized or otherwise disclose as per the disclosure requirements of the listing agreement with the Stock Exchanges.

No part of the proceeds of the Issue will be paid by us as consideration to our Promoter, our Directors, key managerial employees or companies promoted by our Promoter. No part of the proceeds of the Issue will be deployed for use by any of our subsidiaries.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, this Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment, and other documents and/ or certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, ROC and/or other authorities as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Prospectus at a total price of Rs. 85 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture, lien, transfer and transmission and/or consolidation and/ or splitting, see the section titled "Main Provisions of Articles of Association of our Company" beginning on page 243 of this Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of 1 Equity Shares subject to a minimum Allotment of 80 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts in New Delhi, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidder(s) may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s) shall in accordance with Section 109A of the Companies Act be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale, transfer and/or alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

(a) to register himself or herself as the holder of the Equity Shares; or

(b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Furthermore, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue less the Employee Reservation Portion, including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

Furthermore, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall not be less than 1,000.

In the event we are not able to allot at least 50% of the Net Issue to QIBs, we shall refund the entire application money.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from or in a transaction not subject to registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold in the United States to (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act and "Qualified Purchasers" as defined under the Investment Company Act of 1940 and related rules (the "Investment Company Act") and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation and/or splitting except as provided in our Articles. For further details see the section titled "Main Provisions of our Articles of Association" beginning on page 243 of this Prospectus.

BASIS FOR ISSUE PRICE

The Issue Price of Rs. 85 has been determined by our Company in consultation with the BRLMs, on the basis of demand from the investors for the offered Equity Shares by way of Book Building process. The face value of the equity shares is Rs 10 and the Issue Price is 8.5 times the face value of the equity shares.

QUALITATIVE FACTORS

Factors external to us

- **Huge requirement of funds for investment in Power Sector:** Historically the power industry in India has been characterized by energy shortages. The GoI's mission of "Power for all by 2012" estimated that India's installed generation capacity should be 200,000 MW by the end of its Eleventh Five Year Plan in 2012 compared to 127,423 MW as on September 30, 2006. This will require huge requirement of funds for investment in Power Sector.

Factors internal to us

- **Leading provider of power finance in the country:** We are a leading power sector public financial institution and a non-banking financial company providing fund and non-fund based support for the development of the Indian power sector. In the government's ninth plan period (fiscal 1998 to fiscal 2002) our disbursements, excluding short term loans, were Rs. 135,844.51 million against a total expenditure in the power sector of Rs. 1,195,760 million, resulting in a share of 11.36% for this period. In the government's tenth plan period (fiscal 2003 to fiscal 2007) our disbursements, excluding short term loans, for the first four year period were Rs. 281,649.45 million against estimated expenditure of Rs. 1,228,390 million in the power sector (as per Planning Commission's tenth plan mid-term appraisal) for the same period resulting in a share of 22.93% for this period. As of March 31, 2006 we have made cumulative sanctions of Rs. 940,520.90 million and cumulative disbursements of Rs. 617,990.10 million to power sector projects.
- **Exclusive focus on financing the power sector**: We were founded with the sole objective of extending finance to and promoting Indian power projects and related activities. We have developed extensive power sector knowledge and have the capacity to appraise and extend financial assistance for a wide variety of projects. We also have the skills and the expertise to provide solutions to various problems faced by power sector utilities and provide assistance to our clients in their reform and restructuring programs.
- **Established relationship with the Government**: We play a pivotal role in the GoI's plans for the growth and development of the Indian power sector and implementation of its policies and programs including the implementation of the Electricity Act.
- **Well developed client base:** We have a well developed client base which includes state power utilities, central power sector utilities, power departments, private power sector utilities (including independent power producers), joint sector power utilities, power equipment manufacturers and municipal run power utilities. These clients are involved in all aspects of the generation, transmission, distribution and related activities in the power sector in India.
- **Healthy asset quality:** Despite significant exposure to State Power Utilities (which have been making cash losses) our asset quality has remained healthy over a long period of time primarily on account of our recovery mechanism which in addition to primary security like charge on assets and irrevocable state government guarantees and payment of obligations through default escrow accounts.
- **Competitive Cost of Funds:** Given our relationship with the GoI, we have been able to source foreign currency loans from agencies such as the World Bank, ADB and KfW ("Kreditanstalt fuer Wiederaufbau"). These sources enable us to raise long term funds at competitive costs, which supplement the funds available from commercial sources and broaden the maturity profile of our debt.
- **Nodal agency for development of UMPPs**: We have been designated as the nodal agency by the GoI for the development of UMPPs, each with a capacity of 4,000 MW and above. As of the date of filing this Prospectus, we have incorporated nine wholly owned subsidiary companies to act as SPVs for these projects.

- **Competent and committed workforce:** We have a highly competent and committed work force. The members of our management team and professional staff have a variety of professional qualifications and come from a diverse set of backgrounds including power generating companies, engineering companies, leading commercial banks and lending institutions, finance companies and regulatory bodies. Our managers and professional staff have domestic and international expertise, domain knowledge in areas such as project finance, corporate lending, structured finance and law.
- **Recognition / Awards conferred:** Within 10 years of commencement of operations in 1988, we have been conferred "Mini Ratna" status by the GoI India in 1998-99 which provides us considerable operational freedom and autonomy in decision making. Furthermore, in recognition of our performance and our consistent achievement of targets negotiated under the Memorandum of Understanding we enter into with the Government on an annual basis. The Government has rated our performance as "Excellent", continuously from fiscal 1994 to fiscal 2004. For fiscal 2005, we had "Very Good" rating.

QUANTITATIVE FACTORS

Information presented in this section is derived from our restated financial statements prepared in accordance with Indian GAAP.

Some of the quantitative factors which may form the basis for computing the Issue Price are as follows:

1. Earning Per Share (EPS) (as adjusted for change in capital):

Year ended	**Face Value per Share (Rs. 10 per share)**	
	Rupees	**Weight**
March 31, 2004	8.73	1
March 31, 2005	7.53	2
March 31, 2006	8.25	3
Weighted Average	**8.09**	

As on September 30, 2006, the EPS was Rs. 4.00.

Note:

(i) The Earning per Share has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments, but before adjustment of extra- ordinary items of income. For details of extra-ordinary items, please see the section titled "Financial Statements" beginning on page 132 of this Prospectus.

(ii) The denominator considered for the purpose of calculating Earnings per Share is the weighted average number of Equity Shares outstanding during the year.

(iii) EPS calculations have been done in accordance with Accounting Standard 20-"Earning per Share" issued by the Institute of Chartered Accountants of India.

2. Price/Earning (P/E) ratio in relation to issue Price of Rs 85.

   a. For the year ended March 31, 2006 EPS is Rs. 8.25.

   b. P/E based on year ended March 31, 2006 is 10.30

   c. Industry P/E –There are no listed companies of comparable size in the Indian power finance sector. Hence, there is no industry P/E.

3. Return on Net Worth as per restated Indian GAAP financials:

Year ended	RONW (%)	Weight
March 31, 2004	16.31	1
March 31, 2005	12.94	2
March 31, 2006	13.06	3
Weighted Average	**13.56**	

As on September 30, 2006, the Return on Net Worth was 6.00%.

Note: The return on net worth has been computed by dividing Profit after Tax and before extraordinary items by Net Worth. The weighted average of Return on Net Worth (%) and adjusted Return on Net Worth (%) for these fiscal years have been computed by giving weights of 1, 2 and 3 for fiscal years ending March 31, 2004, 2005 and 2006 respectively.

4. Minimum Return on Increased Net Worth required to maintain pre-issue EPS is 12.03%.

5. Net Asset Value per Equity Share:

   As of March 31, 2006 is Rs. 63.13

   As of September 30, 2006 is Rs. 66.68

   (ii) After the Issue: 68.55

   (iii) Issue Price: Rs. 85

   Net Asset Value per Equity Share represents Net Worth, as restated divided by the number of Equity Shares outstanding at the end of the period.

6. Comparison with Industry Peers:

   Our financial information relates to our power financing business. We believe none of the listed companies in India are in the business of exclusive financing for power projects. Hence, comparative data for the peer group/industry is not available.

   The BRLMs believe that the Issue Price of Rs. 85 per Equity Share is justified in view of the above qualitative and quantitative parameters. Investors should read the following summary along with the sections titled "Risk Factors", "Financial Statements" and "Summary" beginning on page xii, 132 and 1 respectively of this Prospectus to have a more informed view. The trading price of the equity shares of our Company could decline due to these factors and you may lose all or part of your investments.

7. The face value of our Equity Shares is Rs. 10 each and the Issue Price is 8.5 times of the face value of our Equity Shares.

8. The BRLMs believe that the Issue Price of Rs. 85 per Equity Share is justified in view of the above qualitative and quantitative parameters. Specific attention of the investors is invited to the sections titled "Risk Factors", "Our Business" and "Financial Statements" beginning on pages xii, 50 and 132 of this Prospectus.

9. The Issue Price of Rs. 85 per Equity Share has been determined by us in consultation with the BRLMs and on the basis of the demand from the investors for the Equity Shares through the Book Building Process and is justified on the basis of the above accounting ratios.

STATEMENT OF TAX BENEFITS

Statement of possible direct tax benefits available to Power Finance Corporation Limited and it's shareholders

1. **Benefits available to the Company under the Income-tax Act, 1961 ('Act')**

   Subject to fulfilment of conditions, the Company will be eligible, *inter alia,* for the following specified deductions in computing its business income:-

   1.1 According to Section 36(1)(viia)(c) of the Act, deduction in respect of any provision for bad and doubtful debts made by the Company will be allowed at 5% of the total income (computed before making any deduction under this clause and Chapter VIA).

   1.2 According to Section 36(1)(viii) of the Act, the Company being a government company engaged in the business of providing long term finance for the development of power sector, will be eligible for deduction up to 40% of the profits derived from the aforesaid business. However the aggregate amount of the reserve as carried in the books cannot exceed twice the amount of paid-up share capital and general reserves. The amount withdrawn from such a Special Reserve Account will be chargeable to income tax in the year of withdrawal, in accordance with the provisions of Section 41(4A) of the Act.

   1.3 **Dividends exempt under Section 10(34)**

   The Company will be eligible for exemption of dividend income in accordance with and subject to the provisions of Section 10(34) of the Act.

   1.4 According to Section 43D of the Act, interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income Tax Rules, 1962, will be chargeable to tax only in the year of receipt or credit to the Company's Profit and Loss Account, whichever is earlier.

2. **Benefits available to resident shareholders**

   2.1 **Dividends exempt under Section 10(34)**

   Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

   2.2 **Computation of capital gains**

   2.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

   2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

   2.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under Section 10(38) of the Act would be subject to tax at a rate of 20 per cent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 per cent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 per cent without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10 per cent (plus applicable surcharge and education cess).

   2.2.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

2.2.5 Exemption of capital gain from income tax

According to Section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

2.2.6 **Rebate under Section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

3. Benefits available to Non Resident Indian shareholders

3.1 **Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

3.2 **Computation of capital gains**

3.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

3.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by Non Residents. Computation of capital gains arising on transfer of shares in case of Non Residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e. sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

3.2.3 In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under Section 10(38) of the Act would be subject to tax at a rate of 20 per cent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 per cent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 per cent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 per cent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

3.2.5 Exemption of capital gain from income tax

According to Section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.

3.3 Rebate under Section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

4. Benefits available to other Non Residents

4.1 **Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

4.2 **Computation of capital gains**

4.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

4.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by Non Residents. Computation of capital gains arising on transfer of shares in case of Non Residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e. sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

4.2.3 In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under Section 10(38) of the Act would be subject to tax at a rate of 20 per cent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 per cent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 per cent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 per cent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

4.2.5 Exemption of capital gain from income tax.

According to Section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

4.3 **Rebate under Section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

5. Benefits available to Foreign Institutional Investors ('FIIs')

5.1 **Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

5.2 Taxability of capital gains

As per the provisions of Section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under Section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to an FII.

According to Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

5.3 Rebate under Section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into with a recognised stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

6. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set-up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

7. Tax Treaty benefits

An investor has an option to be governed by the provisions of Section 90 (2) of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

8. Benefits available under the Wealth-tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares. The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of Equity Shares.

Note:

1. All the above benefits are as per the current tax law and will be available to the sole/first named holder in case the shares are held by jointholders.
2. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the shares of the Company.

POWER SECTOR DEVELOPMENT AND FINANCING IN INDIA

The information in this section has been extracted from publicly available documents prepared by various sources, including officially prepared materials from the Government and its various ministries and various multilateral institutions. This information has not been prepared or independently verified by us or any of our advisors. Unless otherwise indicated, the data presented excludes captive capacity and generation. The term "units" as used herein refers to kilowatt hours (kWh).

Electricity Demand

Global Electricity Demand

The International Energy Agency or IEA, in its *World Energy Outlook 2006*, estimates that world electricity demand is projected to increase by just over one half between now and 2030, at an average annual rate of 1.6%. Globally, the power sector is required to add an estimated 4,800 GW of capacity to meet the projected increase in electricity demand and to replace ageing infrastructure. The IEA has estimated that this would require an investment of US$ 10 trillion and more than US$ 5 trillion of that amount will be required by developing countries alone.

According to the IEA, fossil fuels, which includes coal, oil and natural gas will continue to dominate energy supplies, accounting for 83% of the overall increase in energy demand between 2004 and 2030.

Nuclear power's contribution is expected to decline and the use of renewable energy sources, such as hydroelectricity, wind power, biomass and solar energy, is expected to increase.

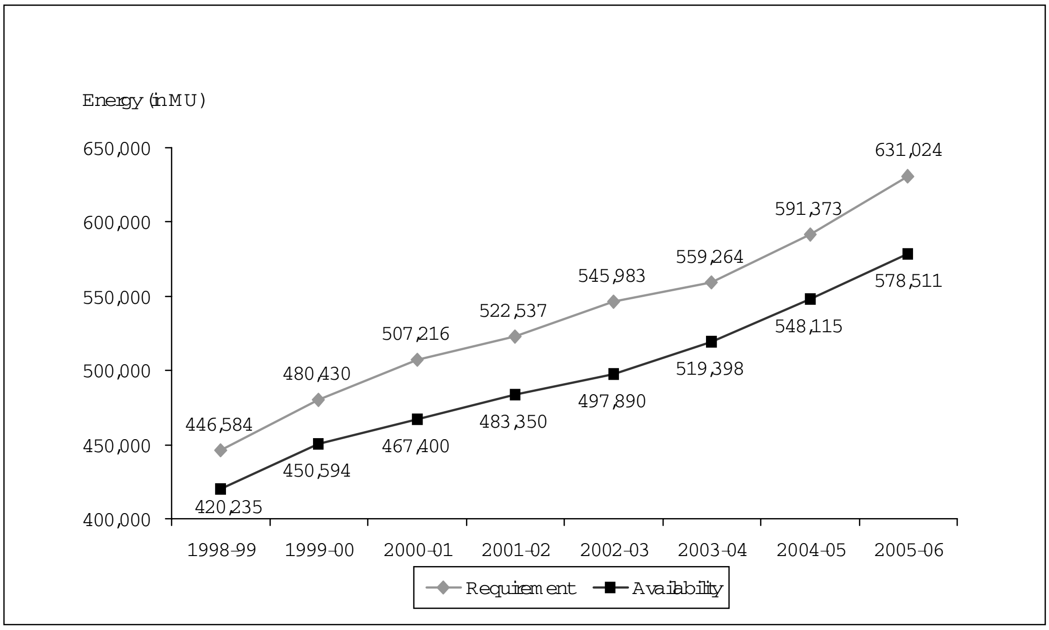
Indian Electricity Demand

Historically, the power industry in India has been characterized by energy shortages. According to the Central Electricity Authority or the CEA, in fiscal 2005, demand for electricity in India exceeded supply by an estimated 7.3% (compared to 7.1% in fiscal 2004) in terms of total requirements and 11.7% (compared to 11.2% in fiscal 2004) in terms of peak demand requirements. According to CEA the total energy shortage during fiscal 2006, was 52,513 million units, amounting to 8.3% of total requirements and the peak shortage was 11,422 MW, translating to 12.3% of peak demand requirements. The energy shortage during fiscal 2007 upto September 2006 was 26,793 million units amounting to 8% of total requirements and the peak shortage was 11,650 MW translating to 12.2% in terms of peak demand requirements

According to the Planning Commission's website **(www.planningcommission.nic.in)**, in order for India to maintain a sustained growth of 8% per annum to 2031, India would need to increase primary energy supply and electricity supply by 3 to 4 times and by 5 to 7 times respectively. By fiscal 2032 power generation capacity would have to increase to 778,095 MW.

Currently, India pursues all available fuel options and forms of energy both conventional and non-conventional, as well as new and emerging technologies and energy sources. It is anticipated that coal will remain the India's most important energy source till fiscal 2032 and possibly beyond. India will need to take a lead in seeking clean coal technologies and given its growing demand, new coal extraction technologies such as in-situ gasification to tap vast coal reserves that are difficult to extract economically using conventional technologies.

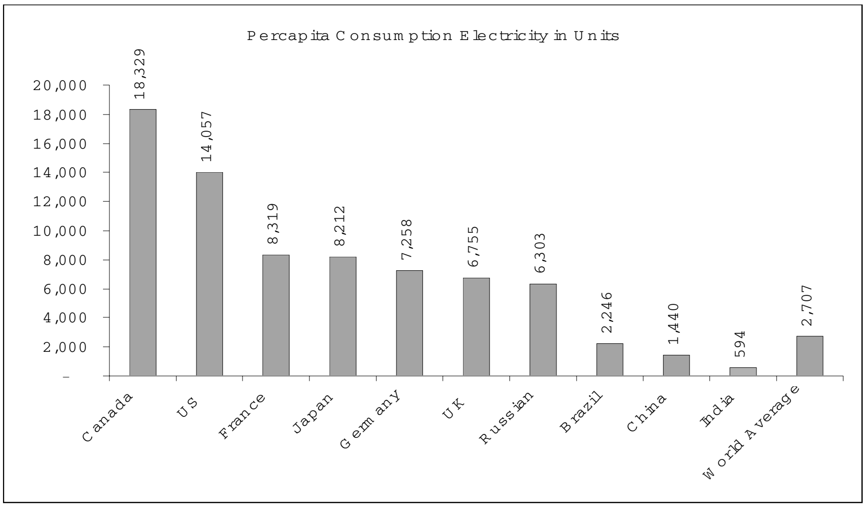
The following graph presents the gap between requirement and supply of electricity in India from fiscal 1999 to 2006:



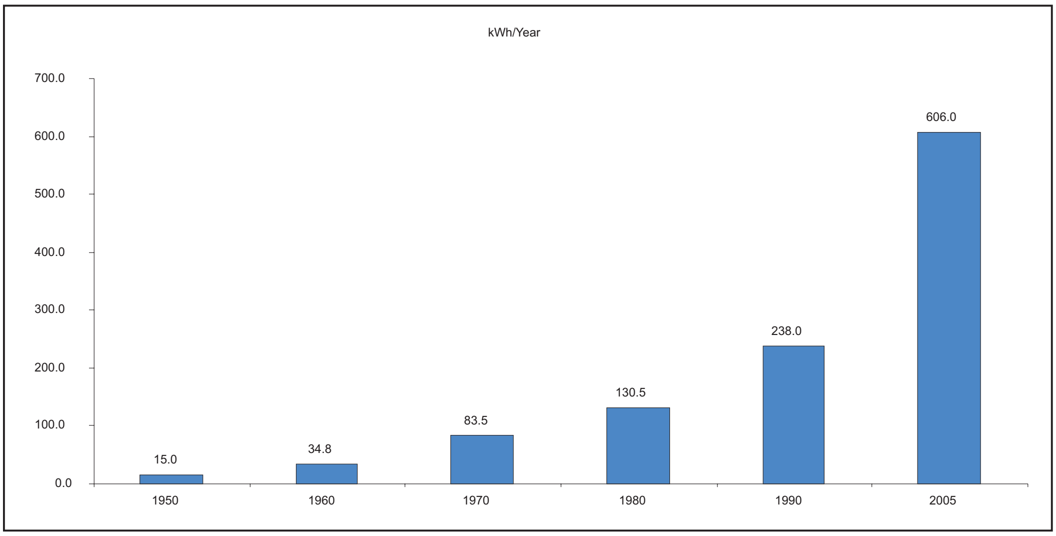
Source: Ministry of Power Annual Report, 2004-05, ***www.cea.nic.in***

Although power generation capacity in India has increased substantially in recent years, it has not kept pace with the growth in demand or the growth of the economy generally. The International Energy Agency's *World Energy Outlook 2004* projects electricity demand in India will increase by 5.4% per year from 1997 to 2020.

Even though per capita consumption of electricity in India has grown from 15 kWh/Year in 1950 to 606 kWh/Year in fiscal 2005 and according to data from the Ministry of Power per capita consumption of energy in India is projected to increase to 932 kWh/ year in 2012, the per capita consumption in India is extremely low in comparison to much of the rest of the world, in part due to unreliable supply and inadequate distribution networks. The following charts prepared by the UNDP compares per capita electricity consumption in India, other countries and the world average consumption in its report of 2006.



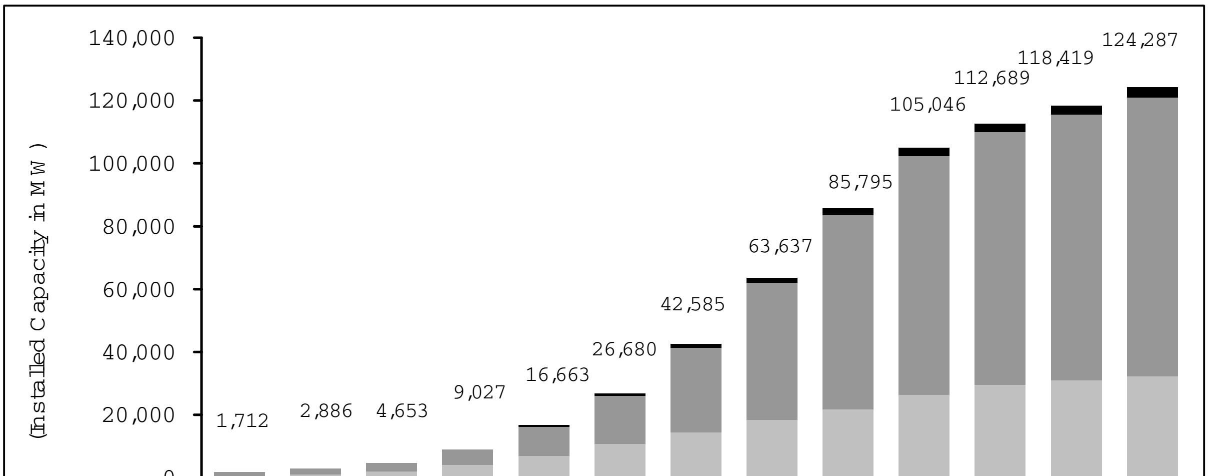
Source: UNDP, Human Development Indicators 2006.



Source: Ministry of Power, GoI.

According to Ministry of Power, as on September 30, 2006, India had an installed generation capacity of approximately 127,423 MW. Of the installed capacity, thermal power plants powered by coal, gas, naphtha or oil accounted for approximately 65.91% of total power capacity. Hydroelectric stations accounted for approximately 26.17% and others (including nuclear stations and wind power) accounted for approximately 7.92%.

The following graph presents installed generation capacity in India from 1956 to 2006, from the first plan period to part way through the tenth plan period, by type:



	31.12.50	31.03.56 1st Plan	31.03.61, 2nd	31.03.66, 3rd	31.03.74, 4th	31.03.79, 5th	31.03.85, 6th	31.03.90, 7th	31.03.97, 8th	31.03.02, 9th	31.03.04, 10th	31.03.05, 10th	31.03.06, 10th
Nuclear	0	0	0	0	640	640	1,095	1,565	2,225	2,720	2,720	2,770	3,360
Thermal	1,153	1,825	2,736	4,903	9,058	15,207	27,030	43,764	61,912	76,057	80,462	84,713	88,602
Hydro	559	1,061	1,917	4,124	6,965	10,833	14,460	18,308	21,658	26,269	29,507	30,936	32,325

Source: Annual Report, Ministry of Power, 2004-05 and Ministry of Power, Performance Report, 2004-05/CEA

Thermal includes power generated from wind and other non-conventional sources (6191MW for Fiscal 2006)-CEA.

The GoI adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased power generation capacity addition targets. The Ninth Plan targeted a capacity addition of 40,245 MW of which 73.4% was to come from thermal capacity, 24.4% was to come from hydro capacity and 2.2% was to come from nuclear capacity. According to the Ministry of Power only around 19,251 MW or 47.8% of the planned capacity was added during the Ninth Plan. The Tenth Plan for fiscal years 2002 to 2007 has targeted a capacity addition of 41,110 MW revised to 30,641 MW. During the Tenth Plan period from April 1, 2002 up to November 30, 2006, 17,743 MW has been commissioned with the remaining 12,898 MW in progress.

The status of power generation capacity during Tenth Plan as of November 30, 2006, is as follows:

Sector	10th Plan Status (in MW)			
	Target	Commissioned	Execution	Overall capacity anticipated
Central Sector	22,832	10,865	5,314	16,179
State Sector	11,157	4,948	6,060	11,008
Private Sector	7,121	1,930	1,524	3,454
Total	**41,110**	**17,743**	**12,898**	**30,641**

Source: Ministry of Power (the above includes thermal, hydro and nuclear power projects but excludes captive power and non renewable energy sources)

The GoI in its mission "Power for all by 2012", estimated that India's installed generation capacity should be 200,000 MW by the end of its Eleventh Five Year Plan in 2012 compared to 127,423 MW as on September 30, 2006.

Recent Developments in the Indian Power Sector

In recent years, in light of persistent power shortages, the GoI has taken significant action to restructure the power sector and attract investments in this sector. The most significant reform package has been the introduction of the Electricity Act, 2003 which has modified the legal framework governing the electricity sector and has been designed to alleviate many of the problems facing India's power sector and to attract capital for large scale power projects.

The Electricity Act is a central unified legislation and seeks to replace the multiple legislations that governed the Indian electricity sector. The Electricity Act consolidates all the existing legislations and provides for further material reforms in the sector. The most significant reform initiative under the Electricity Act is the move towards a multi buyer, multi seller system as opposed to the current structure which permits only a single buyer to purchase power from generators. Furthermore, under the Electricity Act, the regulatory regime is more flexible, has a multi year approach and allows regulatory commissions greater freedom in determining tariffs, without being constrained by rate-of-return regulations. Under the Electricity Act, the penal provisions for dishonest use of electricity have been tightened and special courts have been envisaged for speedy dispensation of justice. For a discussion of the Electricity Act, please see the section titled "Our Business" beginning on page 50 of this Prospectus.

With increasing urbanization, industrial growth and per capita consumption, the gap between the actual demand and supply is likely to increase. Some latent demand for electricity may also surface in the event of wider distribution and increased reliability in power supply. In this scenario, the government expects that alternative sources of energy, such as wind energy and biomass are likely to play an increasingly important role in bridging the demand supply gap.

The National Electricity Policy has also been notified in February 2005. This policy aims at accelerated development of the power sector, providing supply of electricity to all areas and protecting interests of consumers and other stakeholders keeping in view availability of energy resources technology available to exploit these resources, economics of generation using different resources and energy security issues. The salient features of this policy are as stated hereunder:

- Access to Electricity: Available for all households in the next five years;
- Availability of Power: Demand to be fully met by 2012. Energy and peaking shortages to be overcome and spinning reserve to be available;
- Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;
- Per capital availability of electricity to be increased to over 1,000 units by 2012;
- Minimum lifeline consumption of 1 unit/household/day as a merit good by year 2012;
- Financial turnaround and commercial viability of the electricity sector; and
- Protection of consumer interests.

The National Tariff Policy notified in the first week of 2006, aims to ensure financial viability of the power sector, attract investments, ensure availability of electricity to consumers at reasonable rates, and promote transparency and consistency in regulatory approach for tariff setting. The Regulatory Commissions shall be guided by the Tariff Policy. In order to facilitate consistency in approach a forum of regulators has been formed. As per the National Tariff Policy, procurement of future requirement of power would be through competitive bidding and two part tariff structure to be awarded for all long term contracts to facilitate merit order despatch. Furthermore, PPAs are required to ensure adequate and bankable payment security mechanism in case of default. Earlier, in January 2005, guidelines for procurement of electricity through competitive bidding were issued. The captive plants are permitted to sell to non-captive users connected to transmission grids based on negotiated tariff. SERCs are also empowered to fix minimum percentage of offtake from non-conventional sources/co-generation. Additionally, all investments other than by central transmission utility and/or state transmission utilities are required to be only through competitve bids in transmission projects. SERCs are also required to notify the standards of performance for distribution with respect to quality continuity and reliability of services. SERCs are required to be guided by multi-year-tariff principle in order to determine tariff. The multi-year-tariff framework is currently under implementation. SERCs are required to monitor trading transactions and to fix the permissible trading margin.

Another significant achievement was the creation of the Appellate Tribunal for electricity in July 2005. The Appellate Tribunal has started hearing appeals against orders of the Regulatory Commissions.

Power Sector Distribution Reforms

The distribution reform was identified as the key area to bring about the efficiency and improve financial health of the power sector. GoI among other various initiatives, approved a scheme called "Accelerated Power Development and Reforms Programme (APDRP)" in March 2003 to accelerate distribution sector reforms.

The main objectives of the APDRP programme are to:

- reduce Aggregate Technical & Commercial (AT&C) losses;
- bring about commercial viability in the power sector;
- reduce outages and interruptions; and
- increase consumer satisfaction.

GoI provide funds under the programme as additional central assistance over and above the normal central plan allocation to those states who commit to a time bound programme of reforms as elaborated in the Memorandum of Understanding (MoU) and Memorandum of Agreement (MoA). The funds under the programme are provided under two components:

- Investment component - Funds are provided through a combination of grant and loan. For this purpose states have been categorized as special category states and non-special category states. 100% of the project cost in special category states (all North Eastern States, Sikkim, Uttaranchal, Himachal Pradesh and Jammu & Kashmir) is financed by the GoI in the ratio of 90% grant and 10% loan. In respect of other states (non-special category) the GoI finances 50% of the project cost in the form of grant and loan in the ratio of 1:1. SEBs and utilities have to arrange balance funds from our Company or any other financial institutions or from their own resources as counter-part funds. As per the revised APDRP Guidelines of the GoI dated November 7, 2005, the financial assistance from the GoI will be restricted to 25% of the project cost as grant only for non-special category states. For special category states the GoI will finance 90% of the project cost as grant. The balance requirement will have to be arranged by the respective SEB's and utilities.

- Incentive component - This component has been introduced to motivate SEBs and utilities to reduce their cash losses who are incentivised through grant upto 50% of the actual cash loss reduction by them. The year 2000-01 is the base year for the calculation of loss reduction. In subsequent years the losses are calculated as net of subsidy and receivables. Funds under incentive components are provided as 100% grant to all the states (special category and non-special category) as additional plan assistance.

In fiscal 2003, 2004, 2005 and 2006 under investment component, the cost of projects approved under APDRP was Rs. 130,591.20 million, Rs. 27,708.40 million, Rs. 30,536.30 million and Rs. 2,968.70 million respectively. In fiscal 2007, as of September 30, 2006 no projects were approved. In total as of September 30, 2006, 583 projects were approved with the total cost of projects amounting to Rs. 191,804.60 million under this scheme, out of which the APDRP component amounts to Rs. 92,646.50 million and funds released amount to Rs. 63,743.40 million. Under the incentive component, Rs. 9,555,80 million was released up to fiscal 2005. In fiscal 2006, Rs. 5,810.60 million was released. In fiscal 2007, as of September 2006, Rs. 183.80 million has been released. In total, under the incentive component, an amount of Rs. 15,550.20 million was released.

The following table illustrates the status of reforms and restructuring in various states as of September 30, 2006.

Status of Reforms & Restructuring in States as compiled on September 30, 2006

Milestones		Arunachal Pradesh	Andhra Pradesh	Assam	Bihar	Chattisgarh	Delhi	Gujarat	Goa	Haryana	Himachal Pradesh	Jammu & Kashmir	Jharkhand	Karnataka	Kerala	Meghalaya	Manipur	Mizoram	Maharashtra	Madhya Pradesh	Nagaland	Orissa	Punjab	Rajasthan	Sikkim	Tamil Nadu	Tripura	Uttar Pradesh	Uttaranchal	West Bengal	Total
1.00	**SERC**																														
a	Constituted		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	*	*	✓	✓	*	✓	✓	✓	✓	✓	✓	✓	✓	✓	**28**
b	Operationalisation		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	**23**
c	Issuing Tariff Orders		✓	✓		✓	✓	✓		✓	✓		✓	✓	✓				✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	**20**
2.00	**Unbundling/ Corporatisation**																														/
a	Unbundling/ Corporatisation – Implementation		✓	✓			✓	✓		✓				✓		#			✓	✓		✓		✓	#		✓	✓	✓		**15**
b	Privatization of Distribution						✓															✓									**2**
3.00	**Distribution Reform**																														
a	100% Metering - 11 kV Feeder Metering			✓		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	**22**
b	100% Metering - Consumer Metering		✓	✓			✓		✓		✓				✓			✓												✓	**8**

Note:

* (i) This includes SERC notified for Manipur, Mizoram and Nagaland.

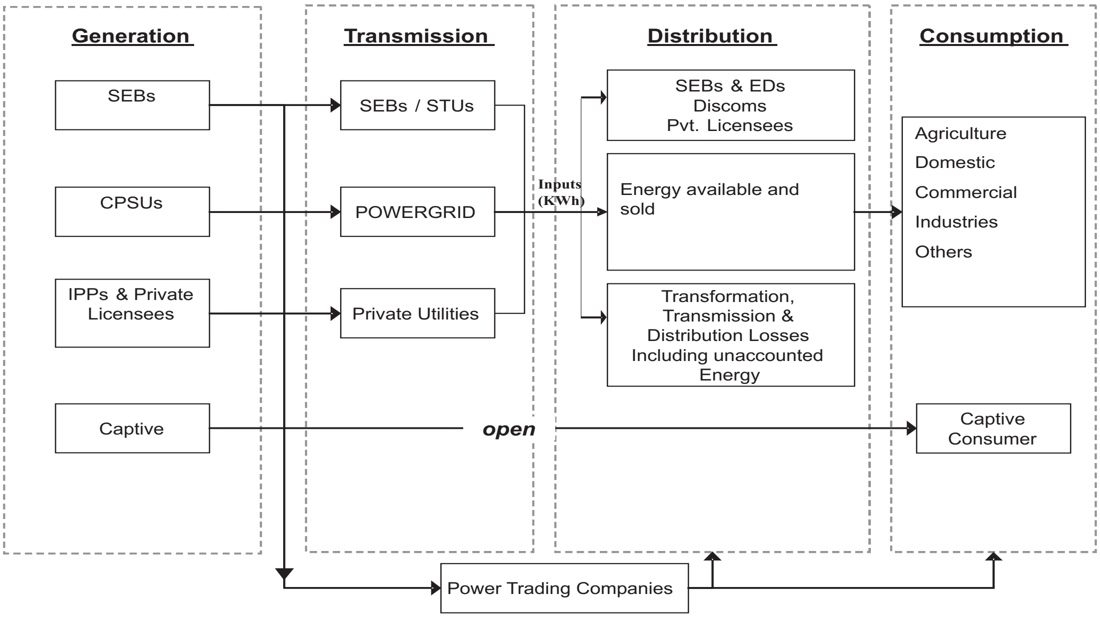
(ii) Tariff Order issued includes any one Order issued since operationalisation.

#(iii) Corporatisation of the state power sector has been notified in the State of Meghalaya and Sikkim.

(iv) Consumer and Grid metering almost achieved 95% and more.

Structure of the Indian power sector

The following diagram depicts the structure of the Indian power industry for generation, transmission and distribution and consumption:



Generation

As of September 30, 2006, total installed capacity was 127,423 MW, which is broken out as follows:

Sector	MW	Percentage
State Sector	70,569	55.38
Central Sector	41,423	32.51
Private Sector	15,431	12.11
Total	**127,423**	**100.00**

Source: Ministry of Power website, ***www.powermin.nic.in***

Public Sector

In India, control over the development of the power industry is shared between the central and the state governments. State governments have set-up state utilities that are responsible for ensuring that the supply, transmission and distribution of electricity in such states is done in the most economical and efficient manner. According to Ministry of Power, as on September 30, 2006, the state utilities owned around 55.38% of generation capacity.

An additional 32.51% was owned by central sector utilities, such as the NTPC, NHPC, North Eastern Electric Power Corporation and the Nuclear Power Corporation of India among others. Central sector utilities were created after 1975, under the Companies Act, with administrative control in the hands of MoP. They were designed to pool state resources, such as hydroelectricity and coal, thus providing economies of scale, and complementing SEBs' limited investment capability.

One of the key changes introduced by the government in the Electricity Act is to remove the legal foundation for the continuation of SEBs. It is intended that SEBs will be completely restructured and their assets unbundled into generation, transmission, and distribution companies. Thirteen utilities have been unbundled to date.

Private Sector

In 1991, the Government began to encourage private sector participation in the power industry. Since this date a total capacity of approximately 7,400 MW from 37 private power plants has been commissioned. As of March 31, 2006, an additional capacity of around 4,500 MW from 12 projects is reported to be under construction. Orissa was the first state in the country to privatise the state's electricity distribution. This was followed by the privatisation of Delhi Vidyut Board. Various other states including Uttar Pradesh, Haryana, Karnataka, Andhra Pradesh, Madhya Pradesh, Delhi and Rajasthan have restructured their boards into separate entities for generation, transmission and distribution. Some states are also attempting to corporatise the former SEB entities.

Reliance Energy Limited and Tata Power Limited dominate the private sector.

- Tata Power, with a generation capacity of 2,278 MW has thermal assets in Trombay, Maharashta; Belgaum and Wadi, Karnataka, and Jojobera, Jharkhand. It also has three hydropower plants in Maharashtra at Khopoli, Bhivpuri and Bhira.
- Reliance Energy has a 500 MW coal-based power plant at Dahanu, Maharashtra, a 220MW naptha-based plant at Samalkhot in Andhra Pradesh, a 165 MW plant in Kerala and a 48MW plant in Goa.
- GMR Infrastructure Limited with a combined generation capacity of 420 MW and an additional 389 MW plant to be commissioned in the near future is another serious private-sector participant.

The Electricity Act allows for increased private involvement in power sector development. In particular it has introduced significant changes in the industry, notably by moving the sector from a single-buyer market to a multi-buyer and multi-seller system. The aim is to give the private sector access to the state electricity board transmission grids thereby allowing private power producers to sell directly to large industrial consumers.

Captive Power Generation

The electricity supply industry in India is also characterised by a large amount of captive generation, which has been established by energy intensive industries such as steel and aluminium. Captive power generation represented 19,657 MW of total capacity in fiscal 2005.

Under the Electricity Act, captive generators will be able to sell excess power to consumers.

Transmission and Distribution

In India, the transmission and distribution system is a three-tier structure comprising regional grids, state grids and distribution networks. The distribution network and the state grids are mostly owned and operated by SEBs or state governments through SEBs.

Most of the inter-state transmission links are owned and operated by PGCIL. The bulk transmission network has increased from 3,078 ckm in 1950 to more than 265,000 ckm at present. In order to facilitate the transfer of power between neighbouring states, state grids are interconnected to form five regional grids. These regional grids facilitate transfer of power from a power-surplus state to a power-deficit state and it is anticipated that these grids will be gradually integrated to form a national grid. At present, the national grid has a capacity of 9,500 MW and PGCIL plans to achieve national grid capacity of 30,000 MW by fiscal 2012.

Delhi and Orissa are two states where power distribution is overseen by private companies. Additionally, Tata Power Limited, CESC Limited, Reliance Energy Limited, Torrent Power Limited, Ahmedabad Electricity Company, Surat Electricity Company and Noida Power Company Limited own and operate distribution networks in their respective license areas.

Providers of Finance to the Power Sector in India

The primary providers of power sector financing in India are power sector specific government companies, financing institutions, public sector banks and other public sector institutions, multilateral development institutions and private banks.

Power Sector Specific Government Companies

Besides our Company, the other sector specific companies owned by GoI and engaged in financing power sector are as follows:

Rural Electrification Corporation

The Rural Electrification Corporation ("REC") was incorporated on July 25, 1969 under the Companies Act. REC is a wholly owned government enterprise and its main objective is to finance and promote rural electrification projects throughout India. It provides financial assistance to SEBs, state government departments and rural electric cooperatives for rural electrification projects. REC also promotes and finances rural electricity cooperatives; administers funds and grants from the GoI and other sources for financing rural electrification, provide consultancy services and project implementation in related fields, finances and executes small, mini and micro generation projects and develops other energy sources.

Indian Renewable Energy Development Agency

The Indian Renewable Energy Development Agency ("IREDA") was established in 1987 as a public sector NBFC under the Ministry of Non-Conventional Energy Sources with the objective of promoting, developing and extending financial assistance for renewable energy and energy efficiency, and energy conservation projects. IREDA is playing a key role in the development of renewable energy in India.

Financial Institutions

Financial institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund based and non-fund based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions include IDFC Limited, IIFC Limited, IFCI Limited, Industrial Investment Bank of India Limited and Small Industries Development Bank of India.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set-up to finance and promote small and medium-sized enterprises. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises.

Public Sector Banks and other Public Sector Institutions

Public sector banks make up the largest category of banks in the Indian banking system. The primary public sector banks operating in the power sector financing include the Industrial Development Bank of India, State Bank of India, Punjab National Bank and the Bank of Baroda. Other public sector entities also provide financing to the power sector. These include organizations such as the Life Insurance Corporation of India.

Multilateral Development Institutions

The primary multilateral institutions involved in power sector lending in India include several international banking institutions, the World Bank, the Asian Development Bank and the International Finance Corporation.

Multilateral financial institutions are supportive of power sector reform and of more general economic reforms aimed at mobilizing investment and increasing economic efficiency.

In the early 1990s, the World Bank decided to finance mainly projects in states that "demonstrate a commitment to implement a comprehensive reform of their power sector, privatise distribution, and facilitate private participation in generation and environment reforms". This marks a change from the period before 1993 when the World Bank financed mostly large-scale generation projects. This strategy shift was justified by the fact that support to large generation projects had not contributed effectively to the emergence of a viable power system in India, as reflected in a subsequent report by the Operation Evaluation Department, *Meeting India's Energy Needs (1978-1999): A country sector review*. Accordingly, recent loans from the World Bank have gone to support the restructuring of SEBs. In general, the loans are for rehabilitation and capacity increase of the transmission and distribution systems, and for improvements in metering the power systems in states that have agreed to reform their power sector.

The overall strategy of the Asian Development Bank (ADB) for the power sector is to support restructuring, especially the promotion of competition and private-sector participation. The ADB supports power generation projects if they are beyond the financial reach of the private sector. The ADB also supports rural electrification and small grids, especially when electricity service is not yet commercially viable. Like the World Bank, the ADB is providing loans for restructuring the power sector in the states and improving transmission and distribution.

Private Sector Banks

After the first phase of bank nationalization was completed in 1969 the majority of Indian banks were public sector banks. Some of the existing private sector banks, which showed signs of an eventual default, were merged with state owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as the ''new'' private sector banks. These institutions also provide fund based and non-fund based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees, and will compete in this sector.

OUR BUSINESS

Overview

We are a leading power sector public financial institution and a non-banking financial company providing fund and non-fund based support for the development of the Indian power sector. Our organization occupies a key position in the government's plans for the growth of this sector. We perform a major role in channeling investment into the power sector and function as a vehicle to develop this sector.

We commenced our operations in fiscal 1988 as part of a GoI initiative to enhance funding of power projects in India. We initially provided funding to power projects for SEBs and power departments. In-line with the government's decision to encourage private sector participation, we began financing power projects in the private sector from fiscal 1997. We have grown to become a professionally managed organization that we believe is a financier of choice for power sector projects.

Our clients include state power utilities, central power sector utilities, power departments, private power sector utilities (including independent power producers), joint sector power utilities, power equipment manufacturers and power utilities run by local municipalities. These clients are involved in all aspects of the generation, transmission and distribution and related activities in the power sector in India.

We view ourselves as a specialized institution in power sector financing. We draw on our knowledge of the power sector and financing expertise to provide products and services to our clients. Our financial products and services include financing in the form of rupee term loans, foreign currency loans, bridge loans, short term loans, transitional loans, bill discounting, equipment leasing, buyers' line of credit, loans to equipment manufacturers, line of credit for the import of coal, debt refinancing, asset acquisition schemes, study assistance and non-fund based products such as guarantees. We also offer comfort letters in connection with our term loans, wherever our borrowers are required to establish letter of credit with its bankers. In addition, we provide technical and management advisory and consultancy services.

We are also allied with the GoI in the implementation of its Accelerated Generation and Supply Program ("AG&SP") and Accelerated Power Development and Reform Program ("APDRP"). Under these programs, projects meeting certain specific criteria are eligible for assistance. AG&SP aims to support eligible projects to renovate and modernise existing power plants and support new generation plants. The AG&SP scheme subsidises our normal lending rates, to State Power Utilities. The subsidy is paid in advance directly to us out of the central government budget on the basis of disbursements made during the period. The interest subsidy is passed on to the State Power Utilities during the life of the loan. APDRP supports the implementation of government reforms and improvements of distribution systems to improve the delivery of power to consumers. Under this scheme electricity distribution projects which fulfilled the criteria laid down by the MoP were eligible for financial assistance in the form of grants and loans from the government to part finance these projects. The balance funding of the projects under APDRP is arranged by the State Power Utilities themselves, either from internal resources, loans from us or other sources. However, as per revised APDRP guidelines of GoI, the financial assistance will be restricted to grant only.

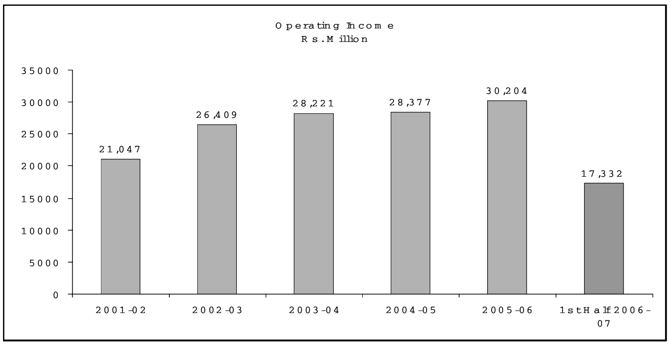
In fiscal 1999, the GoI granted us "Mini Ratna" status. This means we are considered a public sector enterprise that, by virtue of our operational efficiency and financial strengths, has been accorded greater operational freedom and autonomy in decision making. Further, in recognition of our performance and our consistent achievement of targets negotiated under the Memorandum of Understanding we enter into with the Government on an annual basis, the Government has rated our performance as "Excellent", continuously from fiscal 1994 to fiscal 2004. For fiscal 2005, we were awarded "Very Good" rating. Our rating for fiscal 2006 is currently awaited.

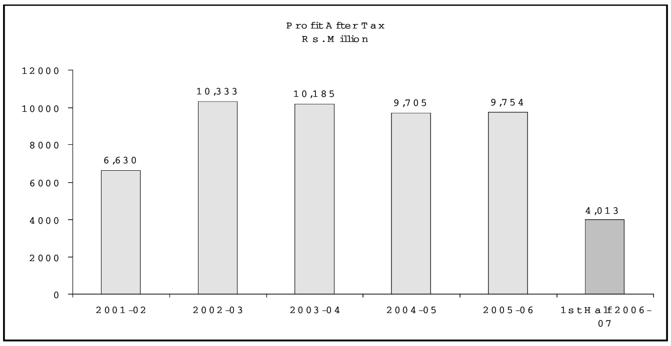
As of September 30, 2006 and March 31, 2006, we have made cumulative sanctions of Rs. 1,139,487.38 million and Rs. 940,520.90 million and cumulative disbursements of Rs. 677,978.08 million and Rs. 617,990.10 million respectively to power sector projects. The cumulative guarantee assistance as on September 30, 2006 was Rs. 17,078.11 million. In fiscal 2005, we made a profit after tax of Rs. 9,705.31 million, in fiscal 2006, our net profit was Rs. 9,754.14 million and in the six months ended September 30, 2006 our net profit was Rs. 4,013.01 million. As on March 31, 2005, we had total assets of Rs. 311,455.45 million and net worth of Rs. 59,974.96 million. As on March 31, 2006, we had total assets of Rs. 374,903.89 million and our net worth was Rs.65,055.27 million. As on September 30, 2006, we had total assets of Rs. 400,852.01 million and a net worth of Rs. 68,710.44 million.

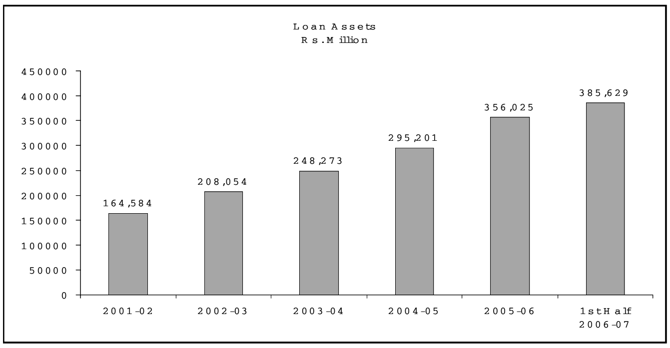
We have demonstrated growth in our operating income and loan assets, which have grown at a compounded annual growth rate of 9.45% and 21.28% respectively from fiscal 2002 to fiscal 2006. Our sanctions and disbursements have also grown at a compounded annual growth rate of 27.47% and 22.61% respectively from fiscal 2002 to fiscal 2006. Our establishment and administrative expenses to loan assets ratio was 0.12% (annualized) for the six months ended September 30, 2006, 0.14% for fiscal 2006 and 0.15% in fiscal 2005.

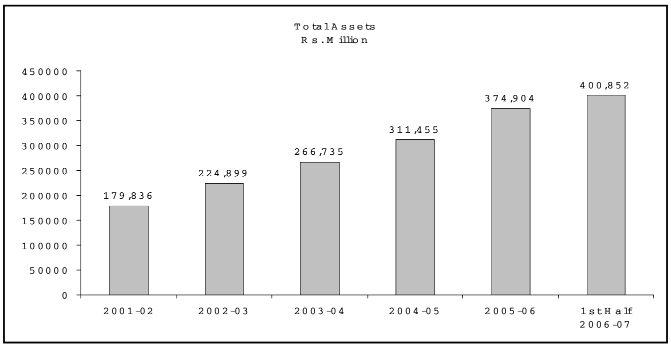
For fiscal 2005, our net interest margin was 4.45% with an average yield on earning assets of 9.97% and average cost of funds of 7.26%. For fiscal 2006, our net interest margin was 3.43% with an average yield on earning assets of 8.90% and average cost of funds of 7.07%. For the six months ended September 30, 2006, our net interest margin was 3.37% (annualized) with an average yield on earning assets of 9.08% (annualized) and average cost of funds of 7.31% (annualized).

The following charts illustrate our profit after tax, operating income, loan assets and total assets from fiscal 2002 to fiscal 2006 along with the six months ended September 30, 2006:









We hold the highest credit ratings of “AAA” and “LAAA” for our long term domestic borrowings and “P1+” and “A1+” for our short term borrowings from the domestic credit rating agencies CRISIL and ICRA, respectively. The international credit rating agencies Moody’s and Standard & Poor’s have given us the long-term foreign currency issuer ratings of Baa3 & BB+ respectively, which are at par with sovereign ratings for India.

Our growth has been driven by the substantial investment requirements of the power sector in India combined with the growth in the Indian economy over the last several years. As per estimates of the Central Statistical Organisation of India, the GDP growth rate was 9.1 per cent in the first quarter and 9.2 per cent in the second quarter of fiscal 2007. In fiscal 2006 the GDP growth was 8.4% up by 0.9% over fiscal 2005 GDP growth rate of 7.5%. We believe that continued future growth of the Indian economy would require substantial investment in the power sector.

Being a government company, we are exempt from provisions of the RBI Act relating to the maintenance of liquid assets, the creation of reserve funds and directions relating to the acceptance of public deposits. In addition, we are currently exempt from provisions of the RBI Act relating to the application of prudential norms. The RBI vide its notification (No. RBI/2006-07/204/ DNBS.PD/CC.No. 86/03.02.089/2006-07) dated December 12, 2006 has amended the regulatory framework governing NBFCs and has proposed to bring all deposit taking and systemically important companies, which are defined as NBFCs having an asset size of Rs. 1,000 million or more under the provisions of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Directions"). However, the date from which Govt. owned NBFCs are to fully comply with these guidelines will be decided later. Such companies including ourselves are therefore, required to prepare a road map for compliance with various elements of the NBFC regulations, in consultation with the Govt. of India and submit the same to the Reserve Bank of India (Department of Non–Banking Supervision) by March 31, 2007.

Since fiscal 2004 we have used our own prudential norms with respect to the classification of loan assets as Non-Performing Assets ("NPAs"). As of September 30, 2006, we had gross NPAs of Rs. 896.72 million and net NPAs were at Rs. 614.18 million, which equates to 0.23% and 0.16% respectively of our loan assets. As of March 31, 2006, we had gross NPAs of Rs. 916.99 million and net NPAs were at Rs. 698.34 million, which equates to 0.26% and 0.20% respectively of our loan assets. Our capital to risk-weighted asset ratio as of September 30, 2006 and March 31, 2006 were 17.77% (annualized) and 18.23% respectively, and our return on average total assets in the six months ended September 30, 2006 and fiscal 2006 were 2.07% (annualized) and 2.84% respectively. In addition, as a government company, we are entitled to certain tax concessions. For details on the tax benefits applicable to us, see the sections titled "Statement of Tax Benefits" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 35 and 176 respectively of this Prospectus.

The President of India, acting through nominees from the MoP, currently holds 100% of the issued and paid-up equity capital of our Company. After the Issue the government's shareholding will be 89.78% of the diluted post issue paid-up equity capital of our Company. The GoI, acting through the MoP, oversees our operations and has power to appoint Directors.

Strengths

We believe that the following are our primary strengths:

Exclusive focus on financing the power sector

We are a leading power sector public financial institution and a non-banking financial company providing fund and non-fund based support for the development of the Indian power sector. We were founded with the sole objective of, and our focus continues to be on, extending finance to and promoting Indian power projects and related activities. We have developed extensive power sector knowledge and have the capacity to appraise and extend financial assistance for a wide variety of projects. We also have the skills and the expertise to provide solutions to various problems faced by power sector utilities. This has been demonstrated in the variety of products and services that we offer to our clients. We provide value to our clients by improving their operational and managerial capabilities and also by assisting them in their sustainable reform and restructuring programs.

In the government's ninth plan period (fiscal 1998 to fiscal 2002) our disbursements, excluding short term loans, were Rs. 135,844.51 million against a total expenditure in the power sector of Rs. 1,195,760 million resulting in a share of 11.36% for this period. In the government's tenth plan period (fiscal 2003 to fiscal 2007) our disbursements, excluding short term loans, for the first four year period were Rs. 281,649.45 million against estimated expenditure of Rs. 1,228,390 million in the power sector (as per Planning Commission's tenth Plan mid-term appraisal) for the same period, resulting in a share of 22.93% for this period.

Established relationship with the Government

We are a government Company that occupies a key position in government plans for the growth and development of the Indian power sector. We have played and will continue to play a key role in the implementation of government policies and programs including the implementation of the Electricity Act.

We work closely with state governments and state power sector utilities and assist them to undertake reforms within their organizations. As on September 30, 2006, 28 States have set-up State Electricity Regulatory Commissions and 15 States have reorganized their operations to establish unbundled and/or corporatised State Power Utilities. We have established strong relationships with the GoI and act as a nodal agency to implement various policies and programmes of the GoI. The major reform programmes in which we are involved are the Accelerated Generation and Supply Programme (AG&SP), Accelerated Power Development and Reform Programme (APDRP), Distribution Reform, Upgrades and Management programme (DRUM) and Delivery through Distributed Management programme (DDM).

Well developed client relationships

We have well developed relationships with the major power sector organizations in India including state power utilities, power departments, central power sector utilities, private power sector utilities (including independent power producers), joint sector power utilities, power equipment manufacturers and municipal power utilities. We consider our clients to be our business partners and support their growth and development. We interact with our clients on a regular basis at various levels and undertake client workshops and seminars to facilitate discussion of issues and identify concerns. These forums also allow us to promote our products and services and adjust our offerings in-line with client needs.

To further our client relationships, we have recently connected all our major clients with video conferencing facilities for live interactions with us. We have also made our funding application forms available online so that they can be downloaded and completed by our clients. We believe these and other client friendly initiatives have resulted in well-developed relationships with our clients.

We in line with our role as a development financial institution, have been, from time to time, organizing meetings with the chairpersons of SPUs, energy secretaries and other senior power sector officials from state governments. The main objective of these meetings is to have a better understanding of the role, responsibililty and expectations which the SPUs and state governments may have from our Company and to evolve a common strategy to re-orient the operations of our Company vis-à-vis SPUs for a mutually beneficial relationship and faster growth.

Financial performance

We have demonstrated consistent growth in our operating income and loan assets, which have grown at a compounded annual growth rate of 9.45% and 21.28% respectively from 2002 to 2006. Our sanctions and disbursements have also grown at a compounded annual growth rate of 27.47% and 22.61% respectively from 2002 to 2006.

In fiscal 2005, we made a profit after tax of Rs. 9,705.31 million and in fiscal 2006 our net profit was Rs. 9,754.14 million. In the six months ended September 30, 2006, our net profit was Rs. 4,013.01 million. As on March 31, 2005, we had total assets of Rs. 311,455.45 million and net worth of Rs. 59,974.96 million. As on March 31, 2006, we had total assets of Rs. 374,903.89 million and our net worth was Rs. 65,055.27 million. As on September 30, 2006 we had total assets of Rs. 400,852.01 million and net worth of Rs. 68,710.44 million. The return on average net worth for fiscal 2005 was 16.85%, for fiscal 2006 it was 15.60% and for the six months ended September 30, 2006 it was 12% (annualized).

Our financial performance results, in part, from our high collection performance and low establishment and administrative expenses.

Our success in collection owes much to our effective credit process, which involves extensive screening and financial analysis to assess potential risks and devise appropriate risk mitigation mechanisms. We further have implemented a systematic process to continuously monitor and evaluate outstanding loans for recovery. As of March 31, 2005, we reported gross NPAs of Rs. 1,954.19 million, which forms 0.66% of our loan assets, as of March 31, 2006, we had gross NPAs of Rs. 916.99 million, which forms 0.26% of our loan assets and as of September 30, 2006, we had gross NPAs of Rs. 896.72 million, which forms 0.23% of our loans assets.

In addition, we have low establishment and administrative expenses and our operational efficiency is high, which increases our profitability. Our establishment and administrative expenses of Rs. 233.06 million, Rs. 484.70 million and Rs. 446.27 million for the six months ended September 30, 2006, fiscal 2006 and fiscal 2005 were 0.12% (annualized), 0.14% and 0.15% of our loans assets, respectively.

Stringent internal procedures and credit review mechanism

We follow a systematic institutional and project appraisal process to assess and mitigate credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring of credit risk mitigation measures. We use a range of quantitative as well as qualitative parameters as a part of the appraisal process to make a sound assessment of the extent of underlying credit risk in a project. In assessing our borrowers' eligibility criteria we place an emphasis on financial and operational strength, capability and competence. We evaluate the credit quality of the borrowers by assigning risk weightings (scores) on the basis of the various financial and non-financial parameters. Our appraisal and sanctioning process for projects and schemes in power and allied sector is ISO 9001:2000 certified by M/s. NQAQSR Certification Private Limited. These stringent internal processes and credit review mechanisms reduce the number of defaults on our loans and contribute to our profitability.

Competitive cost of funds

Our cost of funds was 7.07% in fiscal 2006 and 7.31% (annualized) in the six months ended September 30, 2006, which we believe compares favourably with our competitors. Due to our status as government Company, we are exempt from provisions of the RBI Act relating to the maintenance of liquid assets, the creation of reserve funds and directions relating to the acceptance of public deposits. We are also exempt from holding a significant portion of our funds in relatively low yielding assets, including government and other approved securities and cash reserves and as a result we are able to deliver debt financing at a competitive rate.

We fund our assets, with market borrowings of various maturities and currencies. Our market borrowings include bonds, debentures, term loans, commercial papers and inter-corporate deposits. Given our relationship with the GoI, we have also been able to source foreign currency loans from agencies such as the World Bank, ADB and Kreditanstalt fur Wiederaufbau. These sources enable us to raise long term funds at competitive costs, which supplement the funds available from commercial sources and broaden the maturity profile of our debt.

Competent and committed workforce

We have a highly competent and committed workforce. As on January 4, 2007, we had a workforce of 306 employees. More than half of our workforce has been with our Company for over 10 years. The members of our management team and professional staff have a variety of professional qualifications and come from a diverse set of backgrounds including power generating companies, engineering companies, leading commercial banks and lending institutions, finance companies and regulators. Our managers and professional staff have domestic and international expertise and domain knowledge in areas such as project finance, corporate lending, structured finance and law.

Strategy

We are committed to funding the integrated development of the power and associated sectors. We intend to remain a financier of choice in this area by providing financial and consultancy services to ensure the development of economic, reliable, efficient systems and institutions in the power sector.

The key elements of our business strategy are as follows:

Expand the services offered to customers

We intend to expand the financial assistance we offer to projects ancillary to the power sector, specifically those projects related to the provision of fuel to power generating utilities.

In January 2006, we formalized common lending documents with Life Insurance Corporation of India and ten Indian banks to establish the "Power Lenders Club", whereby we intend to facilitate "one stop shopping" for clients in the power sector and to provide them access to capital from a consortium of financial institutions and banks to enable power projects to achieve faster financial closure. HUDCO also joined the Power Lenders Club on November 10, 2006. We expect the Power Lenders Club to play a major role in funding of UMPPs for which we are the nodal agency.

Develop and fund ultra mega projects and diversify our business

We are currently working with the MoP and CEA to develop large size power projects. We have been designated as the nodal agency by the GoI for the development of nine UMPPs located in Sasan in Madhya Pradesh, Mundra in Gujarat, Krishnapatnam in Andhra Pradesh, Barhi in Jharkhand, Tadri in Karnataka, Girye in Maharashtra, Ib Valley in Orissa, Akaltara in Chattisgarh and Cheyyur in Tamil Nadu. As of February 8, 2007, we have incorporated nine wholly owned subsidiary companies to act as SPVs for these projects. We, through these subsidiaries and in conjunction with the MoP and CEA, will undertake all activities necessary to obtain the appropriate clearances required to establish these generation projects. It is intended that these SPVs will be transferred to successful bidder(s) selected through a tariff based international competitive bidding process managed by us and the developers will then implement these projects. We have issued letters of intent on December 28, 2006, awarding the Sasan and Mundra projects to successful bidders, namely to the consortium of Globeleq Pte, Singapore and Lanco Infratech

Limited (levelised tariff of Rs. 1.196 per unit) for the Sasan project and Tata Power Limited (levelised tariff of Rs. 2.263 per unit) for the Mundra project.

Additionally, we have also incorporated two subsidiaries as SPVs for two transmission projects and are also incorporating a subsidiary for a hydroelectric project on lines similar to that of UMPPs. We may also venture into power trading through SPVs. We intend to continue to explore these and similar opportunities in the future.

Explore private equity investment in venture capital funds

We intend to set-up a venture capital fund, India Power Fund to invest in power sector projects. We are in the process of incorporating this fund and we expect that it will become operational in the near future. We have committed Rs. 2,000 million to this fund. Oriental Bank of Commerce has agreed to invest Rs. 100 million in the India Power Fund. Further, LIC has also expressed its interest to participate in the India Power Fund.

We intend to register India Power Fund as a trust and as a venture capital fund with SEBI. We intend to promote and incorporate a trusteeship company to supervise and administer the trust. We also propose to promote and incorporate an asset management company for the independent day-to-day management of the trust funds.

Diversify our borrower portfolio

We intend to promote private sector participation in electricity generation, transmission and distribution in-line with the government's focus on increasing competition in this sector. In addition, an increase in private sector participation will create new investment opportunities for us such as the funding of captive power plants.

We intend to diversify our borrower portfolio by funding coal, lignite, oil and gas companies and infrastructure agencies that transport and handle fuel for power projects.

We have also identified funding of power projects of non-conventional energy sources such as wind farms, small hydro projects and bio-mass projects as a focus area. The GoI is committed to developing an increasing number of renewable energy sources. We have signed a memorandum of understanding with the state nodal agency of Maharashtra so as to provide "one stop shopping" for the financing of non-conventional energy generation projects in the state. We are in discussions with other states about the prospects of entering into similar agreements with other state nodal agencies.

We have been identified as a nodal agency for assisting SPUs in preparation of Clean Development Mechanism ("CDM") project for renovation and modernisation of old thermal and hydro generation plants. We are taking necessary action for capacity building of SPUs and preparation of documents by them to take benefits under the CDM.

We intend to continue to focus on providing funding to captive power plants for those clients who wish to establish their own sources of power generation. Since the enactment of the Electricity Act, which allows the surplus power from captive power plants to be sold to the distribution companies and fed into the electricity grid, there has been a renewed interest in captive generation and we believe we are in a position to capitalize on the growth of this area.

Continue to encourage and promote reform in the power sector

As a financial institution that focuses on power projects, we are concerned with the balanced development of Indian power sector. We intend to continue to assist State Power Utilities to adhere to the policy directives of the GoI. We will look to involve ourselves in the development of the policy and regulatory framework of the Indian power sector. We intend to enhance our role in influencing grassroot reforms to improve the financial and operational performance of these entities.

Promote and develop our consulting and advisory services

We aim to continue to deliver high quality advisory services to clients and government entities in India. We intend to promote our consultancy services and take advantage of opportunities that arise from changes in the industry as a result of the introduction of the Electricity Act. We intend to focus on advising on (1) the feasibility for joint ventures for new capacity addition, (2) human resources reforms for improving productivity in State Power Utilities, (3) computerization of accounts in State Power Utilities and (4) the establishment of new power stations.

Increase fee-based services

We intend to increase fee-based services by providing products and services to meet clients' needs.

Power sector lending operations

We provide financing products and fee-based services to projects related to the power sector. We generally disburse funds either directly to a supplier or contractor of a project or by way of reimbursement to the borrower against satisfactory proof of eligible expenditure on the project. In case of independent power projects, we disburse funds through a trust and retention account.

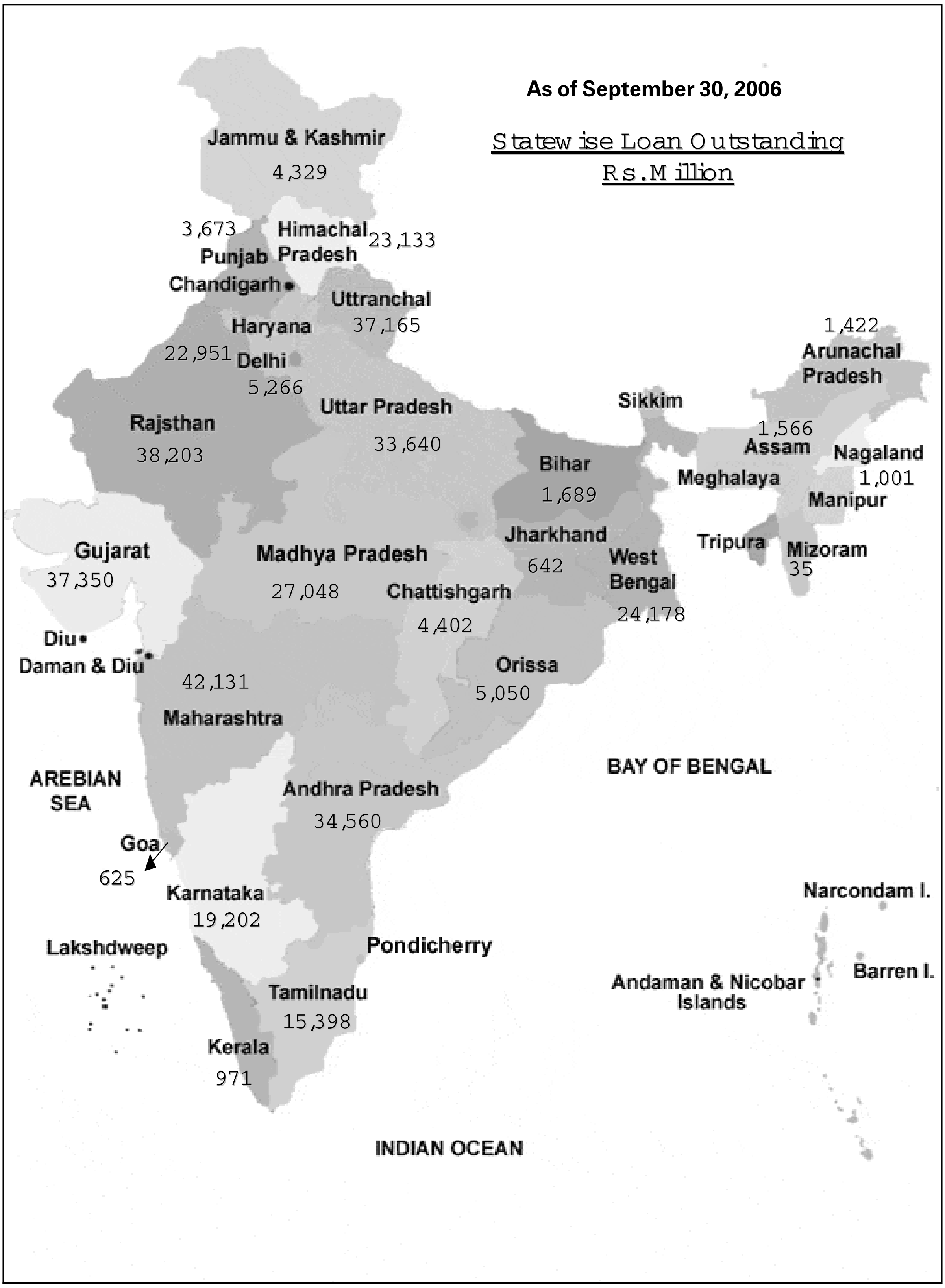
We provide the following products for our clients:

- rupee term loans, foreign currency loans, bridge loans, short-term loans and reform-linked transitional loans;
- bill discounting, equipment leasing, buyers' line of credit, loans to equipment manufacturers, line of credit for the import of coal;
- debt refinancing;
- letters of comfort; and
- non-fund based products such as guarantees.

The table below shows loans outstanding based on various financial products offered by us to our clients.

(Rs. in million)

Financial Product	**Amount (as on March 31, 2006)**	**% of total Loans Outstanding**	**Amount (as on September 30, 2006)**	**% of total Loans Outstanding**
Rupee term loans	313,257.03	88.00%	345,291.37	89.54%
Short term loans	18,235.10	5.12%	17,072.85	4.43%
Foreign currency loans	7,610.45	2.14%	8,169.13	2.12%
Bill discounting	155.75	0.04%	105.81	0.03%
Equipment leasing	2,524.02	0.71%	2,431.61	0.63%
Buyers' line of credit	1,680.41	0.47%	1,514.77	0.39%
Loan to equipment manufacturers	87.66	0.02%	73.73	0.02%
Asset acquisition scheme	1,205.60	0.34%	1,127.78	0.29%
Transitional loans	4,069.80	1.14%	3,255.90	0.84%
Debt Refinancing scheme	7,199.50	2.02%	6,586.47	1.71%
Total	**356,025.32**	**100%**	**385,629.42**	**100%**


As of September 30, 2006
Statewise Loan Outstanding
Rs. Million
Jammu & Kashmir
4,329
3,673
Punjab
Himachal Pradesh
23,133
Chandigarh
Uttranchal
37,165
Haryana
22,951
Delhi
5,266
Uttar Pradesh
33,640
Rajsthan
38,203
1,422
Arunachal Pradesh
Sikkim
1,566
Assam
Nagaland
1,001
Meghalaya
Manipur
Bihar
1,689
Jharkhand
642
Tripura
Mizoram
35
Gujarat
37,350
Madhya Pradesh
27,048
Chattishgarh
4,402
West Bengal
24,178
Diu
Daman & Diu
42,131
Maharashtra
Orissa
5,050
AREBIAN SEA
BAY OF BENGAL
Andhra Pradesh
34,560
Goa
625
Karnataka
19,202
Narcondam I.
Lakshdweep
Pondicherry
Barren I.
Andaman & Nicobar Islands
Tamilnadu
15,398
Kerala
971
INDIAN OCEAN

Rupee term loans

Our term loans constitute the largest component of our loan assets.

Our term loan financings are generally secured either by a charge on assets or, in the case of state power utilities, by a guarantee from the state government as security for loan repayment. In addition, default escrow cover is also taken for state sector loans through a tripartite agreement amongst us, the borrower and the borrower's bank. We do not insist on payment security mechanism in the form of default escrow from the State Sector Power Utilities with 'A' rating from approved/well recognized credit rating agencies.

In the case of private power utilities, our term loan financings are generally secured by a charge on assets and collaterals. All cash flows related to the project are routed through trust and retention accounts, which are supervised by a trust and retention agent on our behalf.

Our term loan financing typically bears a fixed interest rate with re-pricing mechanisms, usually effective after three or ten years, to adjust for changes in interest rates.

Foreign Currency Loans

We sanction foreign currency loans based on the requirement of capital expenditure of the project subject to our ability to provide foreign currency loans. These loans are provided to power sector utilities for end use as permitted under the External Commercial Borrowing Guidelines issued by RBI as amended from time to time. The interest rates offered are based on 6 months US Dollar LIBOR or LIBOR in any other currency. The margin over LIBOR is generally reset at the end of every 5 years.

Short-term loans

We provide short term loan finance to our borrowers to meet their immediate requirements for funds. Short-term loans are denominated in Rupees only and are generally provided for the following purposes:

- purchase of fuel for power plants;
- purchase of consumables, essential spares;
- emergency procurement/works for generating plants, transmission and distribution networks in the nature of repair and maintenance work;
- purchase of power; and
- wheeling and transmission charges for transmission companies against receivables from distribution companies.

Short-term loan facilities are provided for a period up to one year.

Transitional Loans

We provide transitional term loans to state sector entities. Such funding is linked to the reform process of these entities. These loans are provided to bridge cash deficit situations arising during the transition period after these entities undertake reforms.

Bill discounting scheme

We operate a bill discounting scheme under which eligible equipment manufacturers may, within certain limits pre-agreed with us, sell their equipment on deferred payment terms to purchasers in the power sector. The purchaser issues bills accepted or guaranteed by the purchaser's bank to the seller who then discounts them with us, thereby enabling the seller capitalise immediate payment while giving the purchaser the benefit of deferred payment terms. Similarly, credit is made available to actual user power sector companies for the purchase of machinery, equipment and other capital goods (including accessories and spares supplied with machinery) on deferred payment basis. Under this scheme, delivery of equipment is made by seller to buyer against usance bills drawn by seller which are accepted by buyer & co-accepted or guaranteed by scheduled commercial bank. The bills endorsed by seller in favour of PFC are discounted.

Equipment leasing

We provide lease financing to fund the purchase of major capital equipment and machinery essential for power and associated infrastructure projects.

Buyer's Line of Credit

The purpose of our buyers' line of credit product is to provide a non-revolving line of credit to power sector companies for the purchase of machinery, equipment and other capital goods, (including accessories and spare parts supplied along with the machinery) on a deferred payment basis. These credit lines can also be used to pay for associated civil and erection works undertaken by the supplier in respect of the installation of the equipment.

In order to obtain a line of credit, the actual user entity purchasing the goods is required to make an assessment of funds required and identify suppliers of equipment. Based on the assessment of the borrower regarding their requirement for funds for procuring these items and the loan request, we sanction a line of credit to the borrower. The borrower is required to finalise all the commercial terms of the purchase, complete the purchase formalities and make a disbursement request prior to the release of funds against the line of credit.

Debt Refinancing Scheme

We assist borrowers in the power sector to reduce their cost of borrowings by offering access to a debt refinancing scheme. Under this scheme, we assist borrowers who have borrowed funds from other lending institutions at a higher rate of interest to refinance their loans at a lower interest rate. The re-financing facility is available only for commissioned projects.

Bridge Loan Scheme

We provide short-term bridge loan financing for state or central sector utilities that have sought financial assistance from us in the form of term loans and have received a sanction letter for the loan but have not yet received the funds due to non-compliance with certain formalities or clearances.

Short and Medium Term Loan Scheme to Equipment Manufacturers

We provide short-term loans (up to one year) and medium term loans (between one and five years) to manufacturers of equipment or materials. To be eligible to receive these loans the equipment manufacturers must have been awarded a firm order for executing contracts in power projects in India by power utilities.

Asset Acquisition Scheme

We provide finance to an entity acquiring assets of another entity if the acquisition will increase volume and competitiveness of the entity's operations, expand the operations or business of the entity or upgrade the existing technology or systems of the entity. However, no assistance is provided for acquisition of equity stake and bailout take over.

Line of credit for the import of coal

We provide rupee denominated short-term finance, up to 100% of CIF value, to eligible power generating utilities to meet their immediate requirements for the import of coal. The extent of assistance will be limited to three months stock of coal.

Study Assistance

We also provide assistance from our own resources and the resources of the GoI and multilateral agencies in the form of grants, interest free loans and concessional loans to carry out power sector reform related studies. We also sanction grants to state regulators for similar purposes. As of September 30, 2006, we have 24 ongoing grants for institutional development and power sector reform studies with total sanction and disbursement of Rs. 101.89 million and Rs. 48.04 million respectively.

Guarantees

We issue guarantees on behalf of projects to guarantee their payment obligations. Our guarantees enable projects to secure financing from a wider spectrum of sources at more competitive rates, including borrowings from commercial banks, foreign lenders and the debt capital markets.

We also provide non-fund based assistance by way of guarantees to secure the performance of borrower's activities and contractual obligations under fuel service agreements for facilitating the procurement of raw material like gas, oil, coal or any other form of fuel.

In 1997, we issued a guarantee to KfW for DM 138 million which was subsequently reduced to DM 130.34 million in respect of a foreign currency loan extended for Haryana State Electricity Board's (now Haryana Power Generation Corporation Limited) Panipat project. As of September 30, 2006, Euro 2.02 million (Rs. 118.62 million) remains outstanding on this guarantee. We have also issued guarantees amounting to US$ 29.99 million (Rs. 1,384.52 million) and Rs. 0.71 million for various power utilities.

Letter of Comfort

We offer comfort letters against our sanctioned term loans to enable borrowers to establish a Letter of Credit with their bankers. The Letter of Comfort is issued only in cases where it is a prerequisite for engineering, procurement and construction contracts or equipment supply contracts of projects financed by us. When we make a disbursement against a letter of comfort, the amount so disbursed gets converted into a loan asset. The amount outstanding on account of letters of comfort issued by us as on September 30, 2006 is Rs. 19,908.61 million.

Sector-wise sanctions & outstanding loans

We sanction loans to state sector, central and private sector utilities. In fiscal 2006, 78.31% of our sanctions aggregating Rs. 176,207.50 million were in respect of state sector entities, 17.59% of our sanctions, aggregating Rs. 39,572.20 million were in respect of central sector entities and 4.10% of our sanctions, aggregating Rs. 9,238.20 million were in respect of private power sector utilities. In the six months ended September 30, 2006, 90.87% of our sanctions aggregating Rs. 181,617.68 million were in respect of state sector entities, 6.17% of our sanctions, aggregating Rs. 12,330 million were in respect of central sector entities and 2.96% of our sanctions, aggregating Rs. 5,910.70 million were in respect of private power sector utilities.

Of the total loan assets outstanding as on September 30, 2006 Rs. 299,242.88 million or 77.60% of the loan assets were extended to state power utilities, Rs. 40,555.66 million or 10.52% of the loan assets were extended to central sector utilities, Rs. 14,284.88 million or 3.70% of the loan assets were extended to joint sector utilities and Rs. 31,546.00 million or 8.18% of the loan assets were extended to private power utilities. Our clients do not include any person who is related to the Promoter/ Directors.

The following table sets forth our total sanctions and disbursements for the respective years:

(Rs. in million)

	Fiscal					Six months ended September
	2002	2003	2004	2005	2006	30, 2006
Sanctions	85,227.40	140,019.00	164,719.10	185,728.00	225,017.90	199,858.38
Disbursement	51,677.52	73,406.40	89,741.70	94,091.50	116,808.80	59,987.90

The above includes assistance in the form of grants

Projects Funded by our Company

Our project financing activities have been focused primarily on the thermal and hydro energy generation areas. In addition, we provide financing for the renovation and modernization of thermal and hydro electric plants, for projects relating to the transmission and distribution of power and shunt capacitor projects. We have also begun financing various projects based on renewable energy sources such as biomass and wind power generation.

In the six months ended September 30, 2006, we recorded sanctions of Rs. 199,858.38 million for 113 loans and disbursements of Rs. 59,987.90 million. In fiscal 2006, we recorded sanctions of Rs. 225,017.90 million for 210 loans and disbursements of

Rs. 116,808.80 million. In fiscal 2005, we recorded sanctions of Rs. 185,728 million for 217 loans and disbursements of Rs. 94,091.50 million.

The following table sets forth our outstanding loans by type of project:

(Rs. in million)

Fiscal	**2002**	**2003**	**2004**	**2005**	**2006**	**As of September 30, 2006**
Generation						
- Thermal	52,089.36	62,463.97	75,035.96	107,623.84	136,279.01	160,632.85
- Hydro-electric	29,339.43	44,029.37	59,373.75	68,389.32	94,303.58	99,899.17
Renovation and modernization						
- Thermal generation	15,669.19	16,014.27	16,935.33	18,134.08	19,005.50	18,888.24
- Hydro-electric generation	2,573.17	2,664.24	2,935.64	3,638.29	3,511.23	3,439.18
Transmission	31,436.42	33,873.42	34,943.02	36,685.48	40,323.52	42,736.29
Distribution	18,108.88	19,695.42	20,842.09	20,449.65	22,122.00	22,470.60
Shunt capacitor projects	1,074.74	899.60	679.64	567.43	462.78	418.89
Others	14,292.99	28,413.33	37,527.98	39,712.68	40,017.70	37,144.20
TOTAL	**164,584.18**	**208,053.62**	**248,273.41**	**295,200.77**	**356,025.32**	**385,629.42**

The following have been grouped under the head "others", bill discounting, buyers line of credit, loans to equipment manufacturers, loans for asset acquisition, loans for redemption of bonds, medium term loans, short term loans, pre investment fund, project settlement and wind power, translation loss recoverable, provisions for contingencies and interest accrued and due .

Thermal Energy Generation Projects

We provide finance to thermal generation projects in the state sector, joint sector, central sector and private sector. Thermal generation projects include coal based power plants, gas based combined cycle power plants, captive co-generation power plants and biomass based power plants.

In the six months ended September 30, 2006, we sanctioned Rs. 133,166.20 million for thermal generation projects for seven loans. During fiscal 2006, we sanctioned Rs. 112,382.50 million for thermal generation projects for 11 loans. In fiscal 2005, we sanctioned Rs. 95,980 million for 16 loans compared to Rs. 51,619.80 million for 16 loans in fiscal 2004. Disbursements in the six months ended September 30, 2006 and fiscal 2006 aggregated Rs. 29,950.21 million and Rs. 39,765.10 million respectively. In fiscal 2005, the disbursement for thermal generation projects was Rs. 35,633.90 million compared to Rs. 19,695.10 million in fiscal 2004.

Hydro Energy Generation Projects

We provide finance to all types of hydro generation projects such as large hydro, small hydro and mini hydro power plants in the state sector, joint sector, central sector and private sector.

In the six months ended September 30, 2006, we sanctioned Rs. 18,950 million for hydro generation projects. During fiscal 2006, we sanctioned Rs. 44,747.50 million for seven loans for hydro generation projects. In fiscal 2005, we sanctioned loans worth Rs. 28,247.60 million for 10 loans compared to Rs. 31,995 million for 11 loans in fiscal 2004. The amount disbursed in the six months ended September 30, 2006 for hydro generation projects was Rs. 8,324.19 million. The amount disbursed in fiscal 2006 for hydro generation projects was Rs. 30,653.60 million. In fiscal 2005 the disbursement made for hydro generation projects was Rs. 11,230.30 million compared to Rs. 17,309 million in fiscal 2004.

Renovation, modernisation and life extension schemes

We provide finance for the renovation, modernisation and life extension of old thermal and hydro power plants. Such renovation and modernization allows older power plants to run more efficiently, safely, economically and in a more environmental friendly manner.

In the six months ended September 30, 2006, we sanctioned Rs. 2,310 million for three loans relating to renovation, modernization and life extension of thermal and hydro generation. During fiscal 2006, we sanctioned Rs. 9,869.40 million for projects relating to the renovation, modernization and life extension of thermal and hydro generation projects for 15 loans. In fiscal 2005, we sanctioned loans worth Rs. 11,479.70 million for 26 loans compared to Rs. 9,834.50 million for 50 loans in fiscal 2004. The amount disbursed in the six months ended September 30, 2006 and fiscal 2006 for renovation, modernization and life extension of thermal and hydro generation projects was Rs. 1,178.02 million and Rs. 3,290.80 million respectively. In fiscal 2005, the disbursement made for such projects was Rs. 4,135.80 million compared to Rs. 3,865.40 million in fiscal 2004.

Transmission schemes

We fund various types of transmission schemes, sub-transmission schemes, power evacuation lines and transmission links. Schemes funded by us assist in the distribution of power within States and from one region to another region in the country.

In the six months ended September 30, 2006, we sanctioned Rs. 20,668.10 million for transmission projects and the removation and modernization of transmission schemes for 44 loans. During fiscal 2006, we sanctioned Rs. 17,211 million for transmission projects and the renovation and modernization of transmission schemes for 61 loans. In fiscal 2005, we sanctioned loans worth Rs. 11,266.50 million for 45 loans compared to Rs. 10,421.90 million for 33 loans in fiscal 2004. The amount disbursed in the six months ended September 30, 2006 and fiscal 2006 for transmission projects was Rs. 5,020.85 million and Rs. 8,593 million respectively. In fiscal 2005, the disbursement made for transmission projects was Rs. 6,335.40 million compared to Rs. 5,429.20 million in fiscal 2004.

Urban Distribution, Capacitor and Metering schemes

We have been extending financial assistance to establish and upgrade sub-stations and distribution networks in various distribution circles. Our funds have been used to install capacitors and meters to reduce losses and improve revenue generation.

In the six months ended September 30, 2006, we sanctioned Rs. 6,789.30 million for urban distribution, capacitor and metering schemes for 21 loans. During fiscal 2006, we sanctioned Rs. 9,433.50 million for urban distribution, capacitor and metering schemes for 49 loans. In fiscal 2005, we sanctioned loans worth Rs. 9,384.40 million for 57 loans compared to Rs. 17,639.80 million for 97 loans in fiscal 2004. The amount disbursed in the six months ended September 30, 2006 and fiscal 2006 for urban distribution, capacitor and metering schemes was Rs. 2,377.32 million and Rs. 5,471.50 million respectively. In fiscal 2005, the disbursement made for urban distribution, capacitor and metering projects was Rs. 2,663.20 million compared to Rs. 4,213.20 million in fiscal 2004.

Short Term Loans

In the six months ended September 30, 2006, we sanctioned 25 short-term loans aggregating Rs. 16,400 million. During fiscal 2006, we approved financing of 48 short-term loans aggregating Rs. 25,230 million. In fiscal 2005, we approved financing of 48 short term loans aggregating Rs. 24,800 million compared to Rs. 22,710 million for 47 short term loans in fiscal 2004. Disbursements in the six months ended September 30, 2006 and in fiscal 2006, aggregated Rs. 12,660.11 million and Rs. 23,430 million respectively. Disbursements during fiscal 2005 aggregated Rs. 23,200 million compared to Rs. 22,510 million in fiscal 2004.

Others

In addition to the above financing activities, we are engaged in other activities including bill discounting, buyers line of credit, loans to equipment manufacturers, loans for asset acquisition, loans for redemption of bonds, medium term loans, lease financing, debt refinancing, transitional loans, computerization and grants. During the six months ended September 30, 2006 and fiscal 2006, we approved financing of such activities aggregating Rs. 1,574.78 million and Rs. 6,144 million respectively.

The amount of Rs. 6,144 million in fiscal 2006 included the approval of Rs. 4,000 million to one of our borrower's towards settlement of their dues for recommissioning a project. In fiscal 2005, we approved financing for such activities aggregating Rs. 4,569.80 million compared to Rs. 20,498.10 million in fiscal 2004. Disbursements in the six months ended September 30, 2006 and fiscal 2006 for other activities aggregated Rs. 477.20 million and Rs. 5,604.80 million respectively. Disbursements during fiscal 2005 aggregated Rs. 10,892.90 million compared to Rs. 16,719.80 million in fiscal 2004.

Ultra Mega Power Projects

We have been designated as the nodal agency by the GoI for the development of nine UMPPs, each with a capacity of 4,000 MW with the objective to develop large capacity power projects in India. These projects will have the advantage of economies of scale on account of large capacity at single location, reduction in emissions on account of super critical technology and lower tariff on account of the above and tariff based international competitive bidding adopted for selection of developers. These projects are to be located at Sasan in Madhya Pradesh, Mundra in Gujarat, Krishnapatnam in Andhra Pradesh, Barhi in Jharkhand, Tadri in Karnataka, Girye in Maharashtra, Ib Valley in Orissa, Akaltara in Chattisgarh and Cheyyur in Tamil Nadu. The projects in Sasan, Akaltara and Ib Valley are pit head indigenous coal projects, the other four are coastal imported coal projects. As of February 8, 2007, we have incorporated nine wholly owned subsidiary companies, one for each UMPP, to act as SPVs for the projects. We, through these subsidiaries and in conjunction with the MoP and CEA, will undertake all activities necessary to obtain the appropriate clearances required to establish these projects. It is intended that these SPVs will eventually be transferred to successful bidder(s) selected through a tariff based international competitive bidding process and these bidders will then implement the project. Bids in relation to Sasan Power Limited and Coastal Gujarat Power Limited have been received on December 7, 2006. On December 28, 2006, we have issued letters of intent awarding the Sasan and Mundra projects to successful bidders namely to the consortium of Globeleq Pte, Singapore and Lanco Infratech Limited (levelised tariff of Rs. 1.196 per unit) for the Sasan project and Tata Power Limited (levelised tariff of Rs. 2.263 per unit) for the Mundra project. We have also issued the request for proposal to qualified bidders for the UMPP at Krishnapatnam in Andhra Pradesh.

Five subsidiary companies were incorporated in fiscal 2006 and we spent Rs. 19.29 million on establishing the SPVs and undertaking activities associated with the UMPPs. Additionally, in the six months ended September 30, 2006, we incorporated two more subsidiaries and we spent Rs. 28.86 million on establishing the SPVs and other activities associated with these UMPP projects. In total, as of September 30, 2006, we have spent Rs. 48.15 million on these UMPP projects. We have sanctioned and disbursed financial assistance of Rs. 59.20 million to our subsidiary, Sasan Power Limited for acquisition of land in the six months ended September 30, 2006. We intend to earn revenue from our involvement with these projects (i) by charging interest on expenditure incurred, which may be in the form of loans by us to these subsidiary companies, (ii) by earning premium over and above the expenditure incurred by us from the successful bidder, when transferring the equity shares in the subsidiary companies to successful bidders; and (iii) by providing future loans to these projects.

Investments in PTC India Limited and Venture Capital Fund

We, together with National Thermal Power Corporation Limited and Power Grid Corporation of India Limited had initially acted as promoter of the Power Trading Corporation of India Limited ("PTC"). The main business of PTC is electricity trading. PTC provides a mechanism for trading the electricity generated by the projects, which indirectly promotes investment in the power sector. We have 8% equity stake in PTC and as of September 30, 2006 have invested a total of Rs. 120 million in the company.

As of September 30, 2006, the value of our investment in the units of Small is Beautiful Trust Fund, a venture capital fund that invests in power generation projects is Rs. 37.32 million while our total contribution towards the fund is Rs. 41.63 million. The total size of this fund is Rs. 2,310 million and our total commitment to this fund is Rs. 225 million. The other core contributories to the fund are Industrial Development Bank of India, Life Insurance Corporation of India, Andhra Bank and Rural Electrification Corporation. M/s KSK Energy Ventures Limited, a developer of power generating projects has also committed to contribute Rs. 50 million to the fund. The KSK Energy Ventures Limited was promoted by K&S Consultative Group Private Limited. Small is Beautiful Trust Fund was set-up as a contributory trust under Indian Trusts Act, 1882 and is registered as a venture capital fund with SEBI.

Consultancy Services

We provide a wide range of fee-based consultancy services to utilities, State Electricity Regulatory Commissions, independent power projects, state governments and other companies involved in the power sector. Our consultancy services principally involve advice in respect of the following:

- restructuring and reform initiatives and assistance to reformed entities;
- financial management of resources, including mobilization and accounting systems;
- risk assessment, feasibility analysis, project structuring and development of appropriate solutions for improving efficiency;
- development of sustainable human resources plans;
- preparing project feasibility studies and proposals;
- communication and information dissemination;
- information management systems; and
- legal and contract services for the power sector.

As of September 30, 2006, we have provided consultancy advice to 30 clients in 19 states. Our clients include State Power Utilities, licensees, IPPs, PSUs, SERCs and state governments. We have been consulted on a number of issues, most particularly issues in connection with the implementation of regulatory provisions for tariff fixation, project appraisal, resource mobilization, computerization of accounting systems and reform and restructuring matters.

We mainly use our in-house expertise, which is supplemented by resources from external individuals and firms wherever required to provide consultancy services.

We generated income of Rs. 4.68 million in fiscal 2005, Rs. 10.65 million in fiscal 2006 and Rs. 1.57 million in the six months ended September 30, 2006 from our consultancy services. We believe there will be an increase in our consultancy assignments in the future due to the following factors:

- State governments are increasingly entering into joint venture agreements and partnerships with private entities for power generation projects;
- We will continue to provide specialist advice in respect of the restructuring of the state power sector as a consequence of the ongoing implementation of the Electricity Act particularly in the human resources and computerization of accounts areas; and
- The liberalization of the power sector will allow a greater number of entities to enter into the power sector and we intend to provide overall advisory services for these new projects.

Government Programs

The GoI has initiated a number of programs aimed at accelerating the growth and development of the power sector. We play a key role in implementing the following programs.

Government of India Accelerated Generation and Supply Program (AG&SP)

In fiscal 1998, the GoI started the Accelerated Generation and Supply Program ("AG&SP"), a scheme for providing interest subsidies for projects involving renovation, modernization and life extension of old thermal and hydro plants, completion of on-going generation projects, construction of transmission links, system improvements and including grants for various studies. During fiscal 2002, the scheme was modified to restrict it to renovation, modernization and life extension schemes and generation projects.

This is a MoP scheme that is overseen and operated by us. It subsidises our normal lending rates on loans to State Power Utilities. The subsidy is paid in advance directly to us out of the central government budget on the basis of disbursements made during the period. The interest subsidy is passed on to the utilities during the life of the loan. Under AG&SP, we received Rs. 2,000 million in fiscal 1998, Rs. 3,400 million in fiscal 1999, Rs. 2,953.20 million in fiscal 2000, Rs. 2,950 million in fiscal 2001 and Rs. 3,450 million in fiscal 2002.

Budgetary provision for AG&SP for fiscal years 2003 to 2007 was Rs. 15,000 million. We received Rs. 2,125.80 million in fiscal 2003, Rs. 1,834.70 million in fiscal 2004 and Rs. 2,468.30 million in fiscal 2005, Rs. 2,427 million for fiscal 2006 and Rs. 113.70

million for the six months ended September 30, 2006. Our claims are pending with the GoI which are expected to be received during the remaining half year period of fiscal 2007.

The loans outstanding as of September 30, 2006 on account of the above scheme are Rs. 92,723.37 million which forms 24.04% of the total loan assets of Rs. 385,629.42 million.

Accelerated Power Development Program ("APDP") and Accelerated Power Development and Reform Program ("APDRP")

The Government introduced the Accelerated Power Development Program ("APDP") in fiscal 2001 as part of the reform of the power sector. APDP was subsequently upgraded to the Accelerated Power Development & Reform Program ("APDRP") in fiscal 2003.

APDP and APDRP schemes seek to reform electricity distribution by providing investment and incentives to SPUs and distribution companies to strengthen and improve sub-transmission and distribution systems. The reform of electricity distribution systems is an essential component of efforts to make these entities financially viable. Electricity distribution projects which fulfill the criteria laid down by the MoP are eligible for financial assistance in the form of grants and loans from the GoI to part finance these projects. The balance funding of these projects is to be arranged by the utilities either from internal resources, us or any other source. As per the revised APDRP Guidelines of the GoI dated November 7, 2005, the financial assistance from the GoI will be restricted to 25% of the project cost as grant only for non-special category states. For special category states the GoI will finance 90% of the project cost as grant. The balance requirement will have to be arranged by the respective SEB's and utilities. Under the incentive component, the MoP gives a grant to the states of 50% of the SPUs actual cash loss reduction year over year. The year 2000-01 is the base year for the calculation of loss reduction, in subsequent years the losses are calculated as net of subsidy and receivables. Funds under incentive components are provided as 100% grant to all the states (special category and non-special category) as additional plan assistance. For further details on the APDRP scheme, see the section titled "Power Sector Development and Financing in India" beginning on page 39 of this Prospectus.

Under APDP scheme, as of September 30, 2006, in total, we have sanctioned counterpart funding of Rs. 4,489.61 million and disbursed Rs. 3,600.48 million.

Under APDRP scheme, the GoI has allocated a total of Rs. 400,000 million from fiscal 2003 to 2007. In fiscal 2003, we sanctioned counterpart funding of Rs. 2,823.05 million, and made no disbursements. In fiscal 2004, we sanctioned counterpart funding of Rs. 7,861.55 million, and disbursed Rs. 1,845.55 million. In fiscal 2005, we sanctioned counterpart funding of Rs. 5,032 million and disbursed Rs. 1,751.57 million. In fiscal 2006, we sanctioned counterpart funding of Rs. 4,762.38 million, and disbursed Rs. 4,479.81 million. In total, as of September 30, 2006, we have sanctioned counterpart funding of Rs. 21,547.38 million and disbursed Rs. 9,841.77 million under this program.

The disbursements covered and outstanding as on September 30, 2006 on account of the above APDP and APDRP schemes is Rs. 12,173.84 million, forming 3.16% of the total loan assets of Rs. 385,629.42 million.

Distribution Reform, Upgrades and Management ("DRUM")

DRUM is an Indo-US joint initiative designed by the MoP in conjunction with the United States Agency for International Development with a planned funding of US$ 30 million. Our responsibilities under DRUM technical assistance and training component include co-ordinating with stakeholders, providing management and implementation support, acting as a financial intermediary and banker for controlling and directing funds in the form of loans and grants, and designing a mechanism for leveraging the resources of other financial intermediaries and banks.

One of the components of DRUM is to establish pilot distribution projects in rural and urban areas to demonstrate commercially viable and reliable electricity distribution systems that provide quality power to consumers. Currently, there are four DRUM pilot technical assistance projects in Karnataka, Gujarat, Delhi and Maharashtra. As of September 30, 2006, our Company has sanctioned Rs. 1,323.30 million for three pilot projects in Karnataka, Gujarat and Maharashtra.

The two major objectives of the DRUM training program are to (i) enhance the knowledge and experience of a significant number of distribution engineers, managers and technicians through the facilitation of technical and managerial training delivered by professional Indian training institutions; and (ii) support the development and institutional capacity enhancement of selected Indian institutions for sustainable delivery of distribution business management, reform and regulation training.

The fulfilment of these objectives involves the delivery of training programs designed to provide training to approximately 25,000 utility engineers, managers, regulatory commission and staff personnel in various states. With guidance from the MoP, training activities are targeted regionally to deliver high impact education through 19 regional Indian training institutions engaged in power sector and distribution reform activities. From January 1, 2005 to September 30, 2006, training was imparted to 7,233 officers/employees through 293 training programs. The focus of this training is to reach the grass root level staff of the distribution utilities, represented by linemen, foremen, technicians, electricians, meter readers, bill collectors, engineers, managers and other customer interface personnel. DRUM also oversees the delivery of a comprehensive 15 month Post Graduate Diploma in Business Management (Distribution Management), which is conducted by the Management Development Institute, Gurgaon. The initial program with 49 executives drawn from power utilities has been successfully completed. The second program with 51 executives is currently underway.

Taking this initiative forward in June 2006, PFC in collaboration with the Indira Gandhi National Open University initiated a six month Advance Certificate Programme in Power Distribution Management through distance learning, extending the reach of the DRUM training all over India. It aims at training & educating junior and middle level officers of distribution utiltites located at remote stations through over a hundred regional centers dispered through out India. This programme is targeted to reach over 1500 utility employees per batch.

Delivery through Decentralised Management ("DDM")

DDM is a scheme sponsored by the MoP that showcases participatory models of excellence in electricity distribution. Its objectives are to promote public participation, encourage community management and to attract private investment in distribution by establishing distribution franchisee and distributed generation projects. We are the agency for the allocation of grants and implementation of this scheme for the MoP. On October 9, 2006, the MoP gave in principle approval of Rs. 59.16 million for 15 distribution franchisee and distributed generation projects out of which five projects have been implemented and 10 projects are currently being implemented under this scheme.

Rural Electrification Initiative

We signed a Memorandum of Understanding on April 25, 2006 with the International Finance Corporation and National Rural Electric Cooperative Association International Limited, a subsidiary of the National Rural Electric Cooperative Association (NRECA), U.S.A, for co-operation in implementing pilot rural area electrification enterprises. The objective of the program is to devise and implement sustainable and replicable business models for rural electrification by utilizing proven international experience.

Partnership in Excellence

The GoI through the CEA has drawn up a plan to not only replace defective equipment but also to renovate and modernize the older power plants as a means of augmenting capacity, under the "Partnership In Excellence" programme ("PIE"). Under the PIE, the CEA has identified 26 poorly-performing power plants in the country, of which 20 power plants have been covered under the PIE.

Our Institutional Development Role

With a view to making electricity available throughout India at reasonable rates, to increase private sector participation and make the sector self-sustainable and commercially viable, GoI and state governments have taken several steps to reform and restructure the power sector, including the enactment of the Electricity Act. We play an important role in overseeing the implementation of such reforms by State Power Utilities and state governments.

The objectives of these reforms are to:

- achieve operational and commercial efficiency and improved viability of State Power Utilities;
- improve delivery of services and achieve cost effectiveness through technical, managerial and administrative restructuring of utilities;
- create an environment which will attract private capital, both domestic and foreign, to supplement public sector investment;
- operate State Power Utilities in a manner that enables them to generate sufficient return to meet operational and investment

requirements, such that they cease to be a burden on the state; and

- achieve conservation of energy through integrated resource planning, demand side management and minimise waste.

State entity action plans

In 1991, we started linking our financing to the Operational and Financial Action Plan ("OFAP") for SPUs that emphasized improvement in operations and performance of utilities over a period of time within the existing state institutional framework. The OFAP system was a precursor to the structural reforms later introduced. OFAP has helped in initiating a process of improvement and has contributed in bringing about perceptible change in quantitative and qualitative aspects of functioning of SPUs.

The elements of the action plan include developing a scheme for improvement of the entities' technical and financial performance; preparing a financial package where funding is linked to the entity reaching specified targets and goals. As on September 30, 2006, action plans for 45 utilities had been formulated, this includes five utilities that formulated their action plan in consultation with us during fiscal 2006.

Entity Appraisal

We currently provide financial assistance to state power entities based on an appraisal of the entity in which we evaluate the performance of the entity and also review the projects that the entity is intending to implement to determine the technical and financial viability of the project.

We evaluate the entity with reference to a set of qualitative and quantitative factors. The methodology we use to rate the entities takes into account its operational and financial efficiency and the progress made by the entity towards implementing the government's reform program and helps to identify the relative strength and weakness of each entity. The result of the evaluation is considered when determining the interest rates, exposure and extent of funding we make available to each of the borrowers. We assign to each entity a category from A to C depending on whether the entity has achieved the minimum prescribed reform actions and milestones as well as accepted levels of operational and financial efficiency. In consultation with us, entities with low operational efficiency levels formulate action plans to improve their financial and operational performance over a three to five year period.

Grants and concessional loans

In addition, we also implement the government's reform agenda by providing limited financial assistance in the form of grants and concessional loans, which demonstrates our commitment to the development of the state power sector and improves relations with the state sector borrowers.

Monitoring and review of financial performance of SPUs

We also carry out quarterly monitoring and review of State Power Utilities who are our major borrowers and author an annual report on the "Performance of the State Power Utilities the third edition of which was published in March 2006. We believe this report is the most comprehensive and reliable report on the financial performance of the state power sector in India. We recently began publishing reports on the performance of State Power Utilities on a quarterly basis. One such report relating to the performance of 20 SPUs for the first quarter of ended June 30, 2006 was published in September 2006. We believe these reports help utilities and stakeholders to take mid-term corrective measures for improvement of performance of State Power Utilities.

Benefits of promoting institutional development and reform

We believe that our role in promoting the institutional development and reform of State Power Utilities is particularly valuable for a number of reasons including:

- being able to extend finance to entities based on an action plan and subject to milestones and targets means that we are able to offer finance to certain entities that we could not otherwise have lent to due to their weak financial position and our support will benefit the entity by improving its overall financial position;
- those entities that are subject to a reform agenda are better placed to improve their financial position and thus are better

able to service their debt; and

- we are able to access funding from multilateral agencies based on reform related activities taken up by our borrowers.

Finally, our track record in promoting and supporting reform in the power industry is a unique selling proposition for our organization. We believe customers are aware of our success in this role and value our skills and experience.

Resource Mobilisation

We generally fund our assets, comprising loans to the power sector, with borrowings of various maturities in the international and domestic markets. Our market borrowings include bonds, short term loans, medium term loans, long term loans, and commercial papers. Since 1999, all funds raised, both domestic and international, have been raised on an unsecured basis and we have no outstanding secured loans as on September 30, 2006.

The following table sets forth debt-funding operations for total indebtedness classified by Rupee-denominated and foreign currency sources at March 31, 2002, 2003, 2004, 2005 and 2006 and as on September 30, 2006. The Rupee equivalents of foreign currency debts are based on the bank-selling rate at the end of each fiscal year and as on September 30, 2006.

(Rs. in million)

	As on March 31,										Six months ended September 2006	
	2002		2003		2004		2005		2006			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Rupee	88,470.88	80.56%	118,819.68	82.72%	153,492.86	86.48%	190,079.13	87.80%	245,128.20	91.04%	270,956.80	92.97
Foreign currency	21,347.14	19.44%	24,821.36	17.28%	23,987.40	13.52%	26,403.28	12.20%	24,120.02	8.96%	20,488.32	7.03%
Total	**109,818.02**	**100.00%**	**143,641.03**	**100%**	**177,480.26**	**100%**	**216,482.41**	**100%**	**269,248.22**	**100%**	**291,445.12**	**100%**

Rupee resources

In terms of domestic resources, a significant proportion of our Rupee funds are raised through privately placed bond issues in the domestic market and term loans. We have a diverse investor base of banks, financial institutions, mutual funds, insurance companies, provident fund trusts, gratuity fund trusts and superannuation trusts. The bonds we issue are unsecured, redeemable, non-convertible, non-cumulative and taxable and are listed on the wholesale debt market segment of the NSE. Our bonds are rated LAAA by ICRA and AAA by CRISIL, the highest safety domestic ratings.

In fiscal 1988, the Ministry of Finance authorized public sector issuers that were infrastructure oriented to issue tax-exempt bonds. We were historically given a large share of this annual allocation and a large portion of our funds were raised through tax-exempt bonds. From fiscal 2001 onwards, it became part of the government's overall policy to reduce funding support to companies that had become financially independent and that could raise resources at competitive rates on their own. After this time, our direct support from the GoI for raising debt reduced. As on September 30, 2006, we had Rs. 2,755 million in tax-exempt bonds outstanding.

In addition, as on September 30, 2006, we had Rs. 120,314.64 million in non-tax exempt bonds and Rs. 116,782.06 million in term loans from Indian banks and financial institutions.

In fiscal 2005, we issued Rs. 1,344.07 million worth of infrastructure bonds, on a private placement basis, which were issued with tax benefits under section 88 of the Income Tax Act, 1961. These tax benefits made the bonds attractive to individuals and HUFs.

The following table gives details of our Rupee funds as on March 31 in fiscal years 2002, 2003, 2004, 2005, 2006 and as on September 30, 2006:

(Rs. in million)

Rupee resources	**As on March 31,**					**Six months ended September 30, 2006**
	2002	**2003**	**2004**	**2005**	**2006**	
Tax exempt bonds	10,054.80	6,846.78	2,755.00	2,755.00	2,755.00	2,755.00
Non-tax exempt bonds	40,216.08	55,967.30	62,247.86	73,512.07	110,923.14	120,314.64
Term loan from Indian Banks and FIs	25,850.00	36,700.00	71,750.00	95,337.06	110,182.06	116,782.06
Short Term Loans	12,350.00	19,305.60	16,740.00	18,475.00	21,268.00	31,105.10
Total	**88,470.88**	**118,819.68**	**153,492.86**	**190,079.13**	**245,128.20**	**270,956.80**

Foreign currency resources

Multilateral, Bilateral and Export Credit Agencies

We began accessing foreign currency loans from multilateral, bilateral and export credit agencies in fiscal 1991 when we obtained funds from the French government, which were guaranteed by the GoI. Subsequently, we obtained a complementary financing loan from the Asian Development Bank in fiscal 1991, which was denominated in US Dollars and Japanese Yen. Traditionally, our major foreign currency borrowings have been from multilateral institutions such as the World Bank and the ADB. These funds were routed through GoI, where the foreign exchange risk was borne by GoI. These sources enabled us to raise long term funds at competitive costs, which supplemented the funds available from commercial sources.

Presently, we are borrowing directly from these agencies, and the foreign exchange risk is borne by us. We have a US$ 50 million line of credit facility with the ADB that has a 20 year tenure. This line of credit facility is guaranteed by the GoI. Projects in the states of West Bengal and Maharashtra for strengthening the transmission and distribution systems of State Power Utilities and for the renovation and modernisation of thermal power plants are being funded under this line of credit facility.

We also have foreign currency loans from two other external credit agencies namely KfW and Export Development Canada (EDC). In December 2005, we signed loan agreement with KfW for financial assistance of Euro 100.56 million. This agreement provides a fixed interest portion of Euro 35.56 million with a tenure of 40 years and a commercial portion of Euro 65 million with a tenure of 12 years. In addition, there is also a provision for a grant of Euro 3.33 million under this agreement. The eligible projects are renovation and uprating of hydro power plants of Uttaranchal Jal Vidyut Nigam Limited, Uttaranchal.

Commercial borrowings in foreign currency

We first accessed commercial foreign currency borrowings that were not guaranteed by the GoI in January 1997 with the establishment of a syndicated loan facility. Since then, we have borrowed funds in the international commercial markets in the form of syndicated loans as well as fixed and floating rate note/bonds issues. This has enabled us to diversify our investor base.

The following table gives details of our foreign currency borrowings by source, as on March 31 in fiscal years 2002, 2003, 2004, 2005, 2006 and September 30, 2006:

(Rs. in million)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Six month period ended September 30, 2006
Asian Development Bank	3,882.80	3,812.23	3,677.87	3,330.06	2,646.99	2,497.25
Asian Development Bank – II	-	0	0	65.97	269.86	488.93
Credit National (now Natexis Banque)	1,056.62	1,231.02	1,235.83	1,236.04	1,130.04	1,180.99
World Bank	50.39	46.39	40.15	36.90	34.33	33.53
KfW – Portion I	259.18	438.91	605.78	635.98	601.22	638.25
KfW – Portion II	143.36	155.33	281.43	349.27	309.77	309.86
Syndicated loan 1	1,305.53	0	0	0	0	0
Syndicated loan – 2 and 3 [(1)]	4,886.00	4,773.00	221.10	219.90	0	0
Fixed Euro Notes	4,777.10	4,750.14	4,690.86	4,688.46	4,697.26	4,710.36
Floating Rate Notes	4,894.74	4,858.01	4,631.02	3,958.20	4,037.40	0
Syndicated loan – 4	0	4,756.33	5,219.58	5,087.43	4,691.18	4,729.34
Syndicated loan – 5	0	0	0	4,392.65	4,463.03	4,567.83
EDC Canada	0	0	0	37.61	117.44	177.73
FCNR(B) Loans	0	0	3,383.78	2,364.81	1,121.50	1,154.25
Credit Lyonnais	91.42	0	0	0	0	0
Total	**21,347.14**	**24,821.36**	**23,987.40**	**26,403.28**	**24,120.02**	**20,488.32**

US$100 million syndicated loan 3 replaced US$100 million syndicated loan 2 in July, 2000.

Investment Operations

The primary objective of our investment policy is the prudent management of surplus funds so as to achieve optimal returns. We aim to use our treasury operations to manage our liquidity. Our investments are primarily in bank deposits.

Risk Management

We place particular attention to actively managing and controlling our risk exposures. As a financial institution, we are primarily exposed to three categories of risks, namely credit risk, market risk and operational risk.

We have a comprehensive Operational Policy Statement, which sets out the basic guidelines for our lending operations. Our Operational Policy Statement is reviewed from time to time to align it with the market requirements. In addition to this, we have adopted our own prudential norms that provide guidance on aspects of our financial operations including asset classification, provisioning, income recognition, asset concentration and investment limits. Further, we have a Currency Risk Management Policy in place to manage the risks associated with our foreign currency borrowings. We have appointed an expert consultant to provide us with guidance in respect of foreign currency risks. Further, we have in place an Asset Liability Committe ("ALCO"), which was established for monitoring asset liability management.

Credit Risk

Credit risk is a risk inherent in the financing industry and involves the risk of loss arising from the diminution in credit quality of a borrower and the risk that the borrower will default on contractual repayments under an advance.

We follow a systematic institutional and project appraisal process to assess and mitigate credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. We use a range of quantitative as well as qualitative parameters as a part of the appraisal process to make a sound assessment of the extent of underlying credit risk in a project.

Appraisal criteria

Our lending policies are set out in our Operational Policy Statement. In assessing our borrower's eligibility criteria we place an emphasis on financial and operational strength, capability and competence. While we encourage certain schemes through differential lending rates, the eligibility criteria and funding decision is made on the merit of the project and no funds are pre-allocated.

We lend only to projects that meet the following criteria:

(a) are economically sound with a financial or economic rate of return of not less than 12% per annum (as may be applicable);

(b) are feasible and technically sound and provide optimal cost solution(s);

(c) are compatible with integrated power development and expansion plans of the state and region;

(d) compliant with environmental guidelines, standards and conditions;

(e) schemes should have obtained the required clearances from state and central agencies; and

(f) all inputs required for the implementation and operation of the projects are tied up and proper procurement and implementation plans have been established.

We evaluate the credit quality of the borrower by assigning risk weightings on the basis of these various financial and non-financial parameters.

The extent of funding that we grant to various project types as a percentage of project costs is set out below:

Projects	**State Sector Projects (%)**	**Private Sector Projects (%)**
Medium and Large Hydro Generation	70	25
Thermal Generation Projects	70	20
Transmission	70	50
Captive and Co-generation Plants	70	50
Renovation, Modernisation and Uprating of Generation and Transmission	70	50
Urban Distribution System	70	50
Research and Development	90	50
Mini, Micro and Small Hydro	70	50
Capacitors, Energy Meters, Computerisation and Load Despatch	80	50
Non-Conventional Energy Source	70	50
Environmental Upgradation	80	50
Studies, Consultancy and Training	100	50
Infrastructure Projects with forward and backward linkage to Power Projects	70	20

In case of state sector borrowers that are undertaking reforms, we may finance up to 80% of cost of project.

Our appraisal and sanctioning process for projects and schemes in power and allied sector is ISO 9001:2000 certified by M/s. NQAQSR Certification Private Limited. The certification was awarded in June 2004. We believe that our appraisal process is a benchmark for the power industry and that other lenders rely on our appraisals when funding projects. When we lead a consortium we appraise the project on behalf of the consortium. However, even when we are not the lead institution in a consortium situation, we may appraise the project under our criteria prior to entering into the lending agreement.

Security Risk

We extend financial assistance to State Power Utilities that provide confirmation that we would have a priority claim for our dues over the loans granted by the state governments. The majority of our outstanding loans to State Power Utilities are backed by an irrevocable guarantee given by the respective state governments and some are secured by a charge on assets. Most of our loans are backed by default escrow accounts as a credit enhancement mechanism. Under this arrangement, the borrower, along with the escrow bank, agrees to route through the designated account a specified level of cash flow and in case of default the escrow bank pays such funds directly to us upon invocation.

In the case of private power projects, security is obtained through, among other things, first priority mortgages, charges on project assets, payment security mechanisms and pledges of shares held by promoters. In certain cases, collateral securities like personal and corporate guarantees are also required.

Post Sanction Monitoring of Loans

The success of a business of providing credit and loan products depends heavily on effective and timely monitoring and supervision of loans granted. The maximum repayment period for each project type is set out below:

S. No.	Projects / Schemes	State/Central Sector Projects(1) (2) (with interest reset condition of 3 years) (years)	Private Sector Projects(2) (years)
(1)	Hydro Generation Schemes	20	12
(2)	Thermal Generation Schemes	15	12
(3)	Studies, consultancy, training, research and development, survey and investigation, communication and computerisation, installation of energy meters for energy audit and billing	5	5
(4)	All schemes / and projects other than (1), (2) & (3) above	15	10

(1) All such project loans have put and call options after the end of every 12 years (for non-hydro schemes) and 15 years (for hydro schemes) from the date of commissioning of project and on subsequent reset dates.

(2) Excludes construction phase and six month period post-commissioning.

We have in place an effective post sanction follow-up system that monitors and tracks the status of projects. This includes obtaining progress reports, undertaking site visits and comparisons of disbursements in-line with the projected drawdown of funds on the project. In case of private power projects we engage project monitoring agencies to assist us in this process.

Recovery Mechanism

Our recovery mechanism is characterized by the following features that ensure timely and efficient recovery from our borrowers:

- long standing and well established relationship with the borrowers;
- intensive follow-up;
- timely payment rebate; and
- suspension of further disbursement and sanctions in case of default.

The timely payment rebate is allowed to state sector and central sector borrowers. The above measures ensure that clients pay our dues on time. In spite of the above, if there is default by a borrower, we invoke the default escrow account in case of state sector borrowers and access reserves in the trust and retention account in the case of private sector borrowers. If there is further default by the borrower, we look to recover on the securities granted over the loan.

The effect of the strong recovery mechanism is reflected in the following table, which outlines the amounts of loan instalments, including interest, which were overdue as of March 31 for the last five fiscal years and overdue as at September 30, 2006:

(Rs. in million except percentages)

	Fiscal					**Six months ended September 30, 2006**
	2002	**2003**	**2004**	**2005**	**2006**	
Amount overdue	1,272.20	858.50	1,465.10	2,261.00	1,964.06	2,957.71
% of total loan outstanding	0.77%	0.41%	0.59%	0.77%	0.55%	0.77%

Gross Non-Performing Assets

The table below provides the breakup of sector wise gross NPAs:

(Rs. in million except percentages)

Borrower type	**Fiscal 2004**	**%**	**Fiscal 2005**	**%**	**Fiscal 2006**	**%**	**Six months ended September 30, 2006**	**%**
State Sector	317.33	26.29%	317.33	16.30%	317.33	34.87%	324.72	36.65%
Private Sector	889.93	73.71%	1629.96	83.70%	592.59	65.13%	561.39	63.35%
Total	**1207.26**	**100%**	**1947.29**	**100%**	**909.92**	**100%**	**886.11**	**100%**

(1) The above excludes the gross NPAs on consultancy assignments amounting to Rs.7.07 million in fiscal 2006 and Rs.10.60 million as on September 30, 2006.

Market Risk

Market Risk is the risk to earnings arising from adverse movements in interest rates.

Interest Rate Risk

Initially, all of our loans were on a fixed rate basis. Subsequently, we introduced lending that allowed us to reset the interest rate after 3 or 10 years with a provision for prepayment without premium on reset date in case we increase our interest rate. The prepayment option without premium has since been withdrawn. Most of our loans have quarterly repayments resulting in lower asset duration.

In order to mitigate interest rate risks, we generally follow a process of liability management that involves matching the average maturity of our liabilities with that of the assets, after considering any likelihood of prepayment and repricing. Most of our borrowings have bullet repayments.

In addition, we face prepayment risk from our borrowers, especially when interest rates are declining. In order to manage this risk, most of our contracts either prohibit prepayment prior to an interest reset date or require a prepayment premium, if the loan is prepaid prior to an interest reset date.

Liquidity Risk

We face liquidity risks which we manage through a mix of strategies, including by following a forward-looking resource raising program based on projected disbursements and maturing obligations. We also monitor liquidity risk through our ALM function with the help of liquidity gap reports. This involves the categorization of all assets, liabilities, interest income, interest expense, tax, dividend and expenses in different maturity profiles, and evaluating them for any mismatches in any particular maturities, especially in the short and medium term. We do sensitivity analysis of gap statements at different recovery rates and with and without put and call options. The ALCO meets periodically to monitor liquidity risk.

The following table represents the cash liquidity gap statement as on March 31, 2006.

(Rs. in million)

Year	Inflows (1)	Outflows (2)	Gap = Inflows – Outflows	Cumulative Gap
Fiscal 2007	95,489.01	84,626.48	10,862.53	10,862.53
Fiscal 2008	69,534.58	59,480.24	10,054.34	20,916.87
Fiscal 2009	63,144.25	62,092.96	1,051.29	21,968.16
Fiscal 2010	57,567.09	50,396.65	7,170.45	29,138.61
Fiscal 2011	49,090.26	46,472.98	2,617.28	31,755.89
Fiscal 2012	41,377.32	18,885.20	22,492.12	54,248.01
Fiscal 2013	36,032.08	16,723.94	19,308.14	73,556.15
Fiscal 2014	30,601.12	6,589.73	24,011.40	97,567.55
Fiscal 2015	24,692.00	5,485.38	19,206.62	116,774.17
Fiscal 2016	18,633.49	45,189.14	(26,555.65)	90,218.52
Beyond Fiscal 2016	36,711.97	12,464.29	24,247.69	114,466.21
Total	**522,873.17**	**408,406.97**	**114,466.21**	

The above statement assumes exercising of put and call options wherever applicable.

(1) The inflows include receipt of principal and interest

(2) The outflows include payment of principal, interest, tax, dividend & expenses

Foreign Exchange Risk

We have foreign currency borrowings that expose us to interest rate risk and exchange rate risk. We have put in place a Currency Risk Management Policy. We mitigate the exchange rate risk and interest rate risk by lending to our borrowers in foreign currency and hedging through derivatives instruments such as currency forwards, options, swaps and forward rates agreements. From time to time we consult an expert to assist us with the structuring of such instruments.

As on September 30, 2006, we had entered into a hedging transaction or lent in foreign currency to cover 68.92% of our foreign currency principal exposure. Further, we have also entered into interest rate swaps or lent in foreign currency to cover 58.09% of our foreign currency interest rate risk.

Operational Risk

Operational risks are risks arising from inadequate or failed internal processes, people and systems or from external events. We have established systems and procedures to reduce operational risk as outlined below:

Operational Controls in Project Finance Activities

Our Operational Policy Statement, operational guidelines and manuals provide a detailed description of the systems and procedures to be followed in the course of appraisal, approval, disbursement and recovery of a loan. Various checks and control measures have been built-in for timely review of the operating activities and monitoring of any gaps in the same. A significant proportion of the activities are subject to regular monitoring and auditing, including loan sanctions, disbursements and recovery. In addition to this, many important activities are monitored on a periodic basis.

Operational Controls in Treasury Activities

Our Operational Policy Statement and manual for deployment of surplus funds provide a description of operations to be followed, with suitable exposure and counterparty limits. Compliance with our guidelines is monitored through internal control and a comprehensive audit system including external and internal audits.

Legal Risk

Legal risk arises from the uncertainty of the enforceability of contracts relating to the obligations of our borrowers. This could be on account of delay in the process of enforcement or difficulty in the applicability of the contractual obligations. We minimize the legal risk through stringent legal documentation and forward looking contractual provisions in the legal documents.

Corporate Governance

Our Company has complied with the corporate governance code in accordance with Clause 49 of the Listing Agreement, specifically with respect to the composition of the Board and has also adopted a code of conduct for Directors and senior management and code for prevention of insider trading.

In relation to our debt securities, we have complied with all the applicable requirements of Stock Exchange, SEBI (Securities and Exchange Board of India) and other statutory authorities and we have not been subject to any penalties or sanctions from any of the above-referred institutions.

We have adopted various innovative management approaches to enhance our overall performance and implement sound corporate practices. We follow principles to ensure that decision-making processes in our institution are fair and transparent. We have in place a code of conduct for the Board of Directors and senior management of our Company. The CDA (Conduct, Discipline and Appeal) Rules are applicable to all our employees and guide their day to day conduct.

Competition

Our primary competitors are public sector banks, private banks (including foreign banks) and other financial institutions. In advisory services, our competitors are investment banks, credit rating agencies and consulting organizations. Competition in our industry is expected to continue.

Regulation

We are incorporated as a public limited company under the Companies Act and notified as a public finance institution under Section 4A of the Companies Act. We are also registered with the RBI as a NBFC. We are a government Company under Section 617 of Companies Act and are not currently subject to the RBI prudential norms, maintenance of liquid assets, creation of reserve funds and the directions relating to acceptance of public deposits applicable to NBFCs. For further details see the section titled “Regulations and Policies in India” beginning on page 103 of this Prospectus.

Employees

Between March 31, 2006 and September 30, 2006, our workforce grew from 288 employees to 303. Our executives have experience and domain knowledge in different fields related to the power sector, project appraisal, project financing, international finance and domestic resource mobilisation. As of January 4, 2007, we had 306 employees. Out of the 306 employees, 127 are non-executive employees and 179 are executive employees. As on January 4, 2007, 92.70% of our executives have formal qualifications in at least one of several disciplines, including engineering, management, law and accountancy. As a matter of practice, we recruit professionally qualified persons as our employees through campus recruitments and open advertisements.

Our non-executive employees are all affiliated with the PFC Employees' Union, which is duly registered under Trade Union Act, 1926. We believe that we have a good relationship with this union and have not yet had any lost time on account of strikes and labour unrest. We have negotiated a wage settlement with this union, under which salary increases for affiliated employees have been frozen until December 31, 2006. We intend to enter into a new wage settlement with the union which will have retrospective effect from December 31, 2006.

Training and Employee Development

We attach great importance to the provision of training to our staff so that they keep up to date with the latest developments in the industry and expand their knowledge and skills. The training needs of our staff are assessed on a regular basis. In fiscal 2006, our staff completed a total of 1,712 days of training in aggregate.

Properties

Our registered office is located at 'Urja Nidhi', 1, Barakhamba Lane, Connaught Place, New Delhi - 110 001. We also have one office at Chandralok Building, 36, Janpath, New Delhi and two regional offices, one in Mumbai and the other in Chennai. These are rented properties. In addition to this, we own two residential premises in Jangpura Extension and Greater Kailash, Part-II, located at New Delhi.

FINANCIAL INDEBTEDNESS

The details of our outstanding borrowings as on September 30, 2006 and from October 1, 2006 onwards till January 4, 2007 are as follows:

Borrowings as of September 30, 2006

A. Foreign Currency Borrowings of our Company:

Set forth below is a brief summary of our significant outstanding foreign currency borrowings of Rs. 19,334.07 million as of September 30, 2006 together with a brief description of certain significant terms of such financing arrangements.

Sl. No.	Name of Lender(s)/	Facility/ Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
1.	1. Citibank N.A., Bahrain; 2. Mizuho Corporate Bank Limited, Singapore 3. Standard Chartered Bank 4. Sumitomo Mitsui Banking Corporation; and 5. The International Commercial Bank of China	Term loan of JPY 11,915.90 million sanctioned vide facility agreement dated July 25, 2005 between our Company, the mandated lead arrangers, the lenders and facility agent (1)(2)(3)(4)	Rs. 4,729.34 million	0.23% per annum over the JPY LIBOR*.	The loans under the facility shall be repaid on February 4, 2008.
2.	1. Calyon, Singapore Branch; 2. DBS Bank Limited; 3. Mizuho Corporate Bank Limited, Singapore Branch; and 4. State Bank of India	Term loan of US$ 100 million sanctioned vide facility agreement dated February 6, 2006 between our Company, the mandated lead arrangers, the lenders and facility agent. (1)(2)(3) (4)(5)	Rs. 4,567.83 million	0.38% per annum over the USD LIBOR.	The loans under the facility shall be repaid on August 12, 2009.
3.	Asian Development Bank	Loan facility of a dollar tranche of US$ 60 million and a Yen tranche of JPY 7,500 million sanctioned vide complementary loan agreement dated November 19, 1990. (complementary to the loan agreements dated January 21, 1987 and March 14, 1990 between the Asian Development Bank and the Government of India) (6)(7)(8)(16)	Rs. 2,497.25 million	0.50% per annum over the USD LIBOR with respect to the USD tranche. 0.10% per annum over JLTPR** determined in accordance with the agreement with respect to the Yen tranche.	In 21 equal instalments payable semi-annually on May 19 and November 19 of each year commencing with the 10th such interest payment date, with respect to the USD tranche. In 13 equal instalments payable semi-annually on May 19 and November 19 of each year commencing with the 30th such interest

Sl. No.	Name of Lender(s)/	Facility/ Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
					payment date with respect to the Yen tranche.
4.	Natexis Banque Paris formerly Credit National acting on behalf of the French Republic.	Treasury loan of FRF 172.80 million sanctioned vide implementation agreement dated June 14, 1990 pursuant to the Financial Protocol dated December 27, 1989 between the French Treasury and the Government of the India. (7)(16)(19)	Rs. 1,180.99 million	2% per annum.	Each disbursement is repayable in 23 years through in 46 equal and successive half-yearly instalments, the first instalment falling due 126 months after the last day of the calendar half-year of the relevant disbursement.
5.	International Bank for Reconstruction and Development through the Government of India	US$ 20 million sanctioned vide loan agreement dated July 7, 1993 as amended vide letter dated June 3, 1997 (1)(16)	Rs. 33.53 million	0.5% over the cost of outstanding borrowings drawn down after June 30, 1982 determined in respect of the preceding six months.	Principal amount repayable in 15 years through 30 half yearly instalments, the first instalment falling due on March 1, 1999.
6.	ING Bank NV	US$ 100 million 7.5% Fixed Rate Notes issued pursuant to subscription agreement dated July 29, 1997 , subject to the agency agreement dated July 31, 1997 and the Conditions of the Notes. (1)(8)(11)	Rs. 4,710.36 million	7.5% per annum.	The principal amount of the notes is repayable on July 31, 2009.
7.	Export Development Corporation, Canada	Credit facility of US$ 75 million sanctioned vide line of credit agreement dated June 6, 2001 as amended by an amending agreement dated February 11, 2004 and letter dated October 27, 2004. (1)(3)(4) (7) (8)(10)(12)(13)(#)	Rs. 177.73 million	0.95% per annum over the USD LIBOR when the repayment term is made between two and five years.	Each portion of the loan is repayable in equal and successive half yearly instalments specified by the lender. The number of instalments in which each portion of the loan is repayable should not be less than four and more than 24.
8.	KfW, Frankfurt am Main	Composite loan facility of Euro 100.56 million and financial contribution of Euro 3.33 million sanctioned vide loan and financing			

Sl. No.	Name of Lender(s)/	Facility/ Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
		agreement dated December 28, 2005 in pursuance of the agreements dated July 28, 1994, June 5, 1997, October 4, 2002 and December 9, 2005 between the Government of the Federal Republic of Germany and the Government of India consisting of. (i) Euro 35.56 million("Portion I") (ii) Euro 65 million ("Portion II") (10) (14) (16)(17)	Nil	Portion I: 0.75% per annum Portion II: 1.3% per annum over the EURIBOR.****	Portion I of the loan facility is repayable in 56 equal and consecutive semi-annual instalments on June 30 and December 30 in each year, the first instalment being payable on June 30, 2018. Portion II of the loan facility is repayable in 14 equal and consecutive semi-annual instalments on June 30 and December 30 in each year, the first instalment being payable on June 30, 2011.
9.	Asian Development Bank	Loan of US $ 50 million sanctioned vide agreement dated December 11, 2003 as amended by letter dated December 16, 2005.(1)(10)(15)(18)	Rs. 488.93 million	Sum of the LIBOR in respect of the initial loan currency and the banks spread included within the floating rate as in effect at 12.01 a.m.	Each amount disbursed under the facility is required to be repaid in 30 semi-annual equal instalments, the first such instalment of which is payable on the 11th interest payment date relating to the disbursement.
10.	KfW, Frankfurt am Main	Loan facility of DM 46.50 million sanctioned vide agreement dated June 19, 1995 between in pursuance of the agreements dated May 4, 1984 and July 17, 1986 between the Government of the Federal Republic of Germany and the Government of India consisting of: • DM 23.25 million ("Portion I") • DM 23.25 million ("Portion II") (10)(14)(16)(17)(19)	Rs. 948.11 million Rs. 638.25 million for Portion I and Rs. 309.86 million for Portion II	Portion I: 12% per annum or lending rate of our Company minus 3%, whichever is lower subject to a minimum of 0.75% per annum. Portion II: 12% per annum or lending rate of our Company minus 3%, whichever is lower subject to	Portion I of the loan facility is repayable in 60 equal and consecutive semi-annual instalments on June 30 and December 30 in each year, the first instalment being payable on December 30, 2005. Each sub-portion of Portion II of the loan facility is repayable in 20 equal and consecutive semi-annual instalments on June 30 and December 30 in each year, the first

Sl. No.	Name of Lender(s)/	Facility/ Loan Documentation	Amount	Outstanding	Interest Rate
				a minimum of 0.85% per annum over the yield of public bonds with a remaining term of ten years as published in the Frank furter Allgemeine Zetuing.	instalment being payable on June 30 of the year following the relevant disbursement.

Portion I of the loan facility is repayable in 60 equal and consecutive semi-annual instalments on June 30 and December 30 in each year, the first instalment being payable on December 30, 2005.

* *In relation to any relevant sum and any relevant period the annual rate of interest published on Telerate Page 3750 for a period comparable to such relevant period for JPY deposits or at about 11 a.m. (London time) on the day two London banking days preceding the commencement of such period.*

** *The rate which is uniformly applied by the long term credit banks as their to term prime lending rate in Japan to their Yen loans to their prime customers in Japan with terms exceeding one year to be notified by the Yen tranche agent under the agreement and if no such uniform rate is available, the arithmetic mean of the rates quoted by all long-term credit banks in Japan as their respective long term prime rates applied to their Yen loans with terms exceeding one year to prime customers in Japan.*

*** *The rate for six month U.S. dollar deposit displayed on the Dow Jones/Telerate Monitor as Bridge/ Telerate Page No. 3750.*

**** *The rate quoted by Telerate page 248 or in the event such offered rates do not so appear, the rates quoted by Reuter's page EURIBOR for six months deposit in Euro.*

\# *The agreement expired on June 5, 2006. Consequently, the availability period for this facility to our Company has expired and we cannot avail any further facilities under this agreement.*

(1) *Under the terms of the loan agreement, our Company is required to comply with certain financial covenants specified in the agreement.*

(2) *Under the terms of the loan agreement, our Company shall not, subject to certain specified exceptions, without the prior written consent of the lenders/ majority lenders, enter into any single transaction or a series of transactions to sell, lease, transfer or otherwise dispose of any part of its business, assets or revenues. Additionally our Company has undertaken to maintain insurances relating to its assets against those risks which are likely to have a material adverse effect. Further our Company has undertaken not to do the following without the prior written consent of the lender/majority lenders:*

- *acquire any assets or business or acquire or make any investment if such assets, business or investments may adversely affect the interest of the lenders.*
- *make any amendment to its constitutional documents which would affect the rights of the lenders under this agreement.*
- *make or grant any loan or advance or provide financing to any person or incur any indebtedness except in the ordinary course of business.*
- *execute any guarantees or indemnities in favour of any person, except in the ordinary course of business.*

(3) *Under the terms of the loan agreement, our Company shall not without the prior written consent of the lenders/ majority lenders enter into any merger or consolidation with any entity or take any step with a view to dissolution, liquidation or winding-up or to undertake any kind of reconstruction or reorganisation or enter into any scheme of arrangement for any of the foregoing.*

(4) *Under the terms of the agreement, our Company would be in default of the agreement in case any indebtedness in an aggregate amount of US$ 10 million of our Company is not paid when due or cancelled or suspended by a creditor or a creditor becomes entitled to declare any indebtedness of such amount due and payable prior to its specified maturity.*

(5) *Under the terms of the agreement, our Company shall not enter into any agreement with any person otherwise that on an arm's length basis and for full market value.*

(6) *Under the terms of the agreement, our Company is required to demonstrate to the lender that the proceeds of the loan disbursed have been utilized in accordance with the terms of the agreement and shall for such purpose furnish periodical reports to the lender. Further, the lender may by notice to our Company and the GoI suspend, in whole or in part, our Company's right to drawdown under the agreement on the happening of the following events:*

- *The GoI shall have failed to make payment of principal, interest or any other charge required under the guarantee agreement or any of the principal loan agreement or any other loan/guarantee agreement with the lender;*
- *Any of the project executing agencies specified in the agreement shall have failed to perform any of its obligations under the relevant project agreement;*
- *A situation shall have arisen or developed which in the reasonable opinion of the lender will or may make it improbable that any of the projects can be successfully carried out, or that our Company or the GoI will be able to perform any of its obligations under this agreement*

or the guarantee agreement.

(7) *Under the terms of the agreement, the illegality of any contract for which a loan is disbursed or the failure of any third party to make payments to our Company and/ or meet contractual obligations under related/ subsidiary agreements shall not release our Company of any of its obligations under this agreement.*

(8) *Under the terms of the loan agreement, in the event our Company creates any encumbrance on its assets or revenues to secure external debt, it shall at the same time create an encumbrance, equally and proportionately, in favour of the lender with respect to the pecuniary obligations under this agreement.*

(9) *Under the terms of the agreement, in the event that the Government of India's right to make withdrawals under the loan agreement executed with the lender is suspended or terminated, the subsidiary agreement shall simultaneously be suspended or terminated.*

(10) *Under the terms of the agreement, the prior consent of the lender is required prior to any sub-loans/financing arrangements being made by our Company.*

(11) *Under the terms of the agreement, the holder of a note issued by our Company under the agreement may, after a specified date, upon giving not less than 30 days and not more than 60 days' notice to our Company, require our Company to redeem the relevant note. Further, the holder of any notes issued by our Company may give notice to our Company that the note is due and repayable if amongst others any of the following events occur:*

- *Our Company fails to pay when due any amount with respect to any other present or future indebtedness, guarantee or indemnity of our Company in excess of US$ 5,000,000 or any indebtedness becomes due and payable prior to its maturity otherwise than at the option of our Company.*
- *The aggregate holding of the share capital of our Company is beneficially owned by, or the voting rights in respect of which are controlled by the GoI is reduced to less than 51%, unless such reduction is approved in advance by an extraordinary resolution of the note holders.*

(12) *In the event that a contract in respect to an allocation is made from the credit facility is terminated before completion, our Company shall be required to prepay the amount disbursed in relation to the relevant contract in ten consecutive equal semi-annual instalments. Further, in the event a loan made by our Company to a purchaser in pursuance of this agreement, is prepaid by such purchaser, our Company shall be required to prepay the amount disbursed in relation to the relevant contract on the following interest payment date.*

(13) *Under the terms of the agreement, our Company shall be in default of its obligations under the agreement if it ceases to be a public financial institution as provided under Section 4A of the Companies Act.*

(14) *Under the terms of the agreement, the unrestricted effectiveness of the guarantee provided by the Federal Republic of Germany shall be a prerequisite for the disbursement of Portion II of the loan.*

(15) *Under the terms of the agreement, our Company is required to cause each of its subsidiaries to observe and perform the obligations of our Company under this loan agreement to the extent to which such obligations may be applicable thereto.*

(16) *The loan is secured by a letter of guarantee from the GoI.*

(17) *The claims arising from Portion II of the loan are guaranteed by the Federal Republic of Germany.*

(18) *Under the terms of the loan agreement, our Company shall not, subject to certain specified exceptions, without the prior written consent of the lenders/ majority lenders, enter into any single transaction or a series of transactions to sell, lease, transfer or otherwise dispose of any part of its business, assets or revenues.*

(19) *The Company repays the amounts outstanding in accordance with the terms of the loan agreements in Euros.*

B. Bonds Issued by our Company:

Set forth below is a brief summary of our significant outstanding bonds of Rs. 123,078.44 million as of September 30, 2006 together with a brief description of certain significant terms of such financing arrangements.

(i) Government Guaranteed Bonds:*

Our Company has issued government guaranteed bonds, on private placement basis in five series aggregating to Rs. 965.08 million. The details of these bonds are as follows:

Sl. No.	Nature of the Bonds	Interest/Coupon Rate	Redemption	Security
1.	Non-cumulative SLR bonds (I Series) of total value Rs. 200 million, allotted on December 26, 1988.	11.5% per annum	Principal amount is to be redeemed on December 26, 2008.	Secured by way of guarantee by the Government of India through letter of the Ministry of Energy dated December 21, 1988.
2.	Non-cumulative SLR bonds (II Series) of face value Rs. 200 million, allotted on January 3, 1990.	11.5% per annum	Principal amount is to be redeemed on January 3, 2010.	Secured by way of guarantee by the Government of India through letter of the Ministry of Energy dated January 2, 1990.
3.	Non-cumulative SLR bonds (III Series) of Rs. 200 million allotted on January 7, 1991.	11.5% per annum	Principal amount is to be redeemed on January 7, 2011.	Secured by way of guarantee by the Government of India through letter of the Ministry of Energy dated January 3, 1991.
4.	SLR non-cumulative bonds (IV Series) of face value Rs. 220 million, 2007 allotted on February 10, 1992.	12% per annum	Principal amount is to be redeemed on February 10, 2012.	Secured by way of guarantee by the Government of India through letter of the MoP dated January 30, 1992.
5.	SLR non-cumulative bonds (V Series) of a total value Rs. 145.08 million allotted on December 19, 1992.	13% per annum	Principal amount is to be redeemed on December 19, 2007.	Secured by way of guarantee by the Government of India through letter of the MoP dated December 7, 1992.

* *The issuance of these bonds by our Company have been approved by the RBI. For further details, see the section titled "Government and Other Approvals" beginning on page 203 of this Prospectus*

(ii) Taxable Bonds issued by our Company:

Our Company has issued taxable bonds, on private placement basis, aggregating to Rs. 119,349.55 million which are listed on the wholesale debt market segment in the NSE. The details of these bonds are as follows:

Sl. No.	Name of the Trustee	Nature of Bonds	Interest/Coupon Rate	Redemption
1.	IL& FS Trust Company Limited	Unsecured, redeemable, non-convertible taxable bonds (2009) (XIV Series) in the nature of debentures of Rs. 0.10 million each and aggregate nominal value of Rs. 999.40 million allotted on May 31, 2002. (1)(2)	9.10% per annum.	Principal amount is redeemable at par on the expiry of seven years from May 31, 2002.

Sl. No.	Name of the Trustee	Nature of Bonds	Interest/Coupon Rate	Redemption
2.	United Bank of India	Taxable, unsecured, non-convertible, redeemable bonds (2012) (XI Series) in the nature of debentures allotted on February 20, 2002 of the aggregate value of Rs. 7,749.70 million. (1)(2)	9.25% per annum	Principal amount is redeemable at the end of the 10th year from February 20, 2002 with put and call option at the end of seven years from February 20, 2002.
3.	United Bank of India	Taxable, unsecured, non-convertible, redeemable bonds (2009) (XII Series) in the nature of debentures of the face value of Rs. 0.10 million face value aggregate value of Rs. 435 million allotted on March 22, 2002. (1)(2)	8.85% per annum	Principal amount is redeemable after the expiry of seven years from the date of allotment with put and call option at par at the end of five years from the March 22, 2002.
4.	IL& FS Trust Company Limited	Unsecured, redeemable, non-convertible, taxable, bonds (2022) XIX Series in the nature of debentures of the face value Rs. 0.10 million each aggregating to Rs. 7,500 million. The discounted value of the bonds was Rs. 1,579.58 million, allotted in December 30, 2002. (1)(2) The notional value of the bonds as on September 30, 2006 was Rs. 2,103.39 million.	Zero coupon	Principal amount is redeemable on the expiry of 20 years from December 30, 2002.
5.	IL& FS Trust Company Limited	Unsecured, redeemable, non-convertible, transferable, taxable bonds (2017) (XVIII Series) in the nature of debentures with separately transferable redeemable principal parts of Rs. 10 million each of an aggregate nominal value of Rs. 2,500 million allotted on November 13, 2002 to Life Insurance Corporation of India.(1)(2)(3)	7.87% per annum.	Principal amount is redeemable in 10 equal annual instalments of Rs. 250 million beginning from the date next to the expiry of sixth year after an initial moratorium period of five years from November 13, 2002.
6.	IL& FS Trust Company Limited	Unsecured, redeemable, non-convertible, transferable, taxable bonds (2017) (XVII Series) in the nature of debentures with separately transferable redeemable principal parts of Rs. 10 million each of an aggregate nominal value of Rs. 2,500 million allotted on October 3, 2002. (1)(2)	8.21% per annum	Principal amount is redeemable in 10 equal annual instalments of Rs. 250 million beginning from the date next to the expiry of sixth year after an initial moratorium period of five years from October 3, 2002.

Sl. No.	Name of the Trustee	Nature of Bonds	Interest/Coupon Rate	Redemption
7.	IDBI Trusteeship Services Limited	The following bonds were allotted in November 2, 2004: • Unsecured redeemable, non-convertible, non-cumulative taxable bonds (2011) (XXIA Series) in the nature of debentures of the face value of Rs. 0.10 million each aggregating to Rs. 3,010 million ("Series XXIA"); and • 7% unsecured redeemable, non-convertible, non-cumulative taxable bonds (2014) (XXIB Series) in the nature of debentures of the face value of Rs. 0.10 million each aggregating to Rs. 1,688 million ("XXIB Series").	XXIA Series: 6.80% per annum; and XXIB Series: 7% per annum.	Principal amount is redeemable at par at the on the following dates: XXIA Series: November 2, 2011, with a put and call option at the end of five years from the date of allotment. and XXIB Series: November 2, 2014, with a put and call option at the end of seven years from the date of allotment.
8.	IDBI Trusteeship Services Limited	Unsecured, redeemable, non-convertible, taxable infrastructure bonds (I Series) in the nature of debentures, offering benefits under Section 88 of the I.T. Act aggregating to Rs. 1,344.06 million. Rs. 944.89 million bonds are non-cumulative and Rs. 399.17 million cumulative allotted on January 15, 2005, February 15, 2005, March 15, 2005 and March 31, 2005. [2] (issued with a green shoe option)	6% per annum	Principal amount is redeemable at par in five years from the date of allotment and with a put and call option at the end of 36 months from the date of allotment.
9.	IL&FS Trust Company Limited	Unsecured, redeemable, non-convertible, taxable bonds (2009) (XVI Series) in the nature of debentures of Rs. 0.10 million each, of an aggregate nominal value of Rs. 3,240 million allotted on September 16, 2002. [1][2]	7.50% per annum	Principal amount is redeemable at par on the expiry of seven years from September 16, 2002 with a put and call option at the end of five years.
10.	United Bank of India	Taxable, unsecured, non-convertible, redeemable bonds (2011) (X Series) in the nature of debenture with separately transferable redeemable principal parts aggregating to Rs. 3009 million allotted on November 23, 2001. [1][2], **	9.70% per annum	15% redeemable in the first instalment at the end of the fourth year. Second, Third, Fourth, Fifth and Sixth instalment of 14% each redeemable at the end of the fifth, sixth, seventh, eighth and ninth year and balance 15% at the end of the 10th year from November 23, 2001.
11.	Western India Trustee & Executor Company Limited	Unsecured, redeemable, non-convertible, non-cumulative, taxable bonds in the nature of debentures (2010) (XXIV Series) with the face value of Rs. 1	570 bps over Five year Government Securities yield less One year	Principal amount is redeemable at par at the end of five years from September 1, 2005.

Sl. No.	Name of the Trustee	Nature of Bonds	Interest/Coupon Rate	Redemption
		million each aggregating to Rs. 4,750 million, allotted on September 1, 2005. (2)	Government Securities yield payable half yearly.	
12.	Western India Trustee & Executor Company Limited	Unsecured, redeemable, non-convertible, non-cumulative, taxable bonds in the nature of debentures (2011) (XXIII Series) with the face value of Rs. 1 million each aggregating to Rs. 3,499 million, allotted on July 5, 2005. (2)	7% per annum	Principal amount is redeemable at par at the end of seven years from July 5, 2005 with a put/call option at the end of five years from July 5, 2005.
13.	Western India Trustee & Executor Company Limited	Unsecured, redeemable, non-convertible, non-cumulative, taxable bonds in the nature of debentures (2015) (XXV Series) with the face value of Rs. 1 million aggregating to Rs. 17,347 million with a right to retain over subscription, allotted on December 30, 2005. (2)	7.60% per annum	Principal amount is redeemable at par at the end of 10 years from December 30, 2005.
14.	Western India Trustee & Executor Company Limited	Unsecured, redeemable, non-convertible, non-cumulative, taxable bonds in the nature of debentures (2016) (XXVI Series) with the face value of Rs. 1 million aggregating to Rs. 12,618 million allotted on February 24, 2006.	7.95% per annum	Principal amount is redeemable at par at the expiry of 10 years from February 24, 2006.
15.	Western India Trustee & Executor Company Limited	Unsecured, redeemable, non-convertible, non-cumulative, taxable bonds in the nature of debentures (2016) (XXVII A Series) with the face value of Rs. 1 million aggregating to Rs. 10,000 million allotted on March 17, 2006 ("XXVII A Series").	XXVII A Series: 8.20% per annum; and	XXVII A Series: Principal amount is redeemable at par at the expiry 10 years from March 17, 2006; and
		Unsecured, redeemable, non-convertible, non-cumulative, taxable bonds in the nature of debentures (2013) (XXVII B Series) with the face value of Rs. 1 million aggregating to Rs. 8,500 million allotted on March 17, 2006 ("XXVII Series").	XXVII Series: 8.09% per annum	XXVII Series: Principal amount is redeemable at par at the end of seven years from March 17, 2006.
16.	IDBI Trusteeship Services Limited	Unsecured, redeemable, non-convertible, non-cumulative, taxable bonds in the nature of debentures (2011) (XXII Series) with the face value of Rs. 1 million aggregating to Rs. 10,407 million with a right to retain over subscription, allotted on December 24, 2004. (2)	7% per annum.	Principal amount is redeemable on December 24, 2011 with a put and call option at the end of five years from December 24, 2004

Sl. No.	Name of the Trustee	Nature of Bonds	Interest/Coupon Rate	Redemption
17.	IL&FS Trust Company Limited	Unsecured, redeemable, non-convertible, taxable bonds in the nature of debentures (2017) (XIII Series) with the face value of Rs. 0.10 million aggregating to Rs. 1,900 million, allotted Rs. 1,250 million on May 16, 2002 and Rs. 650 million on May 24, 2002. (1)(2)	9.60% per annum.	Principal amount is redeemable at par on the expiry of 15 years from the dates of allotment.
18.	United Bank of India	Unsecured, redeemable, non-convertible, non-cumulative, taxable bonds in the nature of debentures (2010) (XX Series) aggregating to Rs. 7,250 million allotted on August 1, 2003.(1)(2)	5.85% per annum.	Principal amount is redeemable at the end of seven years from August 1, 2003 with a put and call option at the end of five years,
19.	IL&FS Trust Company Limited	Unsecured, redeemable, non-convertible, taxable bonds (2009) (XV Series) in the nature of debentures of Rs. 0.10 million each, of an aggregate nominal value of Rs. 3,000 million allotted on July 8, 2002. (1)(2)	9% per annum.	Principal amount is redeemable at par on the expiry of seven years from July 8, 2002.
20.	IDBI Trusteeship Services Limited	Taxable, unsecured, non-convertible, redeemable PFC bonds (2021)(XXVIII Series) in the nature of debentures of the face value of Rs. 1 million and aggregate value of Rs. 6,000 million allotted on May 31, 2006.	8.85% per annum.	Principal amount is redeemable at the expiry of fifteen years from the date of allotment.
21.	IDBI Trusteeship Services Limited	Taxable, unsecured, non-convertible, redeemable PFC bonds (2016 and 2011)(XXIX Series A and B) in the nature of debentures of the face value Rs. 1 million and aggregate value of Rs. 2,500 million and Rs. 3,000 million allotted on September 7, 2006.	Series A-8.80% per annum and Series B-8.55% per annum.	Series A-September 7, 2016 and Series B-September 7, 2011.

** *Of the debentures issued, our Company redeemed Rs. 495.60 million debentures on November 23, 2006.*

(1) *Under the terms of the agreement, in the event our Company makes or attempts to make any alteration in the provisions of our Memorandum and Articles of Association of our Company which might in the opinion of the trustees detrimentally affect the interest of the bond holders and shall upon demand by the trustees refuse or neglect to rescind such alteration.*

(2) *Under the terms of the agreement, the bonds shall be freely transferable by endorsement and delivery. Further, our Company shall have the right to repurchase the bonds and to reissue, market some or all of the bonds at any time during their currency at the rates prevailing at that time. Further, the bonds shall rank pari passu without any preference or priority of one over the other. Additionally, the bond holders are not entitled to any other rights and privileges available to shareholders other than those available to then under the statutory provisions.*

(3) *Under the terms of the Memorandum of Understanding ("MOU") between Life Insurance Corporation of India and our Company the proceeds of the bonds shall be utilised primarily for onward lending to public sector utilities under the State/Central Government/Private Power Utilities. Further, under the terms of the MOU our Company has undertaken not to declare any dividend without the prior consent of Life Insurance Corporation of India in the event of default.*

(iii) Tax Free Bonds:

Our Company has issued tax free bonds, on private placement basis in three series aggregating to Rs. 2,755 million. The details of these bonds are as follows:

Sl. No.	Name of the Trustee	Nature of Bonds	Interest/Coupon Rate	Redemption
1.	Vijaya Bank	Unsecured, redeemable, tax free bonds (2008) (I Series) of the face value Rs. 1505 million allotted on September 4, 1998, September 5, 1998, September 8, 1998, September 9, 1998, September 14, 1998 and October 12, 1998. [(1)(2)]	10.4% per annum.	Principal amount is redeemable after the expiry of 10 years from the date of allotment.
2.	United Bank of India	Unsecured, redeemable, tax free bonds (2009) (II Series) in the nature of debentures of aggregate value of Rs. 750 million allotted on October 15, 1999 and December 15, 1999. [(1)(2)]	8.70% per annum.	Principal amount is redeemable after the expiry of 10 years from the date of allotment.
3.	United Bank of India	Unsecured, redeemable tax free bonds (2010) (III Series) in the nature of debentures of aggregate value of Rs. 500 million allotted on July 19, 2000. [(1)(2)]	8.20% per annum.	Principal amount is redeemable after the expiry of 10 years from July 19, 2000.

[(1)] *Under the terms of the agreement, in the event our Company makes or attempts to make any alteration in the provisions of our Memorandum of Association and Articles of Association of our Company which might in the opinion of the trustees detrimentally affect the interest of the bond holders and shall upon demand by the trustees refuse or neglect to rescind such alteration.*

[(2)] *Under the terms of the agreement, the bonds shall be freely transferable by endorsement and delivery. Further, our Company shall have the right to repurchase the bonds and to reissue, market some or all of the bonds at any time during their currency at the rates prevailing at that time. Further, the bonds shall rank pari passu without any preference or priority of one over the other. Additionally, the bond holders are not entitled to any other rights and privileges available to shareholders other than those available to then under the statutory provisions.*

(iv) Secured Bonds issued by our Company:

Our Company had issued secured bonds, on private placement basis, which have matured and have been redeemed. However, the securities created in relation to the same subsist as on date of filing this Prospectus due to unclaimed balance amount of bonds aggregating to Rs. 8.81 million in respect of redemption. In the event the said amounts remain unpaid or unclaimed for a period of seven years from the date they became due for payment they shall be transferred to the Investor Education and Protection Fund. The details of these bonds are as follows:

Sl. No.	Name of the Trustee	Nature of Bonds	Interest/ Coupon Rate	Redemption	Unclaimed Amount	Security
1.	Central Bank of India	Tax free secured, non-convertible, redeemable bonds (V Series) of aggregate nominal value of Rs. 3,500 million allotted on June 27, 1990.	9% per annum	Redeemed on June 27, 2000	Rs. 5.2 million	Charge over all movable assets including bank balances, receivables, investments and book debts, both present and future.
2.	Vijaya Bank	Tax free, secured, redeemable bonds (VI Series) of aggregate nominal value of Rs.	10.5% per annum	Redeemed on July 25, 2003	Rs. 1.1 million	Pari passu charge over the movable assets consisting of all the present and future

Sl. No.	Name of the Trustee	Nature of Bonds	Interest/ Coupon Rate	Redemption	Unclaimed Amount	Security
		2,500 million allotted on March 29, 1996, May 6, 1996, June 4, 1996, July 5, 1996 and July 25, 1996.				book debts, outstanding moneys, receivable, claims, and bills engagement.
3.	Vijaya Bank	Tax free, secured redeemable bonds (VII Series) of the aggregate nominal value of Rs.3,050 million allotted on February 10, 1997, March 10, 1997 and April 10, 1997.	10.5% per annum	Redeemed on March 10, 2004	Rs. 1.91 million	Pari passu charge over the movable assets consisting of all the present and future loans, book debts, choses in action, contracts, receivable, claims, bills engagement and securities.
4.	Indian Overseas Bank	Taxable, secured, redeemable bonds (I Series) aggregating to Rs. 1,500 million allotted on February 10, 1992.	17% per annum	Redeemed on February 10, 1999	Rs. 0.6 million	Pari passu charge over movable assets including bank balances, receivable investments and bank debts, both present and future.

C. Unsecured Long Term Loans availed by our Company:

Set forth below is a brief summary of our significant outstanding unsecured long term borrowings of Rs. 20,117.21 million as of September 30, 2006 together with a brief description of certain significant terms of such financing arrangements.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
1.	Punjab National Bank (1) (3)	Term loan of Rs. 500 million sanctioned vide agreement dated October 3, 2000.	Rs. 500 million	4.5% below the BPLR	Principal amount repayable by way of bullet payment at the end of seven years from date of availing the loan.
2.	Life Insurance Corporation(1) (2)	Term loan of Rs. 3,000 million sanctioned vide agreement dated June 7, 2000 as amended by letter dated March 31, 2004.	Rs. 3,000 million	9% per annum.	Principal amount repayable by bullet repayment ending 10 years after the date of drawal of the first instalment.
3.	Jammu and Kashmir Bank Limited (1)(4)	Term loan of Rs. 1,000 million sanctioned vide agreement dated March 16, 1999 as amended by letter dated August 7, 2002 and July 26, 2004.	Rs. 600 million	6.50% per annum.	Principal amount repayable by way of bullet payment in lump sum at the end of seven years from the date of first availing the loan.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
4.	Oriental Bank of Commerce[(1)(4)]	Term loan of Rs. 1,000 million sanctioned vide agreement dated March 6, 2000 as amended by letter dated September 29, 2002, June 21, 2003 and June 22, 2004	Rs. 1,000 million	6.45% per annum.	Principal amount repayable by way of bullet payment in lump sum at the end of seven years from the date of availing the loan.
5.	Life Insurance Corporation of India[(1)(5)]	Term loan of Rs. 5,000 million sanctioned vide agreement dated July 30, 2001 as amended by letter dated March 31, 2004.	Rs. 5,000 million	9% per annum.	Principal amount repayable by bullet payment at the end of the 10th year from the date of drawal of first instalment of the said loan.
6.	State Bank of India[(6)(7)]	Overall limit of Rs. 12,500 million, sanctioned vide agreement dated August 20, 2002 as modified by letter dated August 20, 2002, November 22, 2002, September 18, 2003, and March 13, 2004, March 12, 2004 and June 2, 2004 consisting of: Term loan: Rs. 10,000 million Working capital facility: 2,500 million FCNR: USD 15 million*	 Rs. 6,950 million Rs. 2374.66 million Rs. 692.55 million	Term loan: 4% below SBAR for the remaining portion of Rs. 6,950 million. Working Capital: 2.15% less the SBAR less cash credit and WCDL. FCNR: 2.5% over SPOT date 6 month LIBOR, as on the date of disbursement	Term Loan: Each disbursement to be repaid in bullet payment seven years from each disbursement. For Rs. 6,950 million to be disbursed, bullet payment three years from the date of disbursement. Working Capital Facility: Each disbursement to be repaid in bullet payment seven years from each disbursement. FCNR: Principal amount repayable three years from June 2, 2004.

* *The said FCNR is a one time swing out of the Rupee term loan tranche.*

(1) *Under the terms of the loan agreement, our Company has undertaken to maintain:*

(a) *Tangible net worth above Rs. 20,000 million at all times;*

(b) *Interest cover above 1.2:1 at all times; and*

(c) *Secured Debt Ratio at the end of each financial year not exceeding 0.8:1.*

(2) *Under the terms of the loan agreement, our Company has undertaken to not create any lien or charges on its receivables or assets except to the extent disclosed in writing to the lender at the time of contracting, and that in the event of creation of such lien or charge in future in favour of any lender, the same shall apply pari passu to the loan advanced by the lender under this loan agreement.*

(3) *Under the terms of the loan agreement, our Company has undertaken to ensure that the debt equity ratio at the end of each financial year will not exceed 8:1.*

(4) *Under the terms of the loan agreement, our Company has undertaken to ensure that the debt equity ratio at the end of each financial year will not exceed 7:1.*

(5) *Under the terms of the loan agreement, our Company has undertaken not to create any lien or charges on its receivables /assets in favour of*

any lender, save and except as already disclosed and in the event of creation of such lien or charge in future in favour of any lender, the same shall apply pari passu to the loan advanced by the bank under this agreement.

(6) *Under the terms of the loan agreement, our Company has undertaken not to vary the shareholding of such shareholders in our Company who are its Directors at present and the principal shareholders and promoters of our Company without the prior consent of the lender. Additionally, under the terms of the agreement, our Company has undertaken to ensure that the GoI shall hold legal and beneficial title to at least 51% of the issued voting share capital of our Company. Further, under the terms of the loan agreement our Company has undertaken not to do the following without the prior information of the lender:*

- *Change or in any way alter the capital structure of our Company;*
- *Effect any scheme of amalgamation or reconstitution;*
- *Implement a new scheme of expansion or take-up an allied line of business or manufacture;*
- *Declare a dividend or distribute profits after deduction of taxes, in the event of default;*
- *Enlarge the scope of the other manufacturing/trading activities;*
- *Withdraw or allow to be withdrawn any moneys brought in by the Promoters and Directors or relatives and friends of the Promoters or Directors of our Company;*
- *Invest any funds by way of deposits, or loans or in share capital of any concern (including subsidiaries) so long as any money is due to the lender; and*
- *Borrow or obtain credit facilities of any description from any other bank or credit agency or money lenders or enter into any hire purchase arrangement.*

(7) *Under the terms of the loan agreement, our Company has undertaken to maintain the following financial ratios:*

- *Tangible net worth shall not at any point of time be less than Rs. 40,000 million;*
- *The interest cover ratio shall not at any time be less than 1.2:1;*
- *The secured debt ratio shall not exceed 0.8:1 during the currency of the loan; and*
- *Total outside liability to tangible net worth shall not be more than 6:1 during 2005-2009.*

D. Unsecured Medium Term Loans:

Set forth below is a brief summary of our significant outstanding unsecured medium term borrowings of Rs. 97,357.40 million as of September 30, 2006 together with a brief description of certain significant terms of such financing arrangements.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
1.	HSBC Limited	Term loan of Rs. 500 million sanctioned vide agreement dated March 29, 2005.(1)*	Rs. 500 million	6.85% per annum	Principal amount repayable by bullet payment by March 15, 2008.
2.	Bank of Baroda	Term loan of Rs. 4,000 million sanctioned vide agreement dated March 21, 2005.(2)*	Rs. 4,000 million	6.8607% per annum	Principal amount repayable in a lump sum at the end of three years from the date of drawal of each tranche.
3.	Bank of Baroda	Term loan of Rs. 2,000 million sanctioned vide agreement dated February 25, 2005. (2)*	Rs. 2,000 million	7% per annum in quarterly rests (6.96 monthly)	Principal amount repayable by way of bullet payment in one lump sum at the end of three years from the date of drawal of each tranche.
4.	State Bank of Mysore	Term loan of Rs. 500 million sanctioned vide agreement dated August 29, 2005(3)	Rs. 500 million	6.30% per annum.	Principal amount repayable by way of bullet payment in one lump sum at the end of 30 months from the date of availing the loan.
5.	State Bank of Mysore	Term loan of Rs. 250 million sanctioned vide agreement dated August 31, 2004. (3)	Rs. 250 million	4.75% per annum below the BPLR	Principal amount repayable by way of bullet payment in one lump sum at the end of 54 months from the date of availing the loan.
6.	Canara Bank	Term loan of Rs. 2,000 million sanctioned vide sanction letter dated January 28, 2004. *	Rs. 2,000 million	Floating rate of 4.5% per annum below the BPLR. 6.2% per annum compounded monthly for value received.	Principal amount repayable in 36 months from the date of first disbursement in bullet payment.
7.	Canara Bank	Term loan of Rs. 2,000 million sanctioned vide letter dated July 9, 2005. (2)*	Rs. 2,000 million	7% per annum.	Principal amount repayable after 60 months from the date of first disbursement in bullet payment.
8.	Canara Bank	Term loan of Rs.1,000 million vide letter dated March 6, 2000. *	Rs. 1,000 million	3.25% per annum below ongoing PLR at monthly rests, i.e. 7.45% per	annum. Principal amount repayable in a single bullet payment on the expiry of 7 years from the date of first disbursement.
9.	Canara Bank	Term loan of Rs. 2,000 million sanctioned vide letter dated August 19, 2004. (2) *	Rs. 2,000 million	6.75% per annum with 6.70% compounded monthly.	Principal amount repayable in 48 months from the date of first disbursement in bullet payment.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
10.	State Bank of Hyderabad	Term loan of Rs. 1,000 million sanctioned vide agreement dated October 5, 2005.	Rs. 1,000 million	6.98% per annum.	Principal amount repayable by way of bullet payment in lump sum at the end of five years from the date of availing the loan.
11.	State Bank of Hyderabad	Term loan of Rs. 1,000 million sanctioned vide agreement dated September 9, 2004	Rs. 1,000 million	6.40% per annum	Principal amount repayable by way of bullet payment in lump sum at the end of three years from the date of availing the loan.
12.	Oriental Bank of Commerce	Term loan of Rs. 1,000 million sanctioned vide agreement March 29, 2005. (4)*	Rs. 1,000 million	6.90% per annum.	Principal amount repayable by way of bullet payment in lump sum at the end of three years from the date of availing the loan.
13.	Export Import Bank of India	Rupee loan of Rs. 1,500 million sanctioned vide agreement dated March 26, 2004 as amended vide letter dated June 8, 2005.*(11)	Rs. 1,500 million	One year Government Securities over 110 bps per annum payable monthly.	Principal amount repayable at the expiry of three years from the date of first disbursement.
14.	Export Import Bank of India	Rupee loan of Rs. 2,000 million sanctioned vide agreement dated March 14, 2005(11)	Rs. 2,000 million	Sum of the margin of 100 basis points and one year Government Securities subject to a minimum of 6.80% per annum.	Principal amount repayable at the expiry of five years from the date of first disbursement.
15.	Bank of Maharashtra	Term loan of Rs. 1,500 million sanctioned vide agreement dated February 24, 2004. *	Rs. 1,500 million	6.15% per annum	Principal amount repayable in a single lump sum payment at the expiry of three years.
16.	Bank of Maharashtra	Term loan of Rs. 700 million sanctioned vide agreement dated March 26, 2004.*	Rs. 700 million	6.15% per annum.	Principal amount repayable by bullet payment at the expiry of three years from the date of first disbursement.
17.	State Bank of Patiala	Term loan of Rs. 1,000 million sanctioned vide agreement dated September 6, 2004. (4) (5)	Rs. 1,000 million	6.40% per annum	Principal amount repayable in lump sum by way of bullet payment at the end of three years from the date of availing the loan.
18.	State Bank of Patiala	Term loan of Rs. 1,000 million sanctioned vide agreement dated March 29, 2005. (4) (5)	Rs. 750 million	7% per annum	Principal amount repayable by way of bullet payment in lump sum at the end of four years from the date of availing the loan.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
19.	Indusind Bank	Term loan of Rs. 1,000 million sanctioned vide agreement dated September 16, 2004. *	Rs. 920 million	6.40% per annum	Principal amount repayable by way of bullet payment in lump sum at the end of three years from the date of availing the loan.
20.	Central Bank of India	Term loan of Rs. 5,000 million sanctioned vide agreement dated September 2, 2004. (2) (6)	Rs. 4912.4 million	6.40% per annum	Principal amount repayable at the expiry of three years from the date of each disbursement.
21.	Punjab National Bank	Term loan of Rs. 3,000 million sanctioned vide agreement dated August 6, 2004. (3)*	Rs. 3,000 million	5% below BPLR plus term premia of 0.5%.	Principal amount repayable by bullet payment by August 6, 2008.
22.	Bank of Rajasthan	Term loan of Rs. 550 million sanctioned vide letter dated February 28, 2005 as amended vide letter dated March 2, 2005 *	Rs. 300 million and Rs. 250 million	6.90% per annum	Principal amount repayable by way of bullet payment at the expiry of three years.
23.	UCO Bank	Term loan of Rs. 1,000 million sanctioned vide letter dated July 20, 2005.*	Rs. 1,000 million	7% per annum with monthly rests	Principal amount repayable by way of bullet payment at the end of 60 months from the date of availment.
24.	Small Industrial Development Bank of India	Term loan of Rs. 2,000 million sanctioned vide agreement dated March 26, 2004. (2)	Rs. 2,000 million	6.20% per annum.	The amount drawn in each tranche to be repaid, in one instalment at the expiry of 37 months from the date of disbursement of each tranche of the loan.
25.	Indian Overseas Bank	Term loan of Rs. 500 million sanctioned vide sanction letter dated January 24, 2005 as amended by letter dated February 22, 2005.*	Rs. 500 million	6.90% per annum	Principal amount repayable by way of bullet payment in three years.
26.	Union Bank of India	Term loan of Rs. 900 million sanctioned vide letter dated January 19, 2005.*	Rs. 650 million	7% per annum with monthly rests.	Principal amount repayable at the expiry of four years.
27.	Union Bank of India	Term loan of Rs. 4,000 million sanctioned vide letter dated September 13, 2004. *	Rs. 4,000 million	6.45% per annum	Principal amount repayable in bullet payment at the expiry of four years from the date of first drawal.
28.	State Bank of Travancore	Term loan of Rs. 500 million sanctioned vide agreement dated March 29, 2005. (4)(5)*	Rs. 500 million	6.90% per annum.	Principal amount repayable by way of bullet payment in lump sum at the end of 36 months from the date of first availing the loan.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
29.	State Bank of Travancore	Term loan of Rs.750 million sanctioned vide agreement dated October 12, 2004. (4)(5) *	Rs. 750 million	6% per annum (revised to 8.25% w.e.f October 12, 2006.)	Principal amount repayable by way of bullet payment in lump sum at the end of 54 months from the date of first availing the loan.
30.	Oriental Bank of Commerce	Term loan of Rs. 1,000 million sanctioned vide agreement dated October 13, 2004.	Rs. 1,000 million	6.45% per annum	Principal amount repayable bullet payment in lump sum at the end of four years from the date of availing the loan.
31.	UCO Bank	Term loan of Rs. 2,000 million sanctioned vide agreement dated September 1, 2004. (2)	Rs. 2,000 million	6.40% per annum.	Principal amount repayable bullet payment ending September 1, 2007.
32.	Syndicate Bank	Term loan of Rs. 2,500 million sanctioned vide agreement dated July 28, 2005.	Rs. 1,500 million and Rs. 1,000 million	7% per annum compounded monthly.	Principal amount repayable in bullet payment ending July 28, 2010.
33.	HDFC Bank Limited	Term loan of Rs. 500 million sanctioned vide agreement dated March 12, 2004.(3) *	Rs. 500 million	6% per annum.	Principal amount repayable in bullet payment ending 3 years after date of disbursement.
34.	Vijaya Bank	Term loan of Rs. 2,000 million sanctioned vide agreement dated October 5, 2005.*	Rs. 2,000 million	7% per annum	Principal amount repayable in bullet payment in one lump sum ending on October 7, 2010.
35.	State Bank of Patiala	Term loan of Rs. 500 million sanctioned vide agreement dated December 30, 2004. (4)(5)	Rs. 500 million	7.00% per annum.	Principal amount repayable in bullet payment in lump sum at the end of three years from the date of availing the loan.
36.	Federal Bank	Term loan of Rs. 750 million sanctioned vide agreement dated November 8, 2004 read with undertaking dated November 8, 2004. (2)*	Rs. 500 million	5.25% below the BPLR with monthly rests.	Principal amount repayable in 48 months in lump sum commencing from the date of disbursal of the loan.
37.	Small Industries Development Bank of India	Term loan of Rs. 2,500 million sanctioned vide agreement dated October 4, 2004. (2)	Rs. 2,500 million	6.25% per annum.	Principal amount repayable in one instalment at the end of four years from date of first disbursement.
38.	Union Bank of India	Term loan of Rs. 2,000 million sanctioned vide letter dated January 22, 2004.	Rs. 2,000 million	6.25% per annum with quarterly rests.	Principal amount repayable at the expiry of three years.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
39.	UCO Bank	Term loan Rs. 1,000 million sanctioned vide letter dated January 30, 2004.	Rs. 1,000 million	6.21% per annum	Principal amount repayable at the expiry of three years.
40.	State Bank of Saurashtra.	Term loan of Rs. 800 million sanctioned vide agreement dated February 25, 2005 (7)(8) *	Rs. 800 million	6.75% per annum.	Principal amount repayable in bullet payment at the end of four years.
41.	Corporation Bank	Term loan of Rs. 1,500 million sanctioned vide agreement dated September 20, 2004	Rs. 1,500 million	6.45% per annum	Principal amount repayable in bullet payment four years from the date of release of each tranche.
42.	Bank of India	Term loan of Rs. 900 million sanctioned vide letter dated February 10, 2005 as amended vide letter dated March 30, 2005.*	Rs. 900 million	6.9% per annum.	Principal amount repayable at the expiry of three years.
43.	Bank of India	Term loan of Rs. 1,100 million sanctioned vide agreement dated December 30, 2004. *	Rs. 1,100 million	7% per annum	Principal amount repayable at the expiry of three years by way of bullet payment.
44.	Allahabad Bank	Term loan of Rs. 2,000 million sanctioned vide agreement dated March 14, 2005 as amended by letter dated October 15, 2005. (7)(9)	Rs. 2,000 million	6.90% per annum	Principal amount repayable at the expiry of the fourth year from the date of first disbursement by way of bullet repayment.
45.	Punjab National Bank	Term loan of Rs. 3,000 million sanctioned vide agreement dated June 1, 2005.* (3)	Rs. 2,960 million	6.90% per annum	Principal amount repayable by bullet repayment at the end of 36 months from each withdrawal without put/call option/re-set clause.
46.	State Bank of Saurashtra	Term loan of Rs. 300 million sanctioned vide agreement dated June 1, 2005 (7)(8)	Rs. 300 million	6.75% per annum.	Principal amount repayable by bullet payment at the end of four years.
47.	Kotak Mahindra Bank Limited	Term loan of Rs. 300 million sanctioned vide agreement dated June 1, 2005.	Rs. 300 million	6.88% per annum with monthly rests.	Principal amount repayable by June 1, 2008.
48.	Corporation Bank	Term loan of Rs. 2,000 million sanctioned vide agreement dated October 5, 2005. *	Rs. 2,000 million	7% per annum	Principal amount repayable by way of bullet payment in one lump sum on completion of five years from the date of release.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
49.	Andhra Bank	Term loan of Rs. 635 million sanctioned vide agreement dated February 1, 2006. (2)	Rs. 635 million	7.35% per annum.	Principal amount repayable at the end of 66 months from the date of disbursement.
50.	State Bank of Patiala	Term loan of Rs. 1,000 million sanctioned vide agreement dated March 8, 2006.(10)	Rs. 1,000 million	7.78% per annum.	Principal amount repayable at the end of 66 months by way of bullet payment from the date of drawal.
51.	Allahabad Bank	Term loan of Rs. 2,000 million sanctioned vide agreement dated June 29, 2005 as amended by letter dated October 5, 2005.* (7)(9)	Rs. 2,000 million	7% per annum.	Principal amount repayable at the end of fifth year from the date of first disbursement by way of bullet payment.
52.	Allahabad Bank	Term loan of Rs. 1,000 million sanctioned vide agreement dated August 18, 2005 as amended by letter dated October 5, 2005.(7)(9)	Rs. 1,000 million	7% per annum.	Principal amount repayable amount repayable at the end of fifth year from the date of first disbursement by way of bullet payment.
53.	Union Bank of India	Term loan of Rs. 1,500 million sanctioned vide letter dated January 30, 2004. *	Rs. 1,500 million	6.25% per annum	Principal amount repayable in bullet payment at the expiry of three years.
54.	Central Bank of India	Term loan of Rs. 2,800 million sanctioned vide agreement dated October 5, 2005.	Rs. 2,800 million	6.90% per annum.	Principal amount repayable at the expiry of five years from the date of first disbursement.
55.	Canara Bank	Term loan of Rs. 4,000 million sanctioned vide agreement dated August 18, 2005.	Rs. 4,000 million	7.05% per annum with a minimum of 7% per annum.	Principal amount repayable after 60 months from the date of first disbursement in bullet payment.
56.	State Bank of Travancore	Term loan of Rs. 1,000 million sanctioned vide agreement dated March 16, 2004. (3) *	Rs. 1,000 million	4.75% per annum below SBTPLR.	Principal amount repayable by bullet payment in lump sum at the end of three years from the first date of availing the loan.
57.	Bank of Baroda	Term loan of Rs. 2,000 million sanctioned vide agreement dated March 26, 2004	Rs. 2,000 million	6.25% per annum with quarterly rests (6.22 payable monthly)	Principal amount repayable by way of bullet repayment in one lump sum at the end of three years from the date of drawl of each tranche.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
58.	Canara Bank	Term loan of Rs. 2,000 million sanctioned vide agreement dated February 25, 2005*	Rs. 1,980 million	6.95% per annum	Principal amount repayable after 48 months from the date of first disbursement in bullet payment.
59.	Bank of India	Term loan of Rs. 2,000 million sanctioned vide agreement dated June 30, 2005*	Rs. 2,000 million	6.25% per annum	Principal amount repayable after 24 months from the date of first disbursement in bullet payment.
60.	State Bank of Patiala	Term loan of Rs. 750 million sanctioned vide agreement dated May 1, 2006* (1) (10)	Rs. 750 million	7.78% per annum with monthly rests	Principal amount repayable by bullet payment in lump sum after 48 months from the date of drawal.
61.	SIDBI	Term loan of Rs. 750 million sanctioned vide agreement dated August 18, 2006.	Rs. 750 million	8.25% per annum with monthly rests	Principal amount repayable by bullet payment in lump sum after 13 months from the date of drawal.
62.	State Bank of Saurashtra	Term loan of Rs. 500 million sanctioned vide agreement dated August 25, 2006. * (10)	Rs. 500 million	8.15 per annum with monthly rests, with a reset clause after two years.	Principal amount repayable by bullet payment in lump sum after 36 months from the date of drawal, with a reset clause after two years from the date of drawal.
63.	Punjab and Sind Bank	Term loan of Rs. 2,000 million sanctioned vide letter dated September 13, 2006.*	Rs. 2,000 million	8.25% per annum with monthly rests.	Principal amount repayable by bullet payment in lump sum after 18 months from the date of drawal.
64.	State Bank of Mysore	Term loan of Rs. 1,000 million sanctioned vide agreement dated September 18, 2006. (3)	Rs. 1,000 million	8.25% per annum with monthly rests.	Principal amount repayable by bullet payment in lump sum after 60 months from the date of drawal, with a put and call option after 18 months.
65.	Yes Bank	Term loan of Rs. 1,000 million sanctioned vide letter dated September 19, 2006.*	Rs. 1,000 million	8.25% per annum with monthly rests.	Principal amount repayable by bullet payment in lump sum after 18 months from the date of drawal.
66.	State Bank of Bikaner and Jaipur	Term loan of Rs. 2,000 million sanctioned vide letter dated September 18, 2006.*(12)	Rs. 1,600 millions	8.20% per annum with monthly rests.	Principal amount repayable by bullet payment in lump sum after 13 months from the date of withdrawal.

* Our Company has executed demand promissory notes in favour of the lender pursuant to the loan documentation.

(1) *Under the terms of the loan agreement, our Company has undertaken to pay dividends only out of profits.*

(2) *Under the terms of the loan agreement, our Company has undertaken not to create any lien or charges on its receivables /assets in favour of any lender, save and except as already disclosed to the lender and in the event of creation of such lien or charge in future in favour of any lender, the same shall apply pari passu to the loan advanced by the bank under this agreement.*

(3) *Under the terms of the loan agreement, our Company is required to maintain the following financial conditions during the currency of the loan:*

· *tangible net worth of Rs. 20,000 million;*

- *interest cover of 1.2:1;*
- *secured debt ratio at the end of each financial year not to exceed 0.8:1 ; and*
- *debt equity ratio at the end of each financial year not to exceed 7:1.*

(4) *Under the terms of the loan agreement, our Company is required to maintain the following financial conditions during the currency of the loan:*

- *tangible net worth of Rs. 20,000 million;*
- *interest cover of 1.2:1; and*
- *debt equity ratio at the end of each financial year not to exceed 8:1.*

(5) *Under the terms of the loan agreement, our Company is required to ensure that the secured debt ratio at the end of each financial half year does not exceed 0.8: 1*

(6) *Under the terms of the loan agreement, our Company has undertaken not to transfer, encumber, alienate or part with the possession in any manner, whatsoever, the assets owned by or belonging to them without the consent of the bank in writing in the event of default.*

(7) *Under the terms of the loan agreement, our Company has undertaken not to do the following without the prior consent of the lender:*

- *Effect any scheme of amalgamation or reconstitution;*
- *Implement a new scheme of expansion or take up an allied line of business or manufacture;*
- *Enlarge the scope of the other trading activities if any undertaken at the time of the application and notified by the lender as such;*

(8) *Under the terms of the loan agreement, our Company has undertaken not to do the following without the prior consent of the lender:*

- *Transfer the office of the managing agency of our Company to any party without the previous consent of the lender;*
- *Create any mortgage, charge, pledge, hypothecation or lien or encumbrance ranking in priority to or pari passu with or create any mortgage, charge, pledge, hypothecation or lien, encumbrance subsequent to the security given or to be given to the lender for the advance.*

(9) *Under the terms of the loan agreement, our Company has undertaken to inform the lender of any change or alteration in the capital structure of the business concern and its constitution during the currency of the loan. Further, our Company has undertaken not to do the following without the prior written consent of the lender:*

- *Withdraw or allow to be withdrawn any moneys brought in by the Promoters including unsecured loans;*
- *Except for obligations on existing investments as appearing in the balance sheet, invest any funds by way of deposits or loans or in share capital of any other concern so long as money is due to the lender;*
- *Borrow or obtain credit facilities of any description from any other bank or credit agency or money lenders or enter into any hire purchase agreement during the currency of the loan.*

(10) *Under the terms of the loan agreement, our Company is required to maintain the following financial ratios during the currency of the loan:*

- *tangible net worth of Rs. 20,000 million;*
- *interest cover of 1.2:1;*
- *secured debt ratio at the end of each financial year not to exceed 0.8:1 ; and*
- *debt equity ratio at the end of each financial year not to exceed 10:1.*

(11) *Under the terms of the sanction letters dated March 12, 2004 and February 23, 2005 respectively, our Company is required not to declare dividends without the prior written consent of the Export Import Bank of India, in the event of default. Further, any material change in the composition of the Board of Directors, management structure or equity pattern of our Company shall require prior approval of the Export Import Bank of India, in the event of default.*

(12) *Only Rs. 1,600 million of this loan was drawn as on September 29, 2006.*

E. Unsecured Short Term Loans:

Our Company has been sanctioned the following unsecured short term loans aggregating to Rs. 21,261.70 million. The details of the short term loans are as follows:

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
1.	Syndicate Bank (#)	Term loan of Rs. 1,500 million sanctioned vide agreement dated February 10, 2006.	Rs. 1,500 million	7.25% per annum.	Principal amount repayable on May 10, 2006
2.	Andhra Bank (##)	Working capital loan of Rs. 2,500 million sanctioned vide letter dated September 30, 2005. *	Rs. 2,500 million	IBOR + 0.30% per annum.	Repayable on September 30, 2006.
3.	Bharat Overseas Bank (**)	FCNR (B) loan of US$ 10 million sanctioned vide letter dated September 1, 2005.*	Rs. 461.70 million	Six month LIBOR + 1% per annum.	Repayable in 12 months.
4.	Small Industries Development Bank of India	Term loan of Rs. 1,000 million sanctioned vide agreement dated March 2, 2006. (1)	Rs. 1,000 million	7.65% per annum.	Each tranche is payable at the end of 12 months from the date of disbursement.
5.	State Bank of Indore	Extension of 12 months for two existing term loans of Rs. 500 million and Rs. 400 million sanctioned vide letter dated February 26, 2006.*	Rs. 900 million	7.40% per annum	Rs. 900 million loans is repayable on February 28, 2007.
6.	State Bank of Mysore	Term loan of Rs. 650 million sanctioned vide letter dated March 6, 2006 and March 14, 2006.*	Rs. 650 million	7.25% per annum with monthly rests.	Repayable on May 2, 2007.
7.	Calyon Bank	Term loan of Rs. 750 million sanctioned vide letter dated May 3, 2006.*	Rs. 750 million	7.25% per annum with monthly rests.	Principal amount repayable on May 9, 2007.
8.	Syndicate Bank (###)	Term loan of Rs. 1,500 million sanctioned vide letter dated May 9, 2006*	Rs. 1,500 million	7.25% per annum with monthly rests.	Principal amount repayable in bullet form at maturity of three months.
9.	HDFC Bank	Term loan of Rs. 2,500 million sanctioned vide letter dated June 29, 2006*	Rs. 2,500 million	O/N MIBOR + 100 basis points.	Principal amount repayable in bullet form at the end of six months with put and call option of three clear working days.
10.	State Bank of Hyderabad	Term loan of Rs. 2,000 million sanctioned vide agreement dated May August 18, 2006.	Rs. 2,000 million	8.15% per annum with monthly rests.	Principal amount repayable in bullet form at the end of 12 months.

Sl. No.	Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
11.	Bank of India	Term loan of Rs. 3,000 million sanctioned vide letter dated August 11, 2006.*	Rs. 3,000 million	8.20% per annum with monthly rests.	Principal amount repayable in bullet form at the end of nine months.
12.	Union Bank of India	Term loan of Rs. 2,000 million sanctioned vide letter dated August 22, 2006.*	Rs. 2,000 million	8.20% per annum with monthly rests.	Principal amount repayable in bullet form at the end of 12 months.
13.	Canara Bank	Term loan of Rs. 2,500 million sanctioned vide letter dated August 28, 2006.*	Rs. 2,500 million	8.00% per annum with monthly rests.	Principal amount repayable in bullet form at the end of 12 months.

* *Our Company has executed a demand promissory note in favour of the lenders in relation to these loans.*

\# *The loan has been rolled over for a further period of nine months at a revised rate of 8.20% per annum, vide a letter from Syndicate bank dated September 9, 2006.*

(##)*The loan has been rolled over for a further period of 12 months until September 30, 2007 with a revised interest date of O/N MIBOR +50 basis points fixed with a put and call option of three working days, vide a letter from Andhra Bank dated September 18, 2006.*

(###) *The loan has been rolled over for a further period of three months on the same terms and conditions, vide a letter from Syndicate bank dated May 9, 2006. Our Company has executed a demand promissory note in favour of Syndicate bank in relation to the loan. On August 9, 2006, this loan has been further rolled over for a period of nine months at a revised rate of interest of 8.20%.*

(**) *The loan has been repaid on October 7, 2006.*

(1) *Under the terms of the agreement, our Company has agreed that it shall not create any encumbrance on its assets in favour of any lenders save and except to the extent already disclosed in writing by it to the lender and in the event of creation of such lien or charge in future in favour of any lenders, the same shall apply pari passu to the loan advanced by the lender.*

(ii) Our Company has also issued two Commercial Papers. The details of which are as follows:

Sl. No.	Issuing and Paying Agent	Nature of Commercial Paper	Amount outstanding on maturity	Discount Rate	Repayment Terms
1.	HDFC Bank Limited	Unsecured, Rs. 2,897.56 million received on value date May 16, 2006(1)	Rs. 3,000 million	7.09% per annum	Maturity value repayable on November 14, 2006.
2.	HDFC Bank Limited	Unsecured, Rs. 4,827,217,200 million received on value date June 8, 2006	Rs. 5,000 million	For 100 million- 7.10% per annum and for 4,900 million- 7.18% per annum	Maturity value repayable on December 7, 2006.(2)

(1) *This Commercial Paper matured on November 14, 2006.*

(2) *This Commercial Paper matured on December 7, 2006.*

Borrowings subsequent to September 30, 2006

A. Taxable Bonds Issued by our Company:

Our Company has issued taxable bonds, on private placement basis, aggregating to Rs. 23,872 million. The details of these bonds are as follows:

Sl. No.	Name of the Trustee	Nature of Bonds	Interest/Coupon Rate	Redemption
1.	IDBI Trusteeship Services Limited	Taxable, unsecured, non-convertible, redeemable PFC bonds (2011)(XXX Series) in the nature of debentures of the face value Rs. 1 million and aggregate value Rs. 4,800 million allotted on October 9, 2006.	8.49% per annum.	Principal amount is redeemable at the expiry of five years from the date of allotment.
2.	IDBI Trusteeship Services Limited(1)	Taxable, unsecured, non-convertible, redeemable PFC bonds (2016 and 2009)(XXXI Series A and B) in the nature of debentures of the face value Rs. 1 million and aggregate value Rs. 14,512 million and Rs. 4,560 million with deemed date of allotment on December 11, 2006.	Series A-8.78% per annum and Series B-8.38% per annum.	Series A-December 11, 2016 and Series B-December 11, 2009.

(1) *We are in the process of executing the trusteeship agreement.*

B. Unsecured Medium Term Loans:

Set forth below is a brief summary of our significant outstanding unsecured medium term borrowings of Rs. 7,950 million subsequent to September 30, 2006 together with a brief description of certain significant terms of such financing arrangements.

Sl. No.	Name of Lender(s)	Facility/ Loan Documentation	Amount Outstanding	Interest Rate	Repayment Terms
1.	State Bank of Bikaner and Jaipur	Term loan of Rs. 2,000 million sanctioned vide letter dated September 18, 2006.* (1)	Rs. 400 million	8.20% per annum with monthly rests.	Principal amount repayable by bullet payment in lump sum after 13 months from the date of drawal.
2.	State Bank of Travancore	Term loan of Rs. 1,800 million sanctioned vide agreement dated September 27, 2006*(2)	Rs. 1,800 million	8.25% per annum with monthly rests.	Principal amount repayable by bullet payment in lump sum after 16 months from the date of drawal.
3.	Andhra Bank	Term loan of Rs. 3,000 million sanctioned vide agreement dated September 27, 2006. *	Rs. 3,000 million	8.35% per annum with monthly rests.	Principal amount repayable by bullet payment in lump sum after 36 months.
4.	Punjab National Bank	Term loan of Rs. 5,000 million sanctioned vide agreement dated December 29, 2006. * (3)	Rs. 2,750 million	8.50% per annum with monthly rests, to be reset yearly.	Principal amount repayable by bullet payment in lump sum after 36 months from the date of drawal.

* *Our Company has executed a demand promissory note in favour of the lender in relation to this loan.*

(1) *This loan is a part of the Rs. 2,000 million term loan as mentioned in Item No. 66 in the section on Unsecured Medium Term Loans availed by our Company from the State Bank of Bikaner and Jaipur. This loan was drawn in two tranches and this amount represents the second drawal of Rs. 400 million drawn on October 10, 2006 by our Company.*

(2) *Under the terms of the loan agreement, our Company is required to maintain the following financial ratios during the currency of the loan:*

- *tangible net worth of Rs. 20,000 million;*
- *interest cover of 1.2:1;*
- *secured debt ratio at the end of each financial year not to exceed 0.8:1; and*
- *debt equity ratio at the end of each financial year not to exceed 8:1.*

(3) *Under the terms of the loan agreement, our Company is required to maintain the following financial ratios during the currency of the loan:*

- *tangible net worth of Rs. 20,000 million;*
- *interest cover of 1.2:1;*
- *secured debt ratio at the end of each financial year not to exceed 0.8:1; and*
- *debt equity ratio at the end of each financial year not to exceed 7:1.*

REGULATIONS AND POLICIES IN INDIA

Our Company is a NBFC, not accepting public deposits and is notified as a public financial institution under section 4A of the Companies Act. The business activities of NBFCs and public financial institutions are regulated by various RBI regulations. Our business operations are not regulated by the RBI regulations applicable to NBFCs and public financial institutions, pursuant to an amendment to the NBFC regulations [Ref: DNBS. (PD).CC.No.12/02.01/99-2000] dated January 13, 2000 whereby the RBI exempt government companies, conforming to section 617 of the Companies Act from the applicability of the provisions of the RBI Act relating to maintenance of liquid assets, creation of reserve funds and the directions relating to acceptance of public deposits and prudential norms. The RBI vide its notification (No. RBI/2006-07/204/DNBS.PD/CC.No. 86/03.02.089/2006-07) dated December 12, 2006 has amended the regulatory framework governing NBFCs and has proposed to bring all deposit taking and systemically important companies, which are defined as NBFCs having an asset size of Rs. 1,000 million or more under the provisions of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Directions"). However, the date from which Govt owned NBFCs are to fully comply with these guidelines will be decided later. Such companies including ourselves are therefore, required to prepare a road map for compliance with various elements of the NBFC regulations, in consultation with the Govt of India and submit the same to the Reserve Bank of India (Department of Non – Banking Supervision) by March 31, 2007.

The following are the significant laws and regulations that govern our operations:

A. Regulation of Foreign Investment:

FEMA Regulations

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, GoI which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consent and approval is required from the RBI, for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI. Additionally, under the FEMA Regulations if a person resident in India proposes to transfer to a person resident outside India, any shares of an Indian company by way of sale, approval of the GoI is required for such transfer, which is to be followed up by an approval from the RBI.

FDI Policy

The Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, GoI, through paragraph 2(e) of Press Note 4 (2006 series) has allowed the transfer of shares from residents to Non Residents in financial services under the automatic route subject to the sectoral policy on FDI.

At present, investments in NBFCs engaged in leasing and finance fall under the automatic approval route for FDI/NRI investment up to 100%.

B. Regulations issued by the RBI:

Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000

The RBI in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 ("Regulations") to regulate the borrowing and lending in foreign exchange by a person resident in India. Pursuant to the Regulations, the RBI issued guidelines regulating external commercial borrowings from time to time. An External Commercial Borrowing ("ECB") refers to commercial loan, in the form of a bank loan, buyers' credit, suppliers' credit, securitised instrument availed from Non Resident lenders with minimum average maturity of three years. Under the current policy, an ECB can be accessed from internationally recognized sources under two routes, viz., (i) automatic route and (ii) the approval route. The guidelines regulate the maintenance of prudent limits for total external borrowings, end use, all in cost ceilings, reporting requirements amongst other terms of borrowing. Under the current ECB policy, our Company is required to take the prior approval of the RBI for availing an ECB.

C. Legislative Framework for Recovery of Debts:

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("Securitisation Act") provides the powers of "seize and desist" to banks and grants certain special rights to banks and financial institutions to enforce their security interests. The Securitisation Act provides that a "secured creditor" may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets.

Under the Securitisation Act, all mortgages and charges on immovable properties in favour of banks and financial institutions are enforceable without intervention of the courts. The Securitisation Act also provides for the establishment of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions. A bank or financial institution may sell a standard asset only if the borrower has a consortium or multiple banking arrangements, at least 75% by value of the total loans to the borrower are classified as non-performing and at least 75% by value of the banks and financial institutions in the consortium or multiple banking arrangements agree to the sale. The banks or financial institution selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Furthermore, banks or financial institutions may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks or financial institutions may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. While each bank or financial institution is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer.

Recovery of Debts Due to Banks and Financial Institutions Act, 1993

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("Debts Recovery Act") provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under the Debts Recovery Act, the procedures for recoveries of debt have been simplified and time frames been fixed for speedy disposal of cases. Upon establishment of the Debts Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by the Debts Recovery Act, except the higher courts in India in certain circumstances.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on July 16, 1986 under the Companies Act as a public limited company with the ROC, Delhi and Haryana and received our certificate for commencement of business on December 31, 1987. The GoI incorporated our Company as a financial institution in order to finance, facilitate and promote power sector development in India with the President of India holding 100% of our equity share capital.

Changes in registered office

At the time of incorporation, the registered office of our Company was situated at Room No. 627, Shram Shakti Bhawan, Rafi Marg, New Delhi 110 001, India. However, the registered office of our Company shifted to Chandralok, 36, Janpath, New Delhi 110 001, India on March 25, 1988 and further shifted to 'Urja Nidhi', 1, Barakhamba Lane, Connaught Place, New Delhi 110 001 on September 23, 2006.

Major events

Calendar Year	Event
1986	Incorporation of our Company.
1987	Certificate of commencement of business received.
1988	• Commencement of lending activities. • Evolved broad operational policies identifying priority areas for providing financial assistance and formulated short term, medium term and long-term strategies for operations.
1989	Provided first guarantee to M/s Mitsui and Company, Japan for payment of principal for Rupees equivalent to Japanese Yen 27.39 billion for supplier credit made available to UPSEB for the 1,000 MW Anpara B Thermal Power Project.
1990	Declared as a public financial institution under section 4A of Companies Act.
1991	Conferred with a license to deal in foreign exchange in the power sector.
1992	Project on Energy Management Consultation and Training (EMCAT) made operational with the objective to bring about improvement in the efficiency of the energy supply component of the power sector with the help of USAID.
1993	First MoU with GoI in relation to operational targets and rated excellent on the basis of all round performance.
1994	Company declared maiden dividend to the GoI.
1996	Started funding private power projects.
1998	• Registered as a NBFC. • Declared a Mini Ratna (Category I). • Promoted PTC Limited as joint venture with NTPC and PGCIL.
1999	Launched consultancy services in order to provide consultancy services to both state owned and private power utilities for the power and financial sectors.
2003	Appointed by the MoP as a nodal agency to fund the India Power Fund scheme to catalyze the process of fresh equity investment in the power sector.
2004	Project appraisal system certified as ISO 9001.
2005	Entered into MoU with LIC and ten leading public sector banks for consortium financing of power projects.
2006	• Incorporated seven subsidiary companies for developing UMPPs. • Our disbursement crossed Rs. 100,000 million. • Issued letter of intent for the Sasan and Mundra UMPPs.
2007	Incorporated two more subsidiary companies for developing UMPP and two transmission companies.

Awards and Recognitions

In recognition of our performance and our consistent achievement of targets negotiated under the memorandum of understanding entered into with the government on an annual basis, we have been ranked amongst the top ten public sector undertakings and have received the MoU award for excellence in performance from the GoI for the years 1998-1999, 1999-2000, 2001-2002, 2002-2003 and 2003-2004.

Furthermore, Dun & Bradstreet vide their 2006 edition of "India's Top 500 Companies" has ranked our Company at the 20th position amongst the top 500 Indian companies in terms of net worth and have also ranked us 32nd and 84th in terms of net profit and total income respectively.

Our Main Objects

Our main objects as contained in our Memorandum of Association are:

- To finance power projects, in particular thermal and hydro-electric projects;
- To finance power transmission and distribution works;
- To finance renovation and modernization of power plants aimed at improving availability and performance of such plants;
- To finance system improvement and energy conservation schemes;
- To finance maintenance and repair of capital equipment including facilities for repair of such equipment, training of engineers and operating and other personnel employed in generation, transmission and distribution of power;
- To finance survey and investigation of power projects;
- To finance studies, schemes, experiments and research activities associated with various aspects of technology in power development and supply;
- To finance promotion and development of other energy sources including alternate and renewable energy sources;
- To promote, organize or carry on consultancy services in the related activities of the Company;
- To finance manufacturing of capital equipment required in power sector; and
- To finance and to provide assistance for those activities having a forward and backward linkage, for the power projects, including but not limited to, such as development of coal and other mining activities for use as a fuel in power project, development of other fuel supply arrangements for power sector, electrification of railway lines, laying of railway lines, roads, bridges, ports and harbours, and to meet such other enabling infrastructure facilities that may be required.

The main objects clause and the objects incidental or ancillary to the main objects of our memorandum of association enable us to undertake our existing activities for which the funds are being raised through this Issue.

Changes in our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Details
January 18, 1991	Increase in authorized share capital of our Company from Rs. 10,000 million to Rs. 20,000 million.
October 30, 2001	Alteration in the objects clause of the Memorandum of Association by insertion of the following as Clause 10 and 11 immediately after existing Clause 9. The clauses read as follows: 10. To finance manufacturing of capital equipment required in power sector. 11. To finance and to provide assistance for those activities having a forward and backward linkage, for the power projects, including but not limited to, such as development of coal and other mining activities for use as a fuel in power project, development of other fuel supply arrangements for power sector, electrification of railway lines, laying of railway lines, roads, bridges, ports and harbours and to meet such other enabling infrastructure facilities that may be required.

Date of Amendment	Details
September 26, 2002	Amendment in Clause V of the Memorandum of Association altering the authorised capital of our Company to Rs. 20,000 million divided into 2,000,000,000 shares of Rs. 10 each on account of splitting of equity shares of Rs. 1,000 each to Rs. 10 each.
September 13, 2006	Amendment in Clause 3 of the objects incidental or ancillary to the attainment of the main objects clause. The words "with the previous consent of the President of India" were deleted in the clause and the amended clause reads as follows: To borrow, for purposes of the Company, foreign currency or to obtain foreign lines of credit including commercial loans from any bank or financial institution or Government/Authority in India or abroad.

Subsidiaries:

The GoI has appointed our Company as the nodal agency to facilitate the development and construction of potential UMPPs in India, i.e. 4,000 MW mega super thermal power projects with the objective to develop large capacity power projects in India. These projects will have the advantage of economies of scale on account of large capacity at single location, reduction in emissions on account of super critical technology and lower tariff on account of the above and tariff based international competitive bidding adopted for selection of developer. Accordingly, we have set up nine wholly owned subsidiaries. These UMPPs are proposed to be located in Madhya Pradesh, Gujarat, Andhra Pradesh, Jharkhand, Karnataka, Maharashtra, Orissa, Chattisgarh and Tamil Nadu.

These companies have been incorporated with the objective to design, develop, construct, operate and maintain electricity systems, integrated fuel systems and captive coal mines for generation of electricity systems and transmission and distribution of power and to act as consultants and/or technical advisers to public and private sector enterprises.

The subsidiary companies will expedite the process of obtaining statutory clearances such as environment and forest clearance, airport authority clearance, coastal regulation zone clearance, defence clearance and necessary linkages such as water, fuel (in case of pit head projects) in the name of the respective SPVs thereby mitigating the development and pre-construction risk for these projects. As per the provisions of the guidelines for procurement of power through tariff based competitive bidding by distribution licensee (issued by the MoP), subsidiary companies are working as authorised representatives of procurers for conducting the bid process. On completion of the bidding process the subsidiaries will be transferred to the successful bidder for implementation of the projects.

A dedicated core group has been established to provide specialised services to our subsidiaries for finalisation of commercial issues, managing corporate and company affairs of the SPVs and supervising the bidding process. The global notices inviting expression of interest for the UMPPs of Sasan Power Limited and Coastal Gujarat Power Limited were issued at the end of January 2006 followed by issuance of request for qualification ("RFQ") on March 31, 2006. The RFQ for these two UMPPs were submitted on June 1, 2006. The request for proposal ("RFP") was issued on June 22, 2006. Bids for UMPPs of Sasan Power Limited and Coastal Gujarat Power Limited have been received on December 7, 2006. On December 28, 2006, we have issued letters of intent awarding the Sasan and Mundra projects to successful bidders namely to the consortium of Globeleq Pte, Singapore and Lanco Infratech Limited (levelised tariff of Rs. 1.196 per unit) for the Sasan project and Tata Power Limited (levelised tariff of Rs. 2.263 per unit) for the Mundra project.

Additionally, we have also incorporated two subsidiaries as SPVs for two transmission projects and are also incorporating a subsidiary for a hydroelectric project on lines similar to that of UMPPs.

None of the companies described below is either a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 or is subject to a winding-up order.

The details of our subsidiaries are set out as follows:

1. Sasan Power Limited ("SPL")

Corporate Information

SPL was incorporated on February 10, 2006 and received its certificate of commencement of business from the Registrar of Companies, National Capital Territory of Delhi and Haryana on July 28, 2006. The equity shares of SPL are not listed on any stock exchange. The registered office of SPL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

SPL has been working toward obtaining statutory clearances such as environmental and forest clearance, airport authority clearance, necessary linkages such as water, fuel and land acquisition. Since its incorporation, SPL has obtained water linkage from state and central agencies and ministries, has been allocated captive coal blocks and has also obtained the environmental clearance for the project on November 26, 2006. SPL is under the process of acquiring land for the project.

Shareholding Pattern as on February 8, 2007

The entire shareholding in SPL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhushan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of SPL comprises of:

1. Mr. Shyam Wadhera, Chairman;
2. Mr. M.K. Goel, Director;
3. Mr. S.K. Agarwal, Independent Director;
4. Mr. Pankaj Agarwal, Independent Director;
5. Mr. J.C. Kinra, Independent Director;
6. Mr. R. Nagarajan, Director; and
7. Mr. Gautam Dastidar, Director and Chief Executive.

Financial Performance

There are no audited financial results available of SPL since it was incorporated on February 10, 2006.

2. **Coastal Gujarat Power Limited ("CGPL")**

Corporate Information

CGPL was incorporated on February 10, 2006 and received its certificate of commencement of business from the Registrar of Companies, NCT of Delhi and Haryana on August 25, 2006. The equity shares of CGPL are not listed on any stock exchange. The registered office of CGPL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

CGPL has been working for obtaining statutory clearances such as environmental and forest clearance, airport authority clearance, necessary linkages such as water, fuel and land acquisition. Since its incorporation, CGPL has obtained sea water usage clearance from the state agencies and ministries, finalised the port handling agreement and is in process of obtaining the environmental clearance and acquiring land for the project.

Shareholding Pattern as on February 8, 2007

The entire shareholding of CGPL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhushan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of CGPL comprises of:

1. Mr. Shyam Wadhera, Chairman;
2. Mr. Naveen Kumar, Director;
3. Mr. H.M. Jain, Independent Director;
4. Dr. Ajay Bhushan Pandey, Independent Director;
5. Mr. P.H. Rana, Independent Director;
6. Mr. Mahesh Motani, Director; and
7. Mr. K.K.P. Bhonde, Director and Chief Executive.

Financial Performance

There are no audited financial results available of CGPL since it was incorporated on February 10, 2006.

3. Coastal Andhra Power Limited ("CAPL")

Corporate Information

CAPL was incorporated on August 24, 2006 and received its certificate of commencement of business on August 29, 2006 from the Registrar of Companies, N.C.T. of Delhi and Haryana. The equity shares of CAPL are not listed on any stock exchange. The registered office of CAPL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

Shareholding Pattern as on February 8, 2007

The entire shareholding in CAPL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhushan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of CAPL comprises of:

1. Mr. Rajeev Sharma, Director;
2. Mr. Avkash Saxena, Director;
3. Mr. Neeraj Kumar, Director; and
4. Mr. S.P. Pathak, Director and Chief Executive.

Financial Performance

There are no audited financial results available of CAPL since it was incorporated on August 24, 2006.

4. Jharkhand Integrated Power Limited ("JIPL")

Coporate Information

JIPL was incorporated on January 2, 2007. JIPL is yet to receive its certificate of commencement of business. The equity shares of JIPL are not listed on any stock exchange. The registered office of JIPL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

Shareholding Pattern as on February 8, 2007

The entire shareholding in JIPL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhushan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of JIPL comprises of:

1. Mr. A. Chakravarti, Director;
2. Mr. K. Sridhar, Director; and
3. Mr. Ashwani Sharma, Director and Chief Executive.

Financial Performance

There are no audited financial results available of JIPL since it was incorporated on January 2, 2007.

5. Coastal Karnataka Power Limited ("CKPL")

Corporate Information

CKPL was incorporated on February 10, 2006 and received its certificate of commencement of business from the Registrar of Companies, N.C.T of Delhi and Haryana on November 23, 2006. The equity shares of CKPL are not listed on any stock exchange. The registered office of CKPL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

Shareholding Pattern as on February 8, 2007

The entire shareholding in CKPL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhushan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of CKPL comprises of:

1. Mr. Ashok Gupta, Director;
2. Mr. Neeraj Dayal Tyagi, Director;
3. Mr. A.K. Agrawal, Director; and
4. Mr. Neeraj Kumar, Director.

Financial Performance

There are no audited financial results available of CKPL since it was incorporated on February 10, 2006.

6. Coastal Maharashtra Mega Power Limited ("CMMPL")

Corporate Information

CMMPL was incorporated on March 1, 2006 and received its certificate of commencement of business from the Registrar of Companies, N.C.T of Delhi and Haryana on September 29, 2006. The equity shares of CMMPL are not listed on any stock exchange. The registered office of CMMPL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

Shareholding Pattern as onFebruary 8, 2007

The entire shareholding of CMMPL is held by us and through our nominees namely, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhushan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of CMMPL comprises of:

1. Mr. A. K. Jain, Director;
2. Mr. Arunava Chakravarti, Director;
3. Mr. R.K. Jain, Director and Chief Executive; and
4. Mr. Krishnamoorthy Sridhar, Director.

Financial Performance

There are no audited financial results available of CMMPL since it was incorporated on March 1, 2006.

7. Orissa Integrated Power Limited ("OIPL")

Corporate Information

OIPL was incorporated on August 24, 2006 and received its certificate of commencement of business on September 29, 2006 from the Registrar of Companies, N.C.T. of Delhi and Haryana. The equity shares of OIPL are not listed on any stock exchange. The registered office of OIPL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

Shareholding Pattern as on February 8, 2007

The entire shareholding in OIPL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhushan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of OIPL comprises of:

1. Mr. R.S. Johri, Director;
2. Mr. A.K. Agarwal, Director;
3. Mr. Naveen Bhushan Gupta, Director; and
4. Mr. S.S. Medhiratta, Director and Chief Executive.

Financial Performance

There are no audited financial results available of OIPL since it was incorporated on August 24, 2006.

8. Akaltara Power Limited ("APL")

Corporate Information

APL was incorporated on February 10, 2006. APL is yet to receive its certificate of commencement of business. The equity shares of APL are not listed on any stock exchange. The registered office of APL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

Shareholding Pattern as on February 8, 2007

The entire shareholding in APL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhushan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of APL comprises of:

1. Mr. Ravindra Sahay Johri, Director;

2. Mr. Avkash Saxena, Director;
3. Mr. Swayam Prakash Pathak, Director and Chief Executive; and
4. Mr. Naveen Bhushan Gupta, Director.

Financial Performance

There are no audited financial results available of APL since it was incorporated on February 10, 2006.

9. Coastal Tamil Nadu Power Limited ("CTNPL")

Corporate Information

CTNPL was incorporated on January 9, 2007. CTNPL is yet to receive its certificate of commencement of business. The equity shares of CTNPL are not listed on any stock exchange. The registered office of CTNPL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

Shareholding Pattern as on February 8, 2007

The entire shareholding in CNTPL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhusan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of CTNPL comprises of:

1. Mr. A.K. Agarwal, Director;
2. Mr. Nalini Vanjani, Director; and
3. Mr. Ashwani Sharma, Director and Chief Executive.

Financial Performance

There are no audited financial results available of CTNPL since it was incorporated on January 9, 2007.

10. Bokaro-Kodarma-Maithon Transmission Company Limited ("BKMTCL")

Corporate Information

BKMTCL was incorporated on January 31, 2007. BKMTCL is yet to receive its certificate of commencement of business. The equity shares of BTCL are not listed on any stock exchange. The registered office of BKMTCL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

Shareholding Pattern as on February 8, 2007

The entire shareholding in BKMTCL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhusan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of BKMTCL comprises of:

Mr. V.K. Kharbanda, Director;

Mr. R. Nagarajan, Director; and

Mr. P.P. Srivastava, Director and Chief Executive

Financial Performance

There are no audited financial results available of BKMTCL since it was incorporated on January 31, 2007.

11. East-North Interconnection Company Limited ("ENICL")

Corporate Information

ENICL was incorporated on February 1, 2007. ENICL is yet to receive its certificate of commencement of business. The equity shares of ENICL are not listed on any stock exchange. The registered office of EICL is located at Chandralok Building, 36, Janpath, New Delhi 110 001.

Shareholding Pattern as on Febuary 8, 2007

The entire shareholding in ENICL is held by us and through our nominees, Mr. Ashok Gupta, Mr. M.K. Goel, Mr. R.S. Johri, Mr. A.K. Jain, Mr. A.K. Agarwal, Mr. Avkash Saxena and Mr. Naveen Bhusan Gupta.

Board of Directors

As of February 8, 2007, the board of directors of ENICL comprises of:

1. Mr. A.K. Jain, Director;
2. Mr. Mahesh Motani, Director; and
3. Mr. P.P. Srivastava, Director and Chief Executive.

Financial Performance

There are no audited financial results available of ENICL since it was incorporated on February 1, 2007.

Additionally, we are also incorporating a subsidiary to operate as a hydroelectric company on lines similar to that of UMPPs.

Shareholders' Agreements

We have not entered into any shareholders' agreements.

Other Agreements

There are no material agreements, apart from those entered into in the ordinary course of business carried on or intended to be carried on by us and there are no material agreements entered into more than two years before the date of this Prospectus.

Entities in which our Company has substantial investment

PTC India Limited

Our Company along with certain other parties are the promoters of PTC India Limited (**"PTC"**) (formerly known as Power Trading Corporation of India) whereby we own 8% of their equity share capital. PTC was incorporated as a joint venture company on April 16, 1999 under the Companies Act and received certificate of commencement of business on July 15, 1999. PTC is engaged in the business of purchasing, procuring, selling, importing, exporting, trading all forms of electric power and ancillary services.

Initially, PTC was promoted by PGCIL, NTPC and our Company, pursuant to a promoters' agreement on April 8, 1999. Subsequently, the NHPC also became a promoter in PTC vide a supplementary agreement dated November 29, 2002. Under the promoters' agreement our Company has the right to nominate one part-time director in PTC and our consent is necessary for the appointment of the chairman, managing director and whole-time directors in PTC.

Shareholding Pattern (as on January 4, 2007)

Name of Shareholder as on January 4, 2007	Number of Shares (face value Rs.10/-)	Percentage Shareholding (%)
Power Finance Corporation Limited	12,000,000	8.00
NTPC Limited	12,000,000	8.00
National Hydro Electric Power Corporation	12,000,000	8.00
Power Grid Corporation of India Limited	12,000,000	8.00
Others including public	102,000,000	68.00
Total	**150,000,000**	**100.00**

Board of Directors

As of January 4, 2007, the board of directors of PTC consists of:

1. Mr. T.N. Thakur (Chairman and Managing Director);
2. Mr. S.K. Dube;
3. Mr. Gireesh B. Pradhan;
4. Mr. Pankaj Saran;
5. Mr. Satnam Singh;
6. Mr. J. Haque;
7. Mr. R.S. Sharma;
8. Mr. S.P. Sen;

9. Mr. Amulya Charan;
10. Mr. M.S. Verma;
11. Mr. G.P. Gupta;
12. Mr. D.P. Bagchi; and
13. Mr. P. Abraham.

Financial Performance

(Rs. in million except share data)

	Fiscal 2004	**Fiscal 2005**	**Fiscal 2006**
Electricity Sales and Coal Sales	23,201.67	19,925.47	30,552.39
Service charges	31.51	3.26	-
Rebate on purchase of power and surcharge	485.01	392.05	514.44
Other income	61.62	42.32	120.04
Gross Profit	506.88	401.49	606.38
Depreciation	12.80	11.96	13.89
Profit before Tax	48.41	368.07	570.41
Profit after Tax	328.33	240.34	406.35
Equity Share Capital	1,500.00	1,500.00	1,500.00
Reserves (excluding revaluation reserves)	644.54	745.71	382.47
Earnings per Share (Rs.)	4.13	1.60	2.71
Book Value per share (Rs.)	13.80	14.60	16.30

Share Quotation

The shares of PTC are listed on NSE and BSE.

Highest and Lowest Price on the NSE in the last six months:

Month	**High (Rupees)**	**Date**	**Low (Rupees)**	**Date**
July 2006	51.90	July 4, 2006	46.30	July 19, 2006
August 2006	60.00	August 23, 2006	48.20	August 2, 2006
September 2006	64.80	September 19, 2006	56.00	September 12, 2006
October 2006	59.00	October 10, 2006	50.25	October 31, 2006
November 2006	56.80	November 7, 2006	46.70	November 20, 2006
December 2006	56.95	December 29, 2006	47.55	December 12, 2006

Closing Price on the NSE as of January 4, 2007 was Rs. 60.

Market Capitalisation on the NSE as of January 4, 2007 was Rs. 9,000 million.

Promise v. Performance

PTC made an initial public offer in March 2004. The objects of the issue were to augment long term capital base for their business, as mentioned in the prospectus of PTC. The issue proceeds have been utilised for the said purpose.

Small is Beautiful Trust Fund

Our Company in association with M/s KSK Energy Ventures Limited and KSK Trust Private Limited has vide a contribution agreement dated March 24, 2004 committed to contribute Rs. 225 million to the Small is Beautiful Trust Fund, set up as a contributory trust under Indian Trusts Act, 1882 and registered with SEBI as a venture capital fund. Our total contribution as on September 30, 2006 towards the fund was Rs. 41.63 million.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have no less than three directors and no more than 12 directors. We currently have ten directors out of which four are whole-time directors, one is a government nominee director and five are independent directors.

The following table sets out the current details regarding our Board as on the date of the filing of this Prospectus:

Name, Father's Name, Designation and Occupation	Age	Address	Other Directorships
Dr. V. K. Garg, S/o Late Mr. S. K. Garg, Designation: Chairman and Managing Director. Occupation: Service	58 years	A-24-E, DDA Flats, Munirka, New Delhi 110 067, India.	• Nil.
Mr. V.S. Saxena, S/o Mr. Anand Swaroop Saxena, Designation: Director (Institutional Development and Administration). Occupation: Service	59 years	316, DDA SFS Flats, Hauz Khas, New Delhi 110 016, India.	• Madhya Pradesh Power Transmission Company Limited.
Mr. Shyam Wadhera, S/o Late Mr. P.C Wadhera, Designation: Director (Projects). Occupation: Service	57 years	D-858, New Friends Colony, New Delhi 110 065, India.	• Sasan Power Limited; • Coastal Gujarat Power Limited; and • NTPC-Vidyut Vyapar Nigam Limited.
Mr. Satnam Singh, S/o Mr. Daulat Ram, Designation: Director (Finance and Financial Operations) Occupation: Service	48 years	B-2/2378, Vasant Kunj, New Delhi 110 070, India.	• PTC India Limited.

Name, Father's Name, Designation and Occupation	Age	Address	Other Directorships
Mr. Arvind Jadhav, S/o Late Mr. M.N Jadhav, Designation: Government Nominee Director. Occupation: Service	50 years	D-I/159, Satya Marg, Chanakya Puri, New Delhi 110 021, India.	• Nuclear Power Corporation of India Limited; and • Rural Electrification Corporation Limited.
Mr. G.P Gupta, S/o Late Mr. Dharam Prakash, Designation: Independent Director. Occupation: Consultant	66 years	101, Kaveri, B Wing, Neelkanth Valley, 7th Road, Rajawadi, Ghatkopar (East), Mumbai 400 077, India.	• NTPC Limited; • Hindustan Aeronautics Limited; • Jammu and Kashmir Bank Limited; • Swaraj Engineers Limited; • Madhya Pradesh Power Generation Company Limited; • Birla Sun Life Insurance Company Limited; • PTC India Limited; • Aditya Birla Nuvo Limited; • SIDBI Venture Capital Limited; • Su-Raj Diamonds and Jewellery Limited; • Emkay Share and Stock Brokers Limited; • Shree Digvijay Cement Company Limited; and • Idea Cellular Limited
Prof. P.G. Apte, S/o Mr. G.R. Apte, Designation: Independent Director. Occupation: Academician	59 years	415, Indian Institute of Management Campus, Bannerghatta Road, Bangalore 560 076 India	• ING Vysya Bank Limited; • Bharat Earth Movers Limited; • UTI Trustee Company Private Limited; • GMR Infrastructure; • Deposit Insurance and Credit Guarantee Corporation.
Dr. S.P. Parashar, S/o Mr. Ram Chand, Designation: Independent Director. Occupation: Academician	56 years	87, Sahyog Apartments, Mayur Vihar-I, New Delhi 110 091, India.	• Pithampur Auto Cluster Limited; and • Bharat Electronics Limited.
Mr. Subodh Bhargava, S/o Late Mr. D. P. Bhargava, Designation: Independent Director. Occupation: Consultant	64 years	A-15/1, DLF City, Phase-I, Gurgaon, Haryana 122 001, India.	• Wartsila India Limited; • Videsh Sanchar Nigam Limited; • Samtel Colour Limited; • Samcor Glass Limited; • Rane Engine Valves Limited; • TRF Limited; • Carborundum Universal Limited; • SRF Limited; • Batliboi Limited;

Name, Father's Name, Designation and Occupation	Age	Address	Other Directorships
			• GlaxoSmithKline Consumer Healthcare Limited; • DCM Engineering Limited; • Technology Development Board; • Tata Steel Limited; and • VSNL Singapore Pte. Limited.
Mr. B.K. Mittal, S/o Late Mr. Raman Lal Mittal, Designation: Independent Director. Occupation: Consultant	65 years	48-B, Vijay Mandal Enclave, Hauz Khas, New Delhi 110 016, India	• Nil.

Details of Directors

Dr. V.K. Garg, 58 years, has been our Chairman and Managing Director since May 2005. Dr. Garg holds a Masters degree in Economics from Delhi University, a Post Graduate degree in Business Management from the Management Development Institute, Gurgaon and also holds a Doctorate in Business Administration from the University of Pune. He belongs to the 1973 batch of the Indian Economic Services. He has over 33 years of professional experience and prior to joining our Company he has held the post of Director (Finance) of Power Grid Corporation of India Limited for over seven years. He has varied work experience in the area of finance with Oil and Natural Gas Corporation Limited and the GoI in the Ministry of Industry, and the Ministry of Finance. As the Chairman and Managing Director he heads our operations, provides direction and guidance to all our activities.

Mr. V.S. Saxena, 59 years, has been our Director (Institutional Development and Administration) since May 2002. He is a B. Tech in Electrical Engineering from the Indian Institute of Technology, Chennai and also holds a Master's degree in Business Administration with specialisation in Financial Management from the Faculty of Management Studies, Delhi University. Mr. Saxena has over 38 years of extensive experience. He has worked with BHEL and the CEA where he has been exposed to thermal power project execution, planning, control, monitoring, coordination, commissioning and stabilisation of power plants. He joined us in August 1993 and has been handling the institutional development of our borrowers. He is involved in inducing reforms in State Power Utilities and oversees our human resource functioning, consultancy services, information technology, corporate communications and legal activities.

Mr. Shyam Wadhera, 57 years, joined our Board of Directors in August 2003. Mr. Wadhera holds a Bachelor's degree in Electrical Engineering from the Indian Institute of Technology, Kanpur. He has over 33 years of experience in the power industry, including both private and public sectors. Prior to joining the Board Mr. Wadhera was an Executive Director (Commercial) of NTPC where he was responsible for commercial and tariff policy, regulatory issues, power purchase agreements and recovery of dues from State Power Utilities. He is responsible for the appraisal of the projects financed by our Company and also oversees important assignments relating to the development of UMPPs, and is also in charge of business development.

Mr. Satnam Singh, 48 years, joined our Board of Directors as Director (Finance and Financial Operations) from February 2005. He holds a Bachelor's degree in Commerce from Guru Nanak Dev University, Amritsar and a Master's degree in Finance and Marketing from the University Business School, Chandigarh. Mr. Satnam Singh has about 26 years of varied experience. After his initial exposure to power generating companies, such as NTPC and Nathpa Jhakri Power Corporation Limited (renamed as Satluj Jal Vidyut Nigam Limited), Mr. Satnam Singh joined us in 1996 as Deputy General Manager in the area of finance. Prior to joining our Board, Mr. Satnam Singh was our Executive Director (Business Development) where he was responsible for commercial business development and consultancy services. Presently he is in charge of all areas of finance including, fund management, recovery, risk management, review of lending proposals and development of financial policies.

Mr. Arvind Jadhav, 50 years, is a Joint Secretary, MoP and joined our Board in May 2002 as a Government nominee. Mr. Arvind Jadhav has completed his Masters of Arts from Kanpur University, Masters in Business Administration from the Graduate School of Business, Curtin University of Technology, Perth, Australia, Post Graduate diploma in International Trade from the Indian Institution of Foreign Trade, New Delhi and also holds a Certificate of Export Promotion from the Italian Institute of Foreign Trade, Italy. He has about 28 years of experience in the Indian Administrative Service in various positions and fields including energy, industrial development and promotion, international trade, public finance, education, rural development and local government administration. Mr. Jadhav has been the Chief Executive Officer of a number of state level organisations besides having board level experience in finance, industrial infrastructure, and in small and medium enterprises. He has also been a member of the Task Force on Information Technology for the power sector. Mr. Jadhav is currently working as Joint Secretary in the MoP looking after the electricity distribution, APDRP, rural electrification and information technology. He has also held additional charge of chairman and managing director of Rural Electrification Corporation Limited and remained in the board of directors of NTPC Limited, Damodar Valley Corporation and Maithon Power Limited. He was also acting as the Chairman and Managing Director of our Company from February 7, 2005 to May 10, 2005.

Mr. G.P. Gupta, 66 years, is our Independent Director and joined our Board in June 2006. He holds a bachelor's and a master's degree in Commerce from Delhi University. He has about 44 years of experience in general management, financial management, banking, industrial and financial restructuring. Mr. Gupta has been the chairman and managing director of the Industrial Development Bank of India, Chairman of Unit Trust of India, Executive Director of Industrial Development Bank of India and has also been a lecturer at the Shri Ram College of Commerce, Delhi University.

Prof. P.G. Apte, 59 years, is our Independent Director and joined our Board in June 2006. He holds a bachelor's degree in technology (mechanical engineering) from the Indian Institute of Technology, Bombay, post graduate diploma from the Indian Institute of Management, Calcutta and also holds a Ph.D in economics from Columbia University. He has 29 years of experience in academics and also has extensive experience in General Management, International Corporate Finance, Financial Risk Management, Financial Derivatives and Commodity Futures. He has been an instructor in economics in Vasar College and Columbia University and has been a faculty of the Indian Institute of Management, Bangalore from 1977. He has also been an economist at Edison Electric Institute, New York and has been Project Manager, Centron Industrial Alliance, Bombay. He has been a member of the L.C. Gupta Committee on Derivatives constituted by SEBI, Curriculum Formulation and Testing Committee for Derivatives Trading constituted by the NSE. He is Director of the Indian Institute of Management, Bangalore. He is also the Chairman of the Secondary Market Advisory Commiteee, Securities and Exchange Board of India and is a member of the Advisory Board, Fixed Income Money Market and Derivatives Association of India, Mumbai.

Dr. S.P. Parashar, 56 years, is our Independent Director and joined our Board in June 2006. He holds a bachelor's degree from commerce from Delhi University and master's degree in commerce from the Delhi School of Economics, and is also a Ph. D (Finance) from Delhi University. He has over 30 years of experience in academics. He has been Head of Research and Studies at the Emirates Institute for Banking and Financial Studies, Sharjah. He has also held the IFCI Golden Jubilee Chair as Professor of Finance and was also Chairman, Management Development Programs at Management Development Institute, Gurgaon. He has also been a faculty member at Xavier Labour Relations Institute, Jamshedpur, Indira Gandhi National Open University, Delhi and Atma Ram Sanatan Dharma College, University of Delhi. He has been associated as visiting faculty member with a number of national level institutes of management and professional bodies. Dr. Parashar has been rated as a par excellence academic at the Emirates Institutes for Banking and Financial Studies, Sharjah. He is the Director of the Indian Institute of Management, Indore.

Mr. Subodh Bhargava, 64 years, is our Independent Director and joined our Board in June 2006. He holds a bachelor's degree in technology (mechanical engineering) from the University of Roorkee. He has over 30 years of professional experience. He has been Chairman and Chief Executive and Managing Director of Eicher Motors Limited and has also been the President of the Confederation of Indian Industry (CII) and the Association of Indian Automobile Manufacturers and the Vice President of the Tractor Manufacturers Association. He has been a member of the Insurance Tariff Advisory Committee, the Economic Development Board of the Government of Rajasthan, All India Council for Technical Education. He was also the Chairman of the National Accreditation Board for Certifying Bodies. He has actively participated in several government appointed task forces/ committees, including the Justice Eradi Committee for Insolvency Laws, Nair Committee to study Future Perspective for Sustainable Growth of Ordinance Factories, Prof. Ishwar Dayal Committee on Future Perspective for Management Education in India, enabling contribution in policy making at the national macro level. He has been a member on the Board of Governors of

University of Roorkee and Indian Institute of Foreign Trade, New Delhi. He is presently the Chairman and Managing Director of Wartsila India Limited. He is currently also on the Board of the Centre for Policy and Research, IIM, Indore, Technology Development Board, Ministry of Science and Technology, GoI. He is also a Trustee of the Bhartiya Yuva Shakti Trust, Executive Trustee of the National Centre for Promoting Employment for Disabled Persons and is Chairman of the Charity Aid Foundation.

Mr. B.K. Mittal, 65 years, is our Independent Director and joined our Board in June 2006. He holds a bachelor's degree in science specialising in civil engineering and a Ph.D in civil engineering from the Indian Institute of Technology, Delhi. He has about 40 years of professional experience in investigation, planning and design of water resources development projects in and outside India. He has held the post of Chairman, Central Water Commission and Ex-officio Secretary to the Government of India, Ministry of Water Resources, Member (Design & Research), Central Water Commission, Commissioner, Ministry of Water Resources and has held an additional charge of Director General, National Water Development Agency, Member and has also held an additional charge of Chairman, Ganga Flood Control Commission and Minstry of Water Resources. He has been a Chairman of various committees including the Committee for preparation of report on the flood problems in North Bengal, Committee to study the problem of dam safety in Mulla Periyar Dam and raising of water level in Mulla Periyar Reservoir. He is presently a consultant at the NHPC.

Borrowing Powers of the Board of Directors of our Company

Pursuant to a resolution passed by our shareholders on August 30, 2004 in accordance with the provisions of the Companies Act, and our Board has been authorised to borrow money for the purposes of our Company upon such terms and conditions and with/without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by our Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 400,000 million and in USD 2,000 million in any foreign currency equivalent.

Details of Appointment of our Directors

Name of Directors	Ministry of Power Order No.	Term
Dr. V. K. Garg	No. 8/1/2004-Adm-I/PFC dated May 10, 2005.	Appointment w.e.f. May 10, 2005 till the date of superannuation, i.e. July 31, 2008 or until further orders, whichever event occurs earlier.
Mr. V. S. Saxena	No. 8/1/2001-PSU/Adm. I dated May 8, 2002.	Appointment for a period of five years w.e.f. date of taking over charge i.e. May 8, 2002 or till the date of superannuation, i.e. June 30, 2007 or until further orders, whichever event occurs earlier.
Mr. Shyam Wadhera	No. 8/1/2003-PSU/Adm.I dated June 10, 2003.	Appointment for a period of five years w.e.f. August 1, 2003 or till the date of superannuation, i.e. April 30, 2009 or until further orders, whichever event occurs earlier.
Mr. Satnam Singh	No. 32024/2/2004-PFC dated January 28, 2005.	Appointment for a period of five years w.e.f. February 1, 2005 or till the date of superannuation, i.e. February 28, 2018 or until further orders, whichever event occurs earlier.
Mr. Arvind Jadhav	No. 32024/18/95-PFC (Vol. II) dated May 31, 2002.	Appointment w.e.f. May 31, 2002 until further orders.
Mr. G.P. Gupta	No. 8/2/2005-PF Desk dated June 29, 2006.	Appointment w.e.f. June 29, 2006 for a period of three years or until further orders, whichever event occurs earlier.
Prof. P.G. Apte	No. 8/2/2005-PF Desk dated June 29, 2006.	Appointment w.e.f. June 29, 2006 for a period of three years or until further orders, whichever event occurs earlier.
Dr. S.P. Parashar	No. 8/2/2005-PF Desk dated June 29, 2006.	Appointment w.e.f. June 29, 2006 for a period of three years or until further orders, whichever event occurs earlier.
Mr. Subodh Bhargava	No. 8/2/2005-PF Desk dated June 29, 2006.	Appointment w.e.f. June 29, 2006 for a period of three years or until further orders, whichever event occurs earlier.
Mr. B.K. Mittal	N0. 8/2/2005-PF Desk dated June 29, 2006.	Appointment w.e.f. June 29, 2006 for a period of three years or until further orders, whichever event occurs earlier.

Except for our whole-time Directors who are entitled to statutory benefits upon termination of their employment with us along with certain post retirement medical benefits, no other Director is entitled to any benefit upon termination of his employment with us.

Remuneration of our Directors

The following table sets forth the details of the remuneration for the whole-time directors for fiscal 2006. In addition to the amounts specified below, they are also entitled to an official vehicle, gratuity and reimbursements for maintenance of a residential office and official entertainment.

(Rupees)

S. No.	Name	Basic Salary	Dearness Allowance	Housing and Furnishing	Provident Fund	Perquisites and other benefits (including performance incentives for the year 2004-2005)	Total
1.	Dr. V. K. Garg	296,298	161,032	223,371	55,636	52,778	789,115*
2.	Mr. V. S. Saxena	362,950	196,011	312,015	73,438	670,879	1,615,293
3.	Mr. Shyam Wadhera	355,800	192,135	310,035	66,586	350,702	1,275,258
4.	Mr. Satnam Singh	344,718	174,193	311,835	63,103	395,311	1,289,160

* This figure represents Dr. V.K. Garg's remuneration from May 2005 onwards.

Performance incentives for the year 2005-2006 shall be given in the year 2006-2007.

Mr. Arvind Jadhav is not entitled to any remuneration from us as he has been nominated by the MoP, GoI. Our independent directors are being paid sitting fees of Rs. 10,000 per Board meeting and Rs. 7500 for various committee meetings. The sitting fees for Directors have been approved by our Board in their meeting held on July 6, 2006, in-line with the guidelines issued by the Department of Company Affairs and the Department of Public Enterprises.

Details of terms and conditions of employment of our Directors

Mr. Arvind Jadhav being a government nominee director is not entitled to any remuneration or fees by our Company. Terms and conditions governing the appointment of Dr. V. K. Garg, Mr. V. S. Saxena, Mr. Shyam Wadhera and Mr. Satnam Singh are as under:

1. Letter No. 8/1/2004-Adm.I/PFC.Vol.II dated April 18, 2006 from the MoP, GoI to our Company regarding appointment of Dr. V.K Garg.

Dr. V. K. Garg was appointed as our Chairman and Managing Director of our Company by the President of India pursuant to a letter no. 8/1/2004/ Adm-I/PFC dated May 10, 2005 issued by the MoP. His appointment was effective from May 10, 2005. The terms of the said employment have been set out in the letter dated April 18, 2006.

(i) The terms and conditions governing the appointment of Dr. V. K Garg are as under:

Term	W.e.f. May 10, 2005 or till the age of superannuation, i.e. July 31, 2008 or until further orders, whichever event occurs earlier. The appointment may be terminated by either side vide a three months notice or on payment of three months salary in lieu thereof.

Basic salary	Rs. 31,500 per month in the existing scale of Rs. 27,750-750-31,500 at the time of appointment.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the Department of Public Enterprises' Office Memorandum dated June 25, 1999. Presently, being Rs. 20,538.
Housing and furnishing	Entitled to suitable residential accommodation from our Company including company leased accommodation. In case he is desirous of taking his own house on self-lease basis for residential purposes, he has to execute a lease deed in favour of our Company. The present rental ceiling is Rs. 22,050. Further, our Company shall be entitled to recover a certain percentage of the pay on account of rent recovery from Dr. V. K. Garg.
Annual Increment	Eligible to draw annual increment of Rs. 750 per year.
Provident fund	Entitled to provident fund and gratuity as per our Company rules.
City Compensatory Allowance	As per existing rates approved for the executives of our Company, subject to an overall ceiling of Rs. 300.
Other benefits and incentives	Company to provide staff car for personal use subject to a ceiling of 1,000 km per month and telephone at residence. Also, entitled to medical facilities, travelling allowance and leave travel concession.
Productivity Linked Incentive Scheme	Entitled to benefits of the incentive payments as per the rules of our Company.
Leave and vacation	Entitled to leave as per Company rules.
Club Membership	Eligible to become a member of two clubs at the expense of our Company. However, the membership will be co-terminus with his tenure as director.

(ii) After retirement of services from our Company, Dr. V.K. Garg shall not accept any appointment or post, whether advisory or administrative in any firm or company whether Indian or foreign with which our Company has or had business relations, within two years from the date of his retirement without prior approval of the GoI.

2. Letter No. 32024/46/2000-PFC dated October 30, 2002 from the MoP, GoI to our Company regarding appointment of Mr. V.S. Saxena.

Mr. V.S. Saxena was appointed as Director (Institutional Development and Administration) of our Company for a period of five years by the President of India pursuant to a letter no. 8/1/2001-PSU/Adm.I dated May 8, 2002 issued by the MoP. His appointment was effective from May 8, 2002. The terms of the said employment have been set out in the letter dated October 30, 2002.

(i) The terms and conditions governing the appointment of Mr. V. S. Saxena are as under:

Term	Five years w.e.f. May 8, 2002 or till the age of superannuation whichever is earlier. The appointment may be terminated by either side vide a three months notice or on payment of three months salary in lieu thereof.
Basic salary	Rs. 28,350 per month in the existing scale of Rs. 25,750-650-30,950 at the time of appointment. However, he is currently drawing a basic salary of Rs. 30,950 per month.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the Department of Public Enterprises' Office Memorandum dated June 25, 1999. Presently, being Rs. 20,179.

Housing and furnishing	Entitled to suitable residential accommodation from our Company including company leased accommodation. In case he is desirous of taking his own house on self-lease basis for residential purposes, he has to execute a lease deed in favour of our Company. The present rental ceiling is Rs. 21,665. Further, our Company shall be entitled to recover a certain percentage of the pay on account of rent recovery from Mr. V. S. Saxena.
Annual Increment	Eligible to draw annual increment of Rs. 650 per year.
Provident fund	Entitled to provident fund and gratuity as per our Company rules.
City Compensatory Allowance	As per existing rates approved for the executives of our Company, subject to an overall ceiling of Rs. 300.
Other benefits and incentives	Company to provide staff car for personal use subject to a ceiling of 1,000 km per month and telephone at residence. Also, entitled to medical facilities, travelling allowance and leave travel concession.
Productivity Linked Incentive Scheme	Entitled to benefits of the incentive payments as per the rules of our Company.
Leave and vacation	Entitled to leave as per Company rules.
Club Membership	Eligible to become a member of two clubs at the expense of our Company. However, the membership will be co-terminus with his tenure as Director.

(ii) After retirement of services from our Company, Mr. V.S. Saxena shall not accept any appointment or post, whether advisory or administrative in any firm or company whether Indian or foreign with which our Company has or had business relations, within two years from the date of his retirement without prior approval of the GoI.

3. Letter No. 32024/31/2002-PFC dated July 9, 2004 from the MoP, GoI to our Company regarding appointment of Mr. Shyam Wadhera.

Mr. Shyam Wadhera was appointed as our Director (Projects) for a period of five years by the President of India pursuant to a letter no. 8/1/2003-PSU/Adm.I dated June 10, 2003 issued by the MoP. His appointment was effective from August 1, 2003. The terms of the said employment have been stated in the letter dated July 9, 2004.

(i) The terms and conditions governing the appointment of Mr. Shyam Wadhera are as under:

Term	Five years w.e.f. August 1, 2003 or till the age of superannuation whichever is earlier. The appointment may be terminated by either side vide a three months notice or on payment of three months salary in lieu thereof.
Basic salary	Rs. 29,000 per month in the existing scale of Rs. 25,750-650-30,950 at the time of appointment. However, he is currently drawing a basic salary of Rs. 30,950 per month.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the Department of Public Enterprises' Office Memorandum dated June 25, 1999. Presently, being Rs. 20,179.
Housing	Entitled to suitable residential accommodation by our Company including company leased accommodation. In case he is desirous of taking his own house on self-lease basis for residential purposes, he has to execute a lease deed in favour of our Company. The present rental ceiling is Rs. 21,665. Further, our Company shall be entitled to recover a certain percentage of the pay on account of rent recovery from Mr. Shyam Wadhera.
Annual Increment	Eligible to draw annual increment.

Provident fund	Entitled to provident fund and gratuity as per the rules of our Company.
City Compensatory Allowance	As per existing rates approved for executives of our Company, subject to an overall ceiling of Rs. 300.
Other benefits and incentives	Company to provide staff car for personal use subject to a ceiling of 1,000 km per month and telephone at residence. Also, entitled to medical facilities, travelling allowance and leave travel concession.
Productivity Linked Incentive Scheme	Entitled to benefits of the incentive payments as per the rules of our Company.
Leave and vacation	Entitled to leave as per Company rules.
Club Membership	Eligible to become a member of two clubs at the expense of our Company. However, the membership will be co-terminus with his tenure as Director.

(ii) After retirement of services from our Company, Mr. Shyam Wadhera shall not accept any appointment or post, whether advisory or administrative in any firm or company whether Indian or foreign with which our Company has or had business relations, within two years from the date of his retirement without prior approval of the GoI.

4. Letter No. 32024/2/2004-P.F.Desk dated June 2, 2006 from the MoP, GoI to our Company regarding appointment of Mr. Satnam Singh.

Mr. Satnam Singh was appointed as Director (Finance and Financial Operations) of our Company by the President of India pursuant to a letter No. 32024/2/2004-PFC dated January 28, 2005 issued by the MoP. His appointment was effective from February 1, 2005. The terms of the said employment have been set out in the letter dated June 2, 2006.

(i) The terms and conditions governing the appointment of Mr. Satnam Singh are as under:

Term	Five years w.e.f. February 1, 2005 or till the age of superannuation or until further orders, whichever event occurs earlier. The appointment may be terminated by either side vide a three months notice or on payment of three months salary in lieu thereof.
Basic salary	Rs. 29,650 per month in the existing scale of Rs. 25,750-650-30,950 at the time of appointment. However, he is currently drawing a basic salary of Rs. 29,650 per month.
Dearness Allowance	In accordance with the New Industrial Dearness Allowance Scheme in the Department of Public Enterprises' Office Memorandum dated June 25, 1999. Presently, being Rs. 19,332.
Housing and furnishing	Entitled to suitable residential accommodation from our Company including company leased accommodation. In case he is desirous of taking his own house on self-lease basis for residential purposes, he has to execute a lease deed in favour of our Company. The present rental ceiling is Rs. 21,665. Further, our Company shall be entitled to recover a certain percentage of the pay on account of rent recovery from Mr. Satnam Singh.
Annual Increment	Eligible to draw annual increment of Rs. 650 per year.
Provident fund	Entitled to provident fund and gratuity as per our Company rules.
City Compensatory Allowance	As per existing rates approved for the executives of our Company, subject to an overall ceiling of Rs. 300.
Other benefits and incentives	Company to provide staff car for personal use subject to a ceiling of 1,000 km per month and telephone at residence. Also, entitled to medical facilities, travelling allowance and leave travel concession.

Productivity Linked Incentive Scheme	Entitled to benefits of the incentive payments as per the rules of our Company.
Leave and vacation	Entitled to leave as per Company rules.
Club Membership	Eligible to become a member of two clubs at the expense of our Company. However, the membership will be co-terminus with his tenure as Director.
Other conditions	As per the letter dated June 2, 2006, perquisites and allowances may be upto a maximum of 50% of the basic pay and payments over and above the ceiling of 50% should be entirely in the nature of performance related payments and/or performance linked incentives.

(ii) After retirement of services from our Company, Mr. Satnam Singh shall not accept any appointment or post, whether advisory or administrative in any firm or company whether Indian or foreign with which our Company has or had business relations, within two years from the date of his retirement without prior approval of the GoI.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges in connection with corporate governance will apply to our Company upon listing of our Equity Shares on such Stock Exchanges. Our Company has complied with SEBI Guidelines in respect of corporate governance . Pursuant to clause 49 of the Listing Agreement, 50% of the members of the board of directors of a company are required to be independent in the event the company has an executive chairman. In compliance with the same, we have ensured that at least 50% of the Directors (i.e. 5 out of 10 Directors) are independent. In addtion we have constituted various committees in accordance with clause 49 of the Listing Agreement.

(a) Audit Committee

The members of the Audit Committee are Mr. G.P. Gupta (Chairman), Mr. P.G. Apte, Mr. B.K. Mittal and Mr. Shyam Wadhera.

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

(a) Overseeing of our financial reporting process and the disclosure of our financial information to ensure that the financial statement is correct, sufficient and credible;

(b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;

(c) Reviewing with the management the annual financial statements before submission to the Board;

(d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems;

(e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;

(f) Discussion with internal auditors regarding any significant findings and follow up thereon;

(g) 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;

(h) Discussion with external auditors before the audit commences, nature and scope of the audit, as well as have post audit discussion to ascertain any area of concern;

(i) Reviewing our financial and risk management policies;

(j) To look into the reason for substantial defaults in payments to depositors, debenture holders, shareholders and creditors;

(k) Approval of payment to statutory auditors for any other services rendered by statutory auditors; and

(l) To review the functioning of the whistle blowing mechanism, in case the same is formulated.

The Audit Committee shall meet periodically, as it deems fit and shall have at least four meetings in a financial year. The quorum of the meetings shall be one third of the total number of members or two directors (at least two of whom will be independent directors) which ever is higher.

(b) Shareholder's Grievance Committee

The members of the Shareholder's Grievance Committee are Mr. B.K. Mittal (Chairman), Mr. Satnam Singh and Mr. V.S. Saxena. Our Company Secretary shall act as the secretary to the committee. The Shareholder's Grievance Committee shall have powers to decide, *inter alia*, oversee the redressal of shareholder's and/or investors' complaints and/or grievances pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with or without legal representation) of shares and other miscellaneous complaints.

The Shareholder's Grievance Committee shall meet periodically, as it deems fit. The quorum for the committee shall be the presence of one third of the total number of members or two directors, whichever is higher.

(c) Remuneration Committee

We presently do not have any Remuneration Committee. As per our Articles of Association, the remuneration payable to the directors is fixed by the President of India. All our Independent Directors are paid a sitting fees of Rs. 10,000 per Board meeting and Rs. 7,500 for various committee meetings. The sitting fees for our directors have been approved by the Board vide their resolution dated July 6, 2006, in-line with Guidelines issued by the Department of Company Affairs and the Department of Public Enterprises.

Code of Conduct and Code for the Prevention of Insider Trading

The provisions of Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of our Equity Shares on the Stock Exchanges. Our Company undertakes to take all necessary steps to comply with all the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 on listing of our Equity Shares. Furthermore, our Board has also adopted a code of conduct for our Board members and senior management and a code for prevention of insider trading for all Board members and employees of our Company.

Shareholding of Directors in our Company

Our Articles do not require our directors to hold any Equity Shares. The following table details the shareholding of our directors in our Company:

Name of Directors	Number of Equity Shares (Pre-Issue)
Dr. V. K. Garg, as a nominee of the President of India	100
Mr. Arvind Jadhav, as a nominee of the President of India	100
Mr. Shyam Wadhera, as a nominee of the President of India	100
Mr. Satnam Singh, as a nominee of the President of India	100

Interest of our Directors

All of our directors, except Mr. Arvind Jadhav, may be deemed to be interested to the extent of remuneration and fees paid to them for services rendered as a Director of our Company and reimbursement of expenses payable to them.

All our directors, except Mr. V.S. Saxena and all our Independent Directors, hold Equity Shares as nominees of the President of India and hence, they may be deemed to be interested to the extent of their shareholding in our Company. Furthermore, all our directors may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus. All of our directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our directors have no interest in any property acquired by us within two years of the date of filing of this Prospectus. For details of the related party transactions, see section titled "Financial Statements-Statement of Related Party Transactions" beginning on page 159 of this Prospectus.

Changes in our Board of Directors during the last three years

The changes in our Board of Directors in the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. A. A. Khan	December 29, 1992 Also, reappointed as Chairman and Managing Director on February 13, 2001.	August 31, 2004	Retired.
Mr. R. Krishnamoorthy	June 1, 2001 Also, given additional charge of Chairman and Managing Director from September 1, 2004 to January 31, 2005.	January 31, 2005	Retired.
Mr. V.S. Saxena	May 8, 2002	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. Arvind Jadhav	May 31, 2002 Also, given additional charge of the Chairman and Managing Director between February 7, 2005 and May 10, 2005.	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. Ajay Shankar	September 19, 2002	August 31, 2005	Ceased to be a Director pursuant to notification by the MoP, GoI.
Mr. Shyam Wadhera	August 1, 2003	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. Satnam Singh	February 1, 2005	Continuing	Appointment pursuant to notification by the MoP, GoI.
Dr. V.K. Garg	May 10, 2005	Continuing	Appointment pursuant to notification by the MoP, GoI.
Mr. G.P. Gupta	June 29, 2006	Continuing	Appointment pursuant to notification by the MoP
Prof. P.G. Apte	June 29, 2006	Continuing	Appointment pursuant to notification by the MoP
Dr. S.P. Parashar	June 29, 2006	Continuing	Appointment pursuant to notification by the MoP
Mr. Subodh Bhargava	June 29, 2006	Continuing	Appointment pursuant to notification by the MoP
Mr. B.K. Mittal	June 29, 2006	Continuing	Appointment pursuant to notification by the MoP

MANAGEMENT ORGANISATION STRUCTURE

- **Dr. V.K. Garg**
  Chairman & Managing Director
  - Company Secretariat
  - Internal Audit Unit
  - Corporate Monitoring Unit
  - Vigilance Unit
  - Corporate Planning Unit
  - **V.S. Saxena**
    Director (Institutional Development and Administation)
    - Reforms & Review Unit
    - Entity Appraisal Unit– Private Projects
    - State Sector Analysis Unit
    - Entity Appraisal Unit - State
    - Training and Development Unit
    - Estate and Civil Construction Unit
    - Management Systems and Public Relations Unit
    - APDRP, Administration and Human Resources Unit
    - Legal and Documentation Unit
    - Consultancy Services Group
  - **Shyam Wadhera**
    Director (Projects)
    - Project Monitoring Unit
    - Project Appraisal- Southern Region and Private Projects
    - Project Appraisal- Northern Region, Externally Aided Projects and Ultra Mega Power Projects
    - Project Appraisal- Western, Eastern and North-eastern Region
    - Business Development and Project Appraisal - Maharashtra
  - **Satnam Singh**
    Director (Finance and Financial Operations)
    - Corporate Accounts
    - Taxation, Establishment and Bills Unit
    - Resource Mobilisation, Consortium Lending, Disbursement and Fund Management, Financial Policies Concurrence and Financial Products
    - Recovery and Investor Service, India Power Fund and Financial Management Information System Unit
    - Asset Liability and Risk Management Unit

Key Managerial Employees

All of our key managerial employees are permanent employees of our Company and none of them are related to each other or to any Director of our Company.

Mr. Ashok Gupta, 54 years, is our Executive Director (Finance). He holds a Bachelor's degree in Science from Meerut University, a Bachelor's degree in Law from Delhi University and a Post Graduate diploma in Personnel Management and Industrial Relations from Bhartiya Vidya Bhavan. He is also an Associate Member of the Institute of Company Secretaries of India and a Fellow Member of the Institute of Cost and Works Accountants of India. Mr. Gupta has a career spanning about 30 years and was working with NHPC, prior to joining us on February 22, 1988. He has also worked with the Rajasthan State Seeds Corporation, HUDCO and the Ministry of Petroleum and Chemicals. He is in charge of domestic and foreign resource mobilization, development of financial policies, granting financial concurrence, disbursement, fund management and developing new financial products. Additionally, he is also in charge of our law and documentation unit. Mr. Gupta's remuneration for fiscal 2006, including all benefits was Rs.1.30 million.

Mr. M.K. Goel, 50 years, is designated as the Executive Director (Projects). He completed his Bachelor's degree in Technology specializing in Electrical Engineering from Kanpur University. Mr. Goel has a career spanning about 26 years. He was working with NHPC, prior to joining us on November 22, 1988. He is in charge of the business operations of projects from the southern region as well as private power projects throughout the country. Mr. Goel's remuneration for fiscal 2006, including all benefits was Rs. 1.26 million.

Mr. Naveen Kumar, 47 years, is designated as the Executive Director (Projects). He holds a Bachelor's degree in Electrical Engineering from Punjab Engineering College, Chandigarh and a Master's degree in Business Administration from the Faculty of Management Studies, Delhi where he specialised in Finance. Mr. Kumar has a career spanning over 25 years. He was working with NTPC, prior to joining us on December 29, 1988. He has also worked with Punjab Tractors Limited and BHEL. Mr. Kumar is responsible for our business operations for the western, eastern and north-eastern regions. Mr. Kumar's remuneration for fiscal 2006, including all benefits was Rs. 1.24 million.

Mr. R. S. Johri, 47 years, is designated as the Executive Director (Projects). He holds a Bachelor's degree in Electrical Engineering from Agra University. Mr. Johri has a career spanning about 24 years. He was working with NTPC, prior to joining us on December 29, 1988. Mr. Johri is currently responsible for our business operations in the northern region, co-ordination of Externally Aided Projects, AGSP and development of UMPPs. Mr. Johri's remuneration for fiscal 2006, including all benefits was Rs. 1.39 million.

Mr. P.K. Bhargava, 49 years, is designated as the Executive Director (Management Systems and Public Relations). He holds a Bachelor's degree in Electrical Engineering from Jiwaji University, Gwalior and also a Post Graduate diploma in power systems from the Indian Institute of Technology, Delhi. Mr. Bhargava has a career spanning about 26 years and was working with NHPC, prior to joining us on September 29, 1989. Mr. Bhargava is involved in the development and maintenance of software systems and is also in charge of public relations. Mr. Bhargava's remuneration for fiscal 2006, including all benefits was Rs. 1.28 million.

Mr. N.D. Tyagi, 51 years, is designated as the Executive Director (Consultancy Services Group). He holds a Bachelor's degree in Mechanical Engineering from Maulana Azad College of Technology, Bhopal. Mr. Tyagi has a career spanning about 28 years. Prior to joining us on January 29, 1990, he was working with BHEL. He has also worked with Shri Ram Pistons and Rings Limited. He currently heads our consultancy services group. Mr. Tyagi's remuneration for fiscal 2006, including all benefits was Rs. 1.13 million.

Mr. Rajeev Sharma, 46 years, is designated as the Executive Director (APDRP, Human Resources and Administration). He holds a Bachelor's degree in Technology from G.B Pant University, Uttaranchal, a Master's degree in Business Administration from the Delhi University, a Post Graduate diploma in Electronics and Communication and a Masters in Engineering with specialisation in System Engineering and Operations Research from the Indian Institute of Technology, Roorkee. He has a career spanning about 20 years. He was working with Power Grid Corporation of India Limited, prior to joining us on August 11, 2005. He has also worked with the MoP and the CEA in various capacities. He is in charge of the implementation and monitoring of the APDRP. He also oversees our human resource unit and is also responsible for providing necessary logistic support through the administration unit. His remuneration for fiscal 2006, including all benefits was Rs. 0.67 million.

Mr. J.S. Amitabh, 41 years, is our Company Secretary. He holds a Bachelor's degree in Law from the Delhi University and a Fellow Member of the Institute of Company Secretaries of India. Mr. Amitabh has a career spanning about 16 years. He was working with Modi Cement Limited, prior to joining us on June 29, 1994. He has also worked with Dabur India Limited and Modi Xerox Limited. Mr. Amitabh's remuneration for fiscal 2006, including all benefits was Rs. 1.04 million.

Shareholding of the key managerial employees

None of our key managerial employees hold any shares or options.

Bonus or profit sharing plan for our key managerial employees

There is no bonus or profit sharing plan for our key managerial employees.

Changes in our key managerial employees during the last three years

The changes in our key managerial employees during the last three years are as follows:

Name	Date of Appointment as a Key Managerial Personnel	Date of Cessation	Reason
Mr. Rajib Ranjan	April 5, 1999	September 16, 2004	Resignation.
Mr. Satnam Singh	May 1, 2003	January 31, 2005	Appointed as Director (Finance and Financial Operations) w.e.f. February 1, 2005.
Mr. R.S. Johri	July 1, 2005	Continuing	Promotion.
Mr. Naveen Kumar	July 1, 2005	Continuing	Promotion.
Mr. N.D. Tyagi	July 1, 2005	Continuing	Promotion.
Mr. B.S. Sachdeva	June 30, 2005	June 30, 2005	Superannuation.
Mr. Madan Lal	July 1, 2005	January 31, 2006	Superannuation.
Mr. Rajeev Sharma	August 11, 2005	Continuing	Appointment.

Employees Share Purchase Scheme/Employee Stock Option Scheme

We do not have any stock option scheme or stock purchase scheme for the employees of our Company.

Payment or benefit to officers of our Company

Except certain post retirement medical benefits and statutory benefits and upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

OUR PROMOTERS, SUBSIDIARIES AND GROUP COMPANIES

Our Promoter is the President of India acting through the MoP, GoI and will hold 89.78% of the post Issue paid up capital of our Company.

Other confirmations

Our Promoter has not been declared as a willful defaulter by the RBI or any governmental authority and there are no violations of securities laws committed by our Promoter in the past or pending against it.

Subsidiaries

We have eleven subsidiaries namely:

(a) Akaltara Power Limited;

(b) Coastal Gujarat Power Limited;

(c) Coastal Karnataka Power Limited;

(d) Coastal Maharashtra Mega Power Limited;

(e) Sasan Power Limited;

(f) Orissa Integrated Power Limited;

(g) Coastal Andhra Power Limited;

(h) Jharkhand Integrated Power Limited.

(i) Coastal Tamil Nadu Power Limited;

(j) Bokaro-Kodarma-Maithon Transmission Company Limited; and

(k) East-North Interconnection Company Limited.

For further details on our subsidiaries, see the section titled "History and Certain Corporate Matters" beginning on page 105 of this Prospectus.

Group Companies

We do not have any group companies.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see the section titled "Financial Statements-Statement of Related Party Transactions" beginning on page 159 of this Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends on our equity shares will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividend and dividend tax paid by our Company during the last five fiscal years is presented below:

(Rupees in million)

	Fiscal 2002	**Fiscal 2003**	**Fiscal 2004**	**Fiscal 2005**	**Fiscal 2006**	**Half year ended September 30, 2006**
Equity share capital	10,304.50	10,304.50	10,304.50	10,304.50	10,304.50	10,304.50
No. of Equity Shares of Rs.10 each (In million)	1,030.45	1,030.45	1,030.45	1,030.45	1,030.45	1,030.45
Rate of Dividend (%)	**19.41%**	**22.80%**	**31.25%**	**37.36%**	**35.08%**	**0.00%**
Interim	0.00%	20.57%	14.27%	30.08%	35.08%	0.00%
Final	19.41%	2.23%	16.98%	7.28%	0.00%	0.00%
Amount of Dividend on Equity Shares (Rs. in million)	**2,000.00**	**2,350.00**	**3,220.00**	**3,850.00**	**3,615.30**	**0.00**
Interim	0.00	2,120.00	1,470.00	3,100.00	3,615.30	0.00
Final	2,000.00	230.00	1,750.00	750.00	0.00	0.00
Total Dividend Tax Paid (Rs. in million)	0.00	29.47	412.56	507.63	514.22	0.00

Our Board of Directors vide resolution dated January 9, 2007 have declared an interim dividend of Rs. 1,450 million (14.07%) for the fiscal 2007. The total dividend tax payable on the interim dividend is Rs. 203.40 million. This interim dividend shall only be paid to the current shareholders as on the date of filing the Red Herring Prospectus.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Pursuant to the terms of our loan agreements with the State Bank of India and the Export and Import Bank of India, we cannot declare or pay any dividend to our shareholders during any financial year unless we have paid all the dues to the respective lenders or paid or have made satisfactory provisions therefore or if we are in default of the terms and conditions of such loan agreements.

FINANCIAL STATEMENTS

AUDITORS' REPORT

The Board of Directors
Power Finance Corporation Limited
Urja Nidhi, 1, Barakhamba Lane,
Connaught Place,
New Delhi 110 001.

Dear Sirs,

We have examined the financial information of Power Finance Corporation Limited ('the Company'), as attached to this report stamped and initialed by us for identification, which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended upto October 18, 2006 ('the Guidelines') issued by Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with the instructions received by us from the Company requesting us to carry out work in connection with the Red Herring Prospectus being issued by the Company in connection with its Initial Public Offering of Equity Shares (referred to as 'the Issue').

The preparation and presentation of this financial information is the responsibility of Company's management. This financial information is proposed to be included in the offer document of the company in connection with the proposed Initial Public Issue of its Equity Shares.

A. Financial Information as per the audited financial statements

We have examined the attached Statement of Assets and Liabilities, as restated of the Company as at September 30, 2006, March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 (Annexure I) and the attached Statements of Profits and Losses as Restated for the half year ended September 30, 2006, and for the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 (Annexure II) and the attached Statements of Cash Flows, as Restated for the period ended September 30, 2006, March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 respectively (Annexure III), together referred to as 'Restated Summary Statements'.

These Restated Summary Statements have been extracted from the financial statements after making such adjustments and regroupings as in our opinion are appropriate and fully described in notes appearing in Annexure IV to this report. For our examination, we have placed reliance on the financial statements audited by M/s. Bubber Jindal & Co. for the year ended March 31, 2002, M/s. Suresh Chandra & Associates for the year ended March 31, 2003, M/s. K K Soni & Co. for the year ended March 31, 2004 and for the years ended March 31, 2005, March 31, 2006 and for the half year ended September 30, 2006 audited by us. These financial statements have been approved/ adopted by the Board of Directors/members for the respective periods.

We have performed such tests and procedures, which in our opinion, were necessary for the purpose of our examination. These procedures, mainly involved comparison of the attached financial information with the Company's audited financial statements for the years 2001-2002 to 2005-2006 and for the half year ended September 30, 2006.

Based on our examination of these Restated Summary Statements, we confirm that:

1. These "Restated Summary Statements" have been drawn in accordance with the provisions of paragraph 6.10.2.2 of the guidelines and all the adjustments suggested in paragraph 6.10.2.7 of the Guidelines have been incorporated therein.
2. These restated profits have been arrived at after charging all expenses of management including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Significant Notes on accounts attached to and forming part of the Restated Summary Statements - enclosed as Annexure IV.
3. The "Restated Summary Statements" of the company have been restated with retrospective effect to reflect the Significant Accounting Policies being adopted by the company as at September 30, 2006 enclosed as Annexure V.
4. There are no qualifications in the auditors' reports which remain to be adjusted in the Restated Summary Statements read with Significant Accounting Policies and Significant Notes to Accounts.

B. Other financial information

We have examined the following financial information relating to the Company proposed to be included in the Red Herring Prospectus and annexed to this report:

i. Changes in Accounting Policies during last five years- enclosed as Annexure-VI.

ii. Summary of Accounting Ratios- enclosed as Annexure-VII.

iii. Capitalisation Statement of the Company enclosed as Annexure-VIII.

iv. Tax Shelter Statement -enclosed as Annexure-IX.

v. Statement of Unsecured Loans- enclosed as Annexure -X.

vi. Statement of Loans Assets - enclosed as Annexure –XI.

vii. Statement of Loans & Advances- enclosed as Annexure- XII.

viii. Statement of Investments- enclosed as Annexure – XIII.

ix. Statement of Current Liabilities and Provisions – enclosed as Annexure- XIV.

x. Statement of Other Income – enclosed as Annexure-XV.

xi. Statement of Dividend Paid – enclosed as Annexure- XVI.

xii. Statement of Related Party transactions – enclosed as Annexure- XVII.

In our opinion, the financial information of the Company, as attached to this report, as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies and significant notes to accounts, after making necessary adjustments, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Draft Red Herring Prospectus / Red Herring Prospectus / Prospectus in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

This report should neither in any way be construed as a re-issuance or redrafting of any of the previous audit reports issued by other firms of chartered accountants nor construed as a new opinion on any financial statements referred to herein.

For **Bansal Sinha & Co.**
Chartered Accountants

Ravinder Khullar
Partner
Membership No. 82928

Place: New Delhi
Dated: December 9, 2006.

ANNEXURE - I

STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

The statements of Assets & Liabilities of the Company as at March 31, 2002, 2003, 2004, 2005, 2006 and half year ended September 30, 2006 are set out below:

(Rs. in million)

	As at 31st March,					As on September 30, 2006
	2002	**2003**	**2004**	**2005**	**2006**	
ASSETS						
A. Fixed Assets :						
Tangible Assets	3,950.27	3,824.43	3,300.71	3,302.27	3,321.12	3,710.42
Intangible Assets	0.00	0.00	1.22	1.22	1.25	1.25
Less : Depreciation	(2,076.01)	(2,486.40)	(2,510.12)	(2,628.43)	(2,767.95)	(2,844.92)
Less : Amortisation	0.00	0.00	(0.13)	(0.37)	(0.62)	(0.74)
Capital Works in Progress	7.58	16.87	61.09	138.40	292.84	16.57
Net Block	1,881.84	1,354.90	852.77	813.09	846.64	882.58
B. Investments	60.00	80.00	120.00	140.94	165.11	160.32
C. Loans	164,584.18	208,053.62	248,273.41	295,200.77	356,025.32	385,629.42
D. Current Assets, Loans & Advances						
Cash & Bank Balances	957.24	1,020.70	3,530.19	3,383.70	3,648.38	275.02
Other Current Assets	6,284.62	7,227.17	7,913.90	6,220.46	6,936.22	7,870.26
Loans & Advances	6,067.67	7,162.52	6,044.23	5,696.49	7,282.22	6,034.41
Total Current Assets	13,309.53	15,410.39	17,488.32	15,300.65	17,866.82	14,179.69
Total Assets	**179,835.55**	**224,898.91**	**266,734.50**	**311,455.45**	**374,903.89**	**400,852.01**
LIABILITIES						
A. Loan Funds						
Secured Loans	7,299.80	4,091.78	0.00	0.00	0.00	0.00
Unsecured Loans	102,518.21	139,549.25	177,480.27	216,482.40	269,248.19	291,445.12
Total Loan Funds	109,818.01	143,641.03	177,480.27	216,482.40	269,248.19	291,445.12
B. Deferred Tax Liability	3,929.53	5,614.63	7,190.54	8,990.06	9,704.86	10,402.15
C. Interest Subsidy Fund from GOI	10,934.36	11,285.39	11,027.98	11,558.95	12,003.30	10,396.69
D. Current Liabilities & Provisions						
Current Liabilities	2,765.89	3,938.32	4,902.42	5,203.48	5,849.69	9,693.52
Provisions	8,088.19	8,166.75	7,328.40	5,067.99	8,320.66	5,176.75

(Rs. in million)

	As at 31st March,					As on September 30, 2006
	2002	2003	2004	2005	2006	
Total Current Liabilities & Provisions	10,854.08	12,105.07	12,230.82	10,271.47	14,170.35	14,870.27
Total Liabilities	**135,535.98**	**172,646.12**	**207,929.61**	**247,302.88**	**305,126.70**	**327,114.23**
Net Assets	**44,299.57**	**52,252.79**	**58,804.89**	**64,152.57**	**69,777.19**	**73,737.78**
Represented by :						
Share Capital - (i)	10,304.50	10,304.50	10,304.50	10,304.50	10,304.50	10,304.50
Free Reserves & Surplus - (ii)	31,969.06	39,277.73	44,893.45	49,670.46	54,750.77	58,458.36
Miscellaneous Expenditure - (iii)	—	—	—	—	—	52.42
Net Worth - (i) + (ii) - (iii)	**42,273.56**	**49,582.23**	**55,197.95**	**59,974.96**	**65,055.27**	**68,710.44**
Add : Reserve for Bad & Doubtful Debts u/s 36(1)(vii)c of I.T. Act, 1961 (As per Audited Accounts)	2,026.01	2,670.56	3,606.94	4,177.61	4,721.92	5,027.34
Total Shareholders Funds	**44,299.57**	**52,252.79**	**58,804.89**	**64,152.57**	**69,777.19**	**73,737.78**

ANNEXURE - II

STATEMENT OF PROFITS, AS RESTATED

The statements of restated profits of the company for the financial years ended March 31, 2002, 2003, 2004, 2005, 2006 and half year ended September 30, 2006 are set out below:

(Rs. in million)

Particulars	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended September 30, 2006
Income :						
Operating Income	21,046.83	26,408.73	28,220.79	28,377.47	30,203.95	17,331.81
Other Income	25.61	131.89	38.39	69.98	20.26	18.72
Total Income	**21,072.44**	**26,540.62**	**28,259.18**	**28,447.45**	**30,224.21**	**17,350.53**
Expenditure :						
Interest and Other Charges	10,141.28	12,404.56	14,219.89	16,032.35	18,648.57	10,942.03
Upfront fees and Issue Expenses	52.51	63.84	13.99	72.00	76.75	25.75
Personnel & Administration Expenses	277.04	383.55	372.76	446.27	484.70	233.06
Depreciation	415.21	414.93	409.12	13.51	13.94	5.96
Amortisation Charges-Intangible Assets	0.00	0.00	0.13	0.24	0.25	0.12
Provision for Contingencies	351.82	(223.00)	5.65	228.20	(144.02)	63.88
Provision for decline in value of Investments	0.00	0.00	0.00	3.30	1.81	(0.78)
Total Expenditure	**11,237.86**	**13,043.88**	**15,021.54**	**16,795.87**	**19,082.00**	**11,270.02**
Profit Before Tax & Extra-ordinary items	**9,834.58**	**13,496.74**	**13,237.64**	**11,651.58**	**11,142.21**	**6,080.51**
Less : Provision for Taxation	1,879.16	2,570.64	2,661.02	2,091.30	1,923.30	1,254.78
Less : Deferred Tax Liability	954.83	1,685.10	1,575.91	1,799.52	714.80	697.29
Less : Provision for Fringe Benefit Tax	0.00	0.00	0.00	0.00	8.09	6.68
Profit After Tax & before Extra ordinary items - (A)	**7,000.59**	**9,241.00**	**9,000.71**	**7,760.76**	**8,496.02**	**4,121.76**
Extra Ordinary Items :						
Interest Restructuring Premium	0.00	1,291.99	1,882.91	2,117.83	1,050.51	0.00
Exchange Loss(-) / Gain	(458.00)	56.55	(401.08)	252.09	470.09	(137.03)
Total Extra Ordinary Items	**(458.00)**	**1,348.54**	**1,481.83**	**2,369.92**	**1,520.60**	**(137.03)**
Less : Taxes on Extra ordinary items	(87.51)	256.85	297.88	425.37	262.48	(28.28)
Extra Ordinary Items (Net of Taxes) - (B)	**(370.49)**	**1,091.69**	**1,183.95**	**1,944.55**	**1,258.12**	**(108.75)**
Profit After Tax available for Appropriations - (A) + (B)	**6,630.10**	**10,332.69**	**10,184.66**	**9,705.31**	**9,754.14**	**4,013.01**

ANNEXURE - III

CASH FLOW STATEMENT, AS RESTATED

The Cash Flow Statements of the company for the financial years ended March 31, 2002, 2003, 2004, 2005, 2006 and half year ended September 30, 2006 are set out below:

(Rs. in million)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended September 30, 2006
Cash Flow from Operating Activities :-						
Net Profit before Tax and Extraordinary items	9,834.58	13,496.74	13,237.64	11,651.58	11,142.21	6,080.51
ADD (Adjustments for):						
Loss on Sale of Assets	0.05	0.07	0.35	0.64	0.54	0.01
Profit on Sale of Fixed Assets	(0.01)	(0.08)	(0.12)	(0.11)	(0.01)	0.00
Depreciation / Amortisation	415.24	414.93	409.25	13.76	14.19	6.08
Amortisation of Zero Coupon Bonds	0.00	32.25	130.56	141.14	152.57	67.31
Diminuition in value of investments	0.00	0.00	0.00	3.30	1.81	(0.78)
Provision for Contingencies	351.82	(223.00)	5.65	228.20	(144.02)	63.88
Provision for Retirement Benefits	(14.99)	25.47	20.26	14.38	12.29	7.43
Operating profit before Working Capital Changes :	10,586.69	13,746.38	13,803.59	12,052.89	11,179.58	6,224.44
Increase/Decrease :						
Loans (Given)	(31,942.04)	(43,246.43)	(40,269.13)	(47,145.59)	(60,689.62)	(29,667.95)
Other Current Assets	144.43	(1,136.59)	190.29	925.16	(813.47)	(933.79)
Increase/Decrease in Miscellaneous Expenditure (to the extent not written-off/adjusted)	0.00	0.00	0.00	0.00	0.00	(52.42)
Loans & Advances	(358.51)	(167.19)	246.90	(911.02)	717.90	(132.64)
Current Liabilities and Provisions	323.37	1,118.57	1,072.77	294.17	753.73	3,843.60
Cash flow before extraordinary items	(21,246.06)	(29,685.26)	(24,955.58)	(34,784.39)	(48,851.88)	(20,718.76)
Extraordinary Items :						
Interest Restructuring Premium	0.00	1,291.99	1,882.91	2,117.83	1,050.51	0.00
Exchange Loss (-) / Gain	(458.00)	56.55	(401.08)	252.09	470.09	(137.03)
Cash Inflow/Outflow after Extra ordinary items	(21,704.06)	(28,336.72)	(23,473.75)	(32,414.47)	(47,331.28)	(20,855.79)
Advance Income Tax Paid	(2,224.68)	(2,576.74)	(5,153.72)	(3,206.89)	(2,304.14)	(1,271.21)
Income Tax Refund	0.00	634.72	466.43	576.74	0.00	143.36
Cash Inflow/Outflow from Operating Activities - (A)	**(23,928.74)**	**(30,278.74)**	**(28,161.04)**	**(35,044.62)**	**(49,635.42)**	**(21,983.64)**

(Rs. in million)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended September 30, 2006
Cash Flow from Investing Activities:						
Sale of Fixed Assets	0.04	0.20	0.46	0.48	0.19	0.01
Purchase of Fixed Assets	(53.77)	(14.16)	(35.62)	(82.60)	(177.33)	(93.22)
Plant & Machinery (Lease Equalization)	9.17	85.81	167.99	107.51	128.88	71.05
Investment in units of Small is Beautiful Fund	0.00	0.00	0.00	(24.24)	(25.97)	8.57
Equity Investment in Power Trading Corporation Ltd.	(45.00)	(20.00)	(40.00)	0.00	0.00	0.00
Equity Investment in Subsidiaries	0.00	0.00	0.00	0.00	0.00	(3.00)
Cash Inflow/Outflow from Investing Activities - (B)	**(89.56)**	**51.85**	**92.83**	**1.15**	**(74.23)**	**(16.59)**
Cash Flow from Financial Activities :						
Issue of Bonds	13,900.50	15,718.98	7,250.00	16,449.07	56,714.00	11,500.00
Short Term Loans from Banks	12,350.00	6,955.60	219.19	440.68	1,734.40	7,545.09
Inter corporate deposits	0.00	0.00	400.00	(400.00)	0.00	2,305.10
Raising of Term Loans from Banks & FI's	12,250.00	15,850.00	36,050.00	42,812.40	28,245.00	7,600.00
Repayment of Term Loans	(5,650.00)	(5,000.00)	(1,000.00)	(19,225.35)	(13,400.00)	(1,000.00)
Redemption of Bonds	(10.70)	(3,208.02)	(5,191.78)	(5,326.00)	(19,455.50)	(2,175.80)
Repayment of GOI Loans	(15,135.96)	0.00	0.00	0.00	0.00	0.00
Increase in Foreign Currency Loans	(1,067.72)	3,474.20	(4,018.73)	4,110.18	(1,224.67)	(3,644.79)
Interest Subsidy received from GOI	1,972.16	351.03	(257.41)	530.97	444.35	(1,606.61)
Unclaimed PDS	(0.07)	(0.10)	0.00	(0.01)	0.00	0.00
Unclaimed Bonds	0.00	18.96	(13.26)	(4.32)	(1.83)	0.00
Bonds bought back	(0.20)	0.00	0.00	0.00	0.00	0.00
Final Dividend & Dividend Tax Paid	(1,653.00)	(2,000.00)	(259.47)	(1,974.22)	(848.02)	(1,896.12)
Interim Dividend & Dividend Tax Paid	0.00	(2,120.00)	(1,658.34)	(3,509.62)	(2,233.40)	0.00
Cash Inflow/Outflow from Financing Activities - (C)	**16,955.01**	**30,040.65**	**31,520.20**	**33,903.78**	**49,974.33**	**18,626.87**
Net Increase/Decrease in Cash & Cash Equivalents - (A)+(B)+(C)	**(7,063.29)**	**(186.24)**	**3,451.99**	**(1,139.69)**	**264.68**	**(3,373.36)**
Opening Cash & Cash Equivalents	8,320.93	1,257.64	1,071.40	4,523.39	3,383.70	3,648.38
Closing Cash & Cash Equivalents	1,257.64	1,071.40	4,523.39	3,383.70	3,648.38	275.02
Net Increase/Decrease in Cash & Cash Equivalents	**(7,063.29)**	**(186.24)**	**3,451.99**	**(1,139.69)**	**264.68**	**(3,373.36)**

SIGNIFICANT NOTES ON ACCOUNTS ATTACHED TO RESTATED FINANCIAL STATEMENTS

1. Contingent Liabilities:

(Rs. in million)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended 30.09.2006
On account of guarantees issued	4,112.22	3,316.50	1,950.27	1,826.56	1,552.33	1,503.85
Letter of Comfort issued	0.00	0.00	0.00	0.00	23,657.00	19,908.61
Contracts remaining to be executed on capital accounts and not provided for	0.00	0.00	117.78	95.95	72.39	14.78
Appeal filed by DDA before Ministry of Urban Development	0.00	0.00	0.00	0.00	99.94	99.94
Appeal filed by Income Tax Dept. pending before ITAT	0.00	80.08	80.08	80.08	80.08	166.93
Total	**4,112.22**	**3,396.58**	**2,148.13**	**2,002.59**	**25,461.74**	**21,694.11**

2. Notes on adjustments for Restated Summary Statements

The summary of adjustments on account of changes in accounting policies and its impact on Profits and Losses of the Company is as under:

	Fiscal 2001-02	Fiscal 2002-03	Fiscal 2003-04	Fiscal 2004-05	Fiscal 2005-06	Half year ended September 30, 2006
Net profit after tax as per audited Profit and Loss Account	7,783.32	11,718.88	16,069.95	9,841.20	9,709.50	3,822.55
Adjustment on account of:						
Difference in Accrued income due to change in accounting policy	103.35	870.82	(6,408.06)	0.00	0.00	0.00
Prior period expenses and income adjusted in respective years	(6.42)	71.948	(75.36)	102.68	(98.86)	0.25
Provision for Contingencies (NPAs)	(351.82)	223.00	53.55	(38.06)	113.33	0.00
Deferred Tax Liability now adjusted	(1,114.30)	(1,779.53)	(1,514.53)	(100.13)	(7.18)	(0.61)
Change in provision for taxation	215.971	(772.43)	2,059.12	(100.38)	37.35	190.82
Net Profit as per restated Profit & Loss Account	**6,630.10**	**10,332.69**	**10,184.67**	**9,705.31**	**9,754.14**	**4,013.01**

The explanatory notes for these adjustments are discussed below:

i) Basis of Accounting

There had been a change in the accounting policy of the Company in the year 2003-04, whereby Interest including service charges and commitment charges etc. on loans for a period of five years or more had been changed from Cash basis to accrual basis. Accordingly, the policy for Provision for Income Tax had also been changed from cash to Accrual basis. The impact of these adjustments have been carried out in the Restated Financial Statements for the years prior to 2003-04 on actual basis and the adjustments upto 31st March 2001 have been carried out in the Opening Assets and Liabilities.

ii) Prior Period Items

Certain items of income/expenses have been identified as Prior Period items, which have been shown as adjustments in respective years to which these pertain. In the Restated Summary Statements, such Prior period items have been adjusted in respective years.

iii) Provision on Non Performing Assets

The Company started making provisions for Non Performing Assets with effect from the year 2003-04 as per the Prudential Norms approved by its Board of Directors. The Policy also prescribed the basis to be followed for provisioning in subsequent years. In the Restated Summary Statements, provisions for earlier years have been made on the assumption of the policy for the year 2005-06 being applicable in earlier years as well. Accordingly, adjustments for Provision for Contingencies have been made in the Restated Summary Statements.

iv) Deferred Tax Liability

The Company started making provision for Deferred Tax Liability for Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act from the year 2004-05 on the basis of opinion received from the Expert Advisory Committee of the Institute of Chartered Accountants of India. The Restated Summary Statements have been drawn after making similar liability for earlier years also by applying the income tax rates of respective years. Deferred Tax Liability on other items has been computed by applying the revised average rate of income tax for respective years.

v) Provision for Income Tax

The Corporation has changed the method of computation of income tax liability from cash basis to accrual basis with effect from the financial year 2003-04. The income tax liability of earlier years have been recomputed on the basis of restated profits applying the revised average rate of income tax for respective years and the adjustments upto 31st March, 2001 have been carried out in the Opening balance of Provision for Taxation and Reserves and Surplus.

vi) Material regroupings

a) PFC introduced interest-restructuring policy in the financial year 2002-03 wherein, high interest bearing loans of borrowers were restructured with the new rates of interest, on payment of certain restructuring premium. The Company has withdrawn this policy with effect from December 2005. Therefore, no interest restructuring premium will accrue on this account in future, hence, this is treated as non-recurring item in terms of the Guidance Note issued by the Institute of Chartered Accountants of India in this regard.

b) Foreign Exchange gains / losses were treated as extra ordinary items and is shown as such while preparing the restated financials of the Corporation in terms of the Guidance Note issued by the Institute of Chartered Accountants of India in this regard.

3. Qualifications in Auditors report

The Audit report for the half year ended September 30, 2006 include a qualification which is reproduced below:

"As regards the liability of Rs.10,396.69 million shown as Interest Subsidy Fund in the Balance Sheet, received under Accelerated Generation and Supply Program (AG&SP) Scheme from Ministry of Power, Government of India, the excess/shortage, if any, could not be ascertained as such not commented upon."

Since the effect of the qualification has not been quantified, it is not possible to adjust the difference in the Restated Summary Statements.

"Note No. 6 regarding revision of interest rates due to withdrawal of exemption under section 10(23G) of the Income Tax Act, 1961 with effect from 1st April, 2006. Pending identification of the affected parties/loans and raising demands thereon, the impact on the Profits of the period under audit could not be ascertained.

Since the effect of the qualification has not been quantified, it is not possible to adjust the difference in the Restated Summary Statements.

Other Notes on Accounts

a. In accordance with the agreement, the lease deed for the land amounting to Rs.343.02 Million would be executed after the completion of the Office building. Accordingly, the value of the leasehold land would be amortized after the execution of the lease.

b. A Project under implementation having an outstanding balance of Rs.1705.73 million, has not paid interest/ instalments of the loan since September 2000, but still has been considered as a Standard Asset in terms of the Accounting Policy No. 2.6.

c. The company has not accounted for the demand of Interest Recoverable amounting to Rs.428.63 million as the same is disputed by the borrower. The account has been considered as Standard Asset as the borrower has been paying the remaining demands regularly.

d. In the case of one of the borrower , the In Principle approval of Interest rate restructuring was given with effect from 15th July 2004 but the same could not be implemented for want of certain information from the borrower. Income in respect of the loan from said borrower has been recognised in the books of accounts assuming the restructuring has been approved with effect from the above mentioned date. As the demand is being made to the borrower as per the Old practice, the excess amount received from the borrower amounting to Rs. 191.95 Millions is kept as Current Liabilities.

e. Some of the State Electricity Boards have been unbundled by virtue of Govt. Notifications due to Structural Reform Process but legal formalities for transfer of loans are yet to be completed.

f. In terms of Accounting Policy Nos. 4.5 and 4.6, the foreign exchange losses are adjusted out of Exchange Risk Management Account (ERMA) created out of contribution of the Company, KEB-PRPF, APSEB and Interest Differential of Kfw Loans. The outstanding balance of Rs.2046.36 million in ERMA is held in Current liabilities to cover the risk arising out of exchange rate fluctuations on repayment of foreign currency loans in future.

g. Being the Nodal Agency appointed by the Govt. of India to facilitate the development and construction of potential Ultra Mega Power Projects (UMPPs) in India, the Company has floated seven subsidiary companies for the purpose. As no accounts relating to these companies have been prepared, the total amount spent on these projects amounting to Rs.48.15 million have been shown as Amount Recoverable from these subsidiaries. The company has received Rs. 1,050 millions from these subsidiaries and the same has been shown as Current Liabilities after providing for the interest payable on the same. The amounts have been paid by these subsidiaries out of the Commitment Advance of Rs. 1,050 millions received from Power Procurers which is refundable on receipt of funds from the successful bidders.

h. The company has not created Bonds Redemption Reserve in respect of Bonds by virtue of Department of Company Affairs' circular of 18th April, 2002 according to which the financial institution within the meaning of section 4A of the Companies Act, 1956 were not required to create Bond Redemption Reserve in case of Privately placed Debentures.

i. The company has also not maintained Reserve Fund under section 45-IC of the Reserve Bank Act, 1934 by transferring 20% of its net profits; as it is exempted by the Reserve Bank of India vide their letter dated January 24, 2000.

j. The company is not having outstanding dues to any Small Scale Industries exceeding Rs.1 lakh which is outstanding more than 30 days.

k. Some of the balances shown under Loans are subject to confirmations, reconciliation and consequent adjustments, if any.

ANNEXURE - V

SIGNIFICANT ACCOUNTING POLICIES AS AT SEPTEMBER 30, 2006

1.0 Revenue Recognition:

1.1 Income and expenses (except as stated hereinbelow) are accounted for on accrual basis.

1.2 Income on NPAs and Deemed Standard Assets as per prudential norms of the Corporation is recognized in the year of its receipt.

1.3 Recoveries in NPA/Deemed Standard Assets are first appropriated as per the loan agreement.

1.4 The Corporation is raising demand of instalments as per loan agreements worked out on total disbursements. The repayment is adjusted against earliest disbursement irrespective of the rate of interest being charged on various disbursements.

1.5 Lease rental is accounted for on accrual basis. Income from Lease Rentals in respect of leases prior to 1.4.2001 is recognised on the basis of implicit interest rate, in the lease, in accordance with 'Guidance Note on Accounting for Leases' issued by the Institute of Chartered Accountants of India. Leases effected from 01.04.2001 are accounted for in accordance with AS-19 on "Accounting for leases".

1.6 Premium on interest restructuring is accounted for as the income for the year in which the restructuring is approved.

1.7 Premium on premature repayment of loan is accounted for as the income for the year in which it is received by the corporation.

1.8 Rebate on account of timely payments by borrowers is accounted for, on receipt of amount due in time.

1.9 Income under the head upfront fees, lead manager fees, facility agent fees and service charges on loans is accounted for as the income for the year in which it is received by the corporation.

1.10 Expenditure incurred on raising of funds including discount on bonds is charged to the Profit and Loss Account in the year in which it is incurred except the discount/financial charges/interest on the Commercial Papers and Zero Coupon Bonds (Deep Discount Bonds), which are amortized proportionately over the period of its tenure.

1.11 Income from Dividend is accounted for in the year of declaration of dividend.

2.0 Prudential Norms

2.1 In terms of Reserve Bank of India's Notification No. DNBS.135/CGM (VSNM) – 2000 dated 13th January 2000, the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 are not applicable to the Corporation, being a Govt. Company registered with RBI as NBFC. The Corporation has however, formulated its own set of Prudential Norms applicable for the financial years 2003-04 onwards, which were approved by Board of Directors & are applicable w.e.f. 01.04.2003.

2.2 As per applicable prudential norms, an asset other than a lease asset, in respect of which installments of loan, interest and/or other charges remain due and unpaid for a period of 6 months or more is classified as Non-Performing Asset (NPA). Any lease rental, which remains due but unpaid for a period of twelve months or more, is considered NPA. A facility made to a State Utility against State Government Undertaking for deduction from Central Plan allocation for making payment to PFC against its unpaid dues is treated as Deemed Standard Asset. Income accrued on NPAs and Deemed Standard Assets in respect of which installments of loan, interest and/or other charges remain due and unpaid for a period of 6 months or more is not recognized in financial statements till its realization. No provision is made against the Deemed Standard Assets.

2.3 NPA classification and provisioning norms for assets other than lease:

2.3.1 The NPAs are further classified into various categories as follows: -

i)	NPA for a period not exceeding 2 years	:	Sub-standard asset
ii)	NPA exceeding 2 years	:	Doubtful asset
iii)	When an asset is identified by PFC as loss asset	:	Loss asset

2.3.2 The provision against NPAs is made at the rates given hereunder: -

(i)	Sub-Standard Assets :			10%
(ii)	Doubtful assets :			
	(a)	Facilities guaranteed by state / central government		
		Upto 1 year		15%
		1 – 3 years		25%
		More than 3 years		50%
	(b)	Others		
		(i)	Unsecured	100%
		(i)	Secured upto 1 year	20%
			1 – 3 years	30%
			More than 3 years	50%
(iii)	Loss assets			100%

2.4 NPA classification and provisioning norms for lease assets

2.4.1 The NPAs are further classified into various categories as follows: -

(i)	NPA for a period not exceeding 1 year	:	Sub-standard asset
(ii)	NPA exceeding 1 -3 years	:	Doubtful asset
(iii)	NPA exceeding 3 years	:	Loss asset

2.4.2 The provision against NPAs is made at the rates given hereunder: -

(i)	Sub-Standard Assets	:	10%
(ii)	Doubtful assets	:	
	NPA for 1-2 years		40%
	NPA for 2 – 3 years		70%
(iii)	Loss assets		100%

2.5 For the purpose of application of Prudential Norms and Provisioning Norms:

(i) Facilities granted to State / Central Sector entities are considered loan wise.

(ii) Facilities granted to other entities are considered borrower wise.

2.6 In cases where PFC has lent in consortium with Banks and FIs and the projects are under implementation, and defaults have occurred, such assets are considered as Standard Assets until the period, not exceeding two years from the deemed date of completion notified by RBI group. The income on these loans is recognised at the time of its receipt.

3.0 Investments:

3.1 In case of quoted investments – valued at lower of cost or market price at the year end.

3.2 In case of investment in Mutual Fund / Venture Capital Fund – valued at lower of cost or Net Asset Value at the year-end.

3.3 Unquoted long-term investments are carried at cost less provision for diminution, other than temporary.

4.0 Foreign Exchange Transactions:

4.1 The following transactions are accounted for at the exchange rates prevailing on the date of the transaction:

(i) Expenses and income in foreign currency; and

(ii) The amounts borrowed and lent in foreign currency.

4.2 The following balances are translated in Indian Currency at the exchange rates prevailing on the date of closing of accounts:

(i) Foreign Currency Loan liabilities to the extent not hedged;

(ii) Funds kept in foreign currency account with Banks abroad;

(iii) Contingent liabilities in respect of guarantees given in foreign currency;

(iv) Income earned abroad but not remitted / received to India;

(v) Loans granted in foreign currency except as stated in para no. 4.3

(vi) Expenses and income accrued but not due on foreign currency loans/borrowings.

4.3 The exchange loss, if any, arising on translation of loans granted on back-to-back basis in foreign currency is shown as amount recoverable from borrowers/Exchange Risk Management Account (ERMA) and concerned assets are shown at book value.

4.4 The actual / translation gain/loss (net) on other foreign currency loan Assets & Liabilities are charged/credited to Profit and Loss Account. The portion of Foreign Currency Loans swapped into Indian Rupee are stated at the reference rate fixed in the swap transaction. In case of forward exchange contracts, the difference between the exchange rate prevailing on the date of forward contract and the forward rate is recognized as income or expense over the life of the contract and adjusted to loan amount.

4.5 In case of loan from KFW, Germany, actual as well as exchange loss if any arising on translation of KFW loan at the year-end is debited to Exchange Risk Management Account-IDF Account.

4.6 In cases where foreign currency loan repayments have been received from borrowers but not fully repaid to the lenders, exchange/translation loss/gain on the amount not repaid is shown as recoverable from / credited to the Exchange Risk Administration Fund/ERMA. If actual exchange loss exceeds the accumulated Exchange Risk Fund, such difference is charged to the profit and loss account of the year. In the event of any surplus remaining in the Exchange Risk Fund after the underlying loan liability is fully repaid, the same shall be transferred to the Profit & Loss Account in the year of last repayment.

5.0 Fixed Assets/Depreciation:

5.1 Fixed assets are shown at historical cost less accumulated depreciation, except the assets retired from active use and held for disposal, which are stated at lower of the book value or net realizable value.

5.2 Depreciation on assets other than leased assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

5.3 Depreciation on assets leased prior to 01.04.2001 is provided on Straight Line Method at the rates prescribed under Schedule XIV to the Companies Act, 1956 or over the primary balance period of lease of assets, whichever is higher. The value of the net block so arrived at is further adjusted by balance in the lease equalization account. The assets leased after 01.04.2001 are not required to be depreciated as per AS-19.

5.4 Items of fixed assets acquired during the year costing upto Rs. 5000/- are fully depreciated.

5.5.1 Intangible Assets such as software are amortized by straight-line method over the life of the assets estimated by the corporation.

5.5.2 All expenditure relating to construction of new building are debited to capital work in progress till the building is completed.

6.0 Grants from Govt. of India:

6.1 Grants reimbursed to the grantee for studies etc. are accounted as amount recoverable from the Govt. of India and squared up on receipt of amount.

7.0 Interest Subsidy Funds

7.1 Interest Subsidy for eligible borrowers received from Ministry of Power, Govt. of India under Accelerated Generation & Supply Programme (AG&SP) on Net Present Value (NPV) basis is credited to Interest Subsidy Fund and is passed on to the borrowers over the eligible period of loan. Any excess/shortfall in the Interest Subsidy Fund is charged off/adjusted at the completion of respective scheme.

7.2 The Interest Subsidy Fund is credited at the year-end with interest on the outstanding balance in the subsidy fund by debit to P&L account, at rates specified in the Scheme.

8.0 Ultra Mega Power Projects

8.1 Expenditure on the particular Ultra Mega Power Project is debited to the account "Amount recoverable from their concerned Special Purpose Vehicle".

9.0 Others

9.1 Prepaid expenses, prior period expenses / income of Rs. 5000/- and below are charged to natural heads of account.

9.2 Provision for gratuity, leave encashment, post retirement medical facilities and economic rehabilitation benefit is accounted for on the basis of actuarial valuation carried out at the end of the financial year.

ANNEXURE - VI

CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED MARCH 31, 2002 TO HALF YEAR ENDED SEPTEMBER 30, 2006

i) From the year ended 31st March 2002, the provision for leave encashment has been computed on actuarial basis. Earlier the same was computed on the basis of salary drawn by each employee at the year-end.

ii) From the year ended 31st March 2003, the provision for post retirement benefits has been provided on actuarial valuation basis, which was earlier provided on the basis of claims received.

iii) From the year ended 31st March 2004, the Corporation changed the method of accounting of income in respect of interest including service charges and commitment charges, etc. on loans for a period of 5 years or more, from cash basis to accrual basis w.e.f. 01.04.2003.

iv) From the year ended 31st March 2004, the Corporation changed the method of computation of income tax liability from cash to accrual basis, w.e.f. 01.04.2003.

ANNEXURE - VII

SUMMARY OF ACCOUNTING RATIOS

Summary of Accounting Ratios of the company for the financial years ended March 31, 2002, 2003, 2004, 2005, 2006 and half year ended September 30, 2006 are set out below:

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended 30.09.2006
Profit after adjustments (before Extra ordinary items) (Rs. In Million)	7,000.59	9,241.00	9,000.71	7,760.76	8,496.02	4,121.76
Profit after adjustments (after Extra ordinary items) (Rs. In Million)	6,630.10	10,332.69	10,184.66	9,705.31	9,754.14	4,013.01
Weighted average number of shares outstanding during the year (in million)	1,030.45	1,030.45	1,030.45	1,030.45	1,030.45	1,030.45
Adjusted Net Worth (Rs. In Million)	42,273.56	49,582.23	55,197.95	59,974.96	65,055.27	68,710.44
Earning Per Share (before Extra ordinary items) (Rs.)	6.79	8.97	8.73	7.53	8.24	4.00
Earning Per Share (after Extra ordinary items) (Rs.)	6.43	10.03	9.88	9.42	9.47	3.89
Net Assets Value Per Share (Rs.)	41.02	48.12	53.57	58.20	63.13	66.68
Return on Adjusted Networth (before Extra ordinary items) (%)	16.56%	18.64%	16.31%	12.94%	13.06%	6.00%
Return on Adjusted Networth (after Extra ordinary items) (%)	15.68%	20.84%	18.45%	16.18%	14.99%	5.84%

ANNEXURE – VIII

CAPITALISATION STATEMENT

(Rs. in million)

Particulars	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended September 30, 2006	As adjusted for Issue Price*
Total Debt							
Short term debt	12,350.00	19,305.60	19,924.79	19,982.20	21,716.60	31,566.80	31,566.80*
Long term debt	97,468.01	124,335.43	157,555.48	196,500.20	247,531.59	259,878.32	259,878.32*
Total Debt	**109,818.01**	**143,641.03**	**177,480.27**	**216,482.40**	**269,248.19**	**291,445.12**	**291,445.12***
Shareholders Funds							
Share Capital	10,304.50	10,304.50	10,304.50	10,304.50	10,304.50	10,304.50	11,477.67
Reserves & Surplus	33,676.25	43,015.66	55,453.05	60,948.48	66,528.46	70,351.02	79,149.77
(-) Revaluation Reserve	-	-	-	-	-	-	-
Net Reserves (Net of Revaluation)	33,676.25	43,015.66	55,453.05	60,948.48	66,528.46	70,351.02	79,149.77
(-) Reserve for bad and doubtful debts u/s 36(1)(vii a)(c) of IT Act,1961	2,026.01	2,670.56	3,606.94	4,177.61	4,721.92	5,027.34	5,027.34*
(-) Miscellaneous Expenditure	0.00	0.00	0.00	0.00	0.00	52.42	52.42*
Adjustments made as per SEBI Guidelines	318.82	(1,067.37)	(6,952.66)	(7,100.41)	(7,055.77)	(6,865.32)	(6865.32)*
Net Worth	**42,273.56**	**49,582.23**	**55,197.95**	**59,974.96**	**65,055.27**	**68,710.44**	**78,682.36**
Long Term Debt / Net Worth	**2.31**	**2.51**	**2.85**	**3.28**	**3.80**	**3.78**	**3.30**

* This is not a part of Auditor's report but has been separately certified by the Auditors. The figures disclosed above are based on the restated financial statements of the Company.

ANNEXURE - IX

TAX SHELTERS

The Statement of Tax Shelter, as restated of the Company for the financial years ended March 31, 2002, 2003, 2004, 2005, 2006 and half year ended on September 30, 2006 are set out below:

(Rs. in millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year Ended on September 30, 2006
Profit before Tax as per books of accounts (A)	9,376.59	14,845.28	14,719.46	14,021.50	12,662.80	5,943.49
Tax Rate	35.70%	36.75%	35.875%	36.5925%	33.66%	33.66%
Tax at notional rate	3,347.44	5,455.64	5,280.61	5,130.82	4,262.30	2,000.65
Permanent Differences :						
Profit / Loss on sale of Assets	0.04	(0.01)	0.23	0.53	0.53	(2.46)
Donations			0.30	0.55	0.10	0
Wealth Tax	3.52	3.51	0.76	0.20	0.07	0.02
Contribution to Restoration works in Gujarat			0	12.41	0	0
Exempted Income u/s 10(23G) of the I.T. Act, 1961	(1,634.02)	(2,313.35)	(2,158.73)	(1,492.16)	(1,083.42)	0
Reserve for bad & doubtful debts u/s 36(1)(viia)(c) of the I.T. Act, 1961	(424.15)	(635.58)	(678.61)	(565.01)	(535.01)	(305.43)
Miscellaneous Income		0.1				
Refund of interest u/s 244A of the I.T. Act, 1961			(46.15)			0
Dividend Income		(7.93)	0	(9.60)	(9.60)	(12)
Contribution to Exchange Risk Management Account in respect of KFW - IDF Fund			46.74	54.00	56.31	28.68
Rental Income	(0.02)	(0.26)	(0.16)	(0.29)	(0.29)	(0.12)
Contribution to Project monitoring			0	0	10.00	0
Deductions u/s 36(1)(iii)		0	0	(0.25)	0.00	0
Total Permanent Difference (B)	(2,054.63)	(2,953.52)	(2,835.62)	(1,999.62)	(1,561.30)	(291.31)
Timing Differences:						
Difference between depreciation as per Cos. Act & depreciation as per I.T. Act 1961	355.98	369.08	372.46	(1,512.87)	(1,063.03)	(258.06)

(Rs. in millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year Ended on September 30, 2006
Lease Income (new leases)				97.78	177.95	100.09
Lease Equalisation	9.17	85.81	167.99	107.51	128.88	71.04
Provision for Contingencies	351.82	(223.00)	5.65	228.20	(144.02)	63.88
Decline in value of investments				3.30	1.80	(0.78)
Special Reserves u/s 36(1)(viii) of the I.T. Act,1961	(3,040.14)	(4,382.32)	(4,645.56)	(3,832.52)	(3,671.39)	(2,159.34)
Provision for Retirement Benefits			58.33	15.96	13.99	8.98
Exchange Variation / Actual Exchange Loss	19.90	(47.59)	405.02	(251.87)	(52.20)	164.93
Total Timing Differences (C)	(2,303.27)	(4,198.02)	(3,636.11)	(5,144.51)	(4,608.03)	(2,009.26)
Taxable Rental Income (D)	-0.04	0.12	0.06	0.20	0.20	0.08
Profit as per Income Tax Returns (A)+(B)+(C) + (D)	5,018.65	7,693.86	8,247.79	6,877.55	6,493.67	3,643.00
Total Tax Liability	1,791.65	2,827.49	2,958.89	2,516.67	2,185.77	1,226.23
Capital Gain Tax on sale of Investment			0.00	0.00	0.00	0.28
Interest u/s 234 A/B/C			0	0	0	0
Total Tax Liability as per Return	1,791.65	2,827.49	2,958.89	2,516.67	2,185.77	1,226.51

ANNEXURE - X

STATEMENT OF LOANS (SECURED AND UNSECURED)

(Rs. in million)

	As at 31st March,					As on September 30, 2006
	2002	2003	2004	2005	2006	
SECURED LOANS - Bonds - (A)	**7,299.80**	**4,091.78**	**0.00**	**0.00**	**0.00**	**0.00**
UNSECURED LOANS						
Bonds						
- Guaranteed by Govt. of India	1,065.07	1,065.07	965.08	965.08	965.08	965.08
- Other Bonds	41,906.00	57,657.23	64,037.78	75,301.99	112,713.06	122,104.56
Long Term Loans						
- Foreign Currency Loans (Guaranteed by Govt. of India)	5,483.77	5,683.88	5,841.07	5,654.22	4,992.20	5,148.82
- Foreign Currency Loans (Others)	15,863.37	19,137.47	14,961.55	19,241.86	18,679.20	14,877.80
- Rupee Term Loans (From Banks)	15,350.00	26,700.00	56,750.00	82,837.06	97,682.05	103,532.06
- Rupee Term Loans (From Financial Institutions)	10,500.00	10,000.00	15,000.00	12,500.00	12,500.00	13,250.00
Short Term Loans						
- Rupee Term Loans (From Banks)	9,300.00	16,940.00	13,340.00	10,775.00	21,268.00	20,800.00
- Commercial Papers	1,350.00	1,000.00	3,000.00	7,700.00	0.00	8,000.00
- Overdraft/Cash Credit	1,700.00	1,365.60	0.00	0.00	0.00	2,305.10
- FCNR(B) Loans	0.00	0.00	3,184.79	1,507.19	448.60	461.70
Inter-Corporate Deposit - BHEL	0.00	0.00	400.00	0.00	0.00	0.00
Total - (B)	**102,518.21**	**139,549.25**	**177,480.27**	**216,482.40**	**269,248.19**	**291,445.12**
Total Loans (A) + (B)	**109,818.01**	**143,641.03**	**177,480.27**	**216,482.40**	**269,248.19**	**291,445.12**

ANNEXURE - XI

STATEMENT OF LOAN ASSETS

(Rs. in million)

	Year ended March 31					As on September 30, 2006
	2002	2003	2004	2005	2006	
Secured - (Considered Good)						
Rupee Term Loans to Independent Power Producers	3,368.00	4,875.41	6,838.13	15,474.72	16,502.08	17,533.90
Rupee Term Loans to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	3,136.88	11,257.33	10,045.82	61,756.85	111,130.36	146,572.01
Foreign Currency Loans to Independent Power Producers & State Electricity Boards	2,184.09	5,241.82	5,351.63	5,481.16	6,148.59	6,792.51
Working Capital Loans to State Electricity Boards and State Power Corporations	-	-	-	1,567.12	1,774.35	-
Buyer's Line of Credit	-	-	-	1,095.64	1,304.42	1,180.56
Medium Term Loans	-	2,130.00	2,130.00	2,900.00	2,900.00	2,900.00
Lease Financing to Borrowers	-	-	-	1,775.62	2,532.79	2,431.61
Loan to Equipment Manufacturers	-	-	-	6.09	-	-
Un Secured - (Considered Good)						
Rupee Term Loans to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	137,270.51	158,200.31	204,008.77	185,314.04	190,942.01	183,774.42
Working Capital Loans to State Electricity Boards and State Power Corporations	10,298.00	21,297.17	15,414.50	17,861.91	16,460.75	17,040.63
Rupee Term Loans to Independent Power Producers	796.29	546.29	-	-	4,378.68	5,704.03
Foreign Currency Loans to Independent Power Producers and State Electricity Boards	3,887.02	1,713.84	900.86	553.45	725.72	573.33
Loan to Equipment manufacturers	-	147.11	92.20	87.66	87.66	81.92
Buyer's Line of Credit	-	877.10	1,835.70	459.54	375.99	334.21
Bills Discounted	369.37	285.71	355.49	255.62	155.75	105.81
Translation Loss on Foreign Currency Loans on back to back basis Recoverable from Sub-borrowers/ERMA (Refer Note No.14(i) of Schedule-18)	2,310.55	1,443.45	1,347.47	958.22	818.13	880.27
Translation Loss on Foreign Currency Loans Recoverable from ERAF	1,315.29	166.89	81.52	-	-	-
Less : Provision for Contingencies	(351.82)	(128.81)	(128.68)	(346.87)	(211.97)	(275.79)
TOTAL	**164,584.18**	**208,053.62**	**248,273.41**	**295,200.77**	**356,025.32**	**385,629.42**

ANNEXURE - XII

STATEMENT OF LOANS & ADVANCES

(Rs. in million)

	As at 31st March,					As on September 30, 2006
	2002	2003	2004	2005	2006	
To Employees (Secured)	36.38	50.73	58.72	60.58	82.09	78.33
To Employees (Unsecured)	67.66	57.40	53.59	40.89	11.73	11.12
Advances to Subsidiaries	0.00	0.00	0.00	0.00	19.29	48.15
Advances to Employees	1.75	1.44	1.53	1.15	1.49	1.86
Prepaid Expenses	2.61	5.88	5.66	9.06	124.33	113.96
Prepaid financial charges on Commercial Paper	12.77	1.38	31.05	117.65	0.00	88.37
Other Advances	355.47	526.68	238.87	845.74	114.76	142.03
Advances - Capital works	0.00	0.00	0.00	15.09	19.85	
Others – NPAs	0.00	0.00	6.71	6.91	7.07	10.60
Less : Provision for Contingencies	0.00	0.00	(5.80)	(6.18)	(6.70)	(6.74)
Exchange Risk Administration Fund	0.00	0.00	0.00	0.00	0.00	0.00
Interest tax recoverable	4.08	4.08	3.21	0.00	0.00	0.00
Advance Income Tax and Tax Deducted at Source	5,575.41	6,503.07	5,637.49	4,592.79	6,889.01	5,525.86
Advance Fringe Benefit Tax	0.00	0.00	0.00	0.00	7.91	10.17
Less : Provision for Fringe Benefit Tax	0.00	0.00	0.00	0.00	0.00	0.00
Security Deposits	11.54	11.86	13.20	12.81	11.39	10.70
TOTAL	**6,067.67**	**7,162.52**	**6,044.23**	**5,696.49**	**7,282.22**	**6,034.41**

ANNEXURE - XIII

STATEMENT OF INVESTMENTS

(Rs. in million)

	As at 31st March,					As on September 30, 2006
	2002	2003	2004	2005	2006	
Equity Investment in Power Trading Corporation - At Cost	60.00	80.00	120.00	120.00	120.00	120.00
Investment in Units of Small is Beautiful Fund - At Net Asset Value	0.00	0.00	0.00	20.94	45.11	37.32
Equity Investment in Subsidiaries - At Cost	0.00	0.00	0.00	0.00	0.00	3.00
TOTAL	**60.00**	**80.00**	**120.00**	**140.94**	**165.11**	**160.32**

ANNEXURE - XIV

STATEMENT OF CURRENT LIABILITIES & PROVISIONS

(Rs. in million)

	As at 31st March,					As on September 30, 2006
	2002	2003	2004	2005	2006	
Creditors for leased assets	5.48	4.54	4.54	85.84	85.84	5.05
Creditors for Expenses	140.35	137.18	79.23	158.67	327.06	121.80
Unclaimed 9% (Tax Free) Secured Redeemable Bonds (NC) 1997, Ist series (Redeemed at par on Dec 17,1997)	0.35	0.35	0.35	0.03	0.00	0.00
Unclaimed 9% (Tax Free) Secured Redeemable Bonds (NC) 1998, 2nd series (Redeemed at par on July 30,1998)	1.00	1.00	1.00	0.00	0.00	0.00
Unclaimed 9% (Tax Free) Secured Redeemable Bonds (NC) 1999, 3rd series (Redeemed at par on Jan 14,1999)	0.10	0.10	0.00	0.00	0.00	0.00
Unclaimed 17% Secured Redeemable Bonds (NC) 1999, 1st series (Redeemed at par on Feb. 10,1999)	1.60	1.50	1.50	1.50	0.60	0.60
Unclaimed 10.50% Secured Redeemable Bonds (NC) 2004, 7th series (On exercise of call option on April 10, 2002)	0.00	0.76	0.76	0.77	0.73	0.73
Unclaimed 9% Secured Redeemable Bonds (NC) 2000, 5th series (Redeemed at par on June 27, 2000)	6.20	5.80	5.70	5.70	5.20	5.20
Unclaimed 10.50% Secured Redeemable Bonds (NC)2003, 6th series (On exercise of call option on March 29,2003)	0.00	18.70	1.20	1.10	1.10	1.10
Unclaimed 10.50% Secured Redeemable Bonds (NC) 2004, 7th series (Redeemed at par on Feb 10, 2004 and March 10, 2004)	0.00	0.00	4.44	1.54	1.18	1.18
Unclaimed Public Deposits	0.11	0.01	0.01	0.00	0.00	0.00
Unclaimed Interest on Bonds	9.08	9.82	2.81	6.81	2.71	3.49
Unclaimed Interest on Public Deposits	0.02	0.01	0.01	0.00	0.00	0.00
Interest Accrued but not due on Bonds	1,392.49	2,054.65	2,247.08	2,488.93	2,412.45	4,899.20

(Rs. in million)

	As at 31st March,					As on September 30, 2006
	2002	2003	2004	2005	2006	
Interest Accrued but not due on Loans	1,104.85	835.52	1,393.47	1,021.83	1,125.45	831.16
Interest Accrued but not due On Int. Subsidy						552.88
Exchange Risk Management Account	0.00	1,694.43	1,798.17	1,731.22	2,071.98	2,046.36
Less : Exchange Risk Adjustment Account	0.00	(919.09)	(968.57)	(749.18)	(749.18)	(440.89)
Other Liabilities	104.25	72.39	330.72	448.74	564.56	1,665.66
Leave Encashment	18.23	23.07	28.95	36.48	40.99	44.81
Economic Rehabilitation of Employees	0.00	12.11	18.00	23.01	28.25	31.24
Medical Expenses - Retired Employees	0.00	8.52	11.39	14.79	19.04	21.20
Gratuity	0.00	1.12	6.75	5.17	3.47	1.92
Interim Dividend	0.00	0.00	0.00	0.00	1,662.90	0.00
Final Dividend	2,000.00	230.00	1,750.00	750.00	0.00	0.00
Corporate Dividend Tax	0.00	29.47	224.22	98.02	233.22	0.00
Taxation	6,069.97	7,883.11	5,289.09	4,130.90	6,332.80	5,077.56
Contingencies	0.00	0.00	0.00	9.60	0.00	0.00
TOTAL	**10,854.08**	**12,105.07**	**12,230.82**	**10,271.47**	**14,170.35**	**14,870.27**

ANNEXURE - XV

STATEMENT OF OTHER INCOME

(Rs. in million)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended September 30, 2006
Interest on Income Tax Refund	0	113.07	29.78	45.23	0	0
Miscellaneous Income	25.61	10.81	8.49	15.04	10.65	3.56
Dividend Income on Investments	0	7.94	0	9.60	9.60	12.69
Profit on sale of Assets	0	0.07	0.12	0.11	0.01	0.00
Profit on sale of Investments	0	0	0	0	0	2.47
TOTAL	**25.61**	**131.89**	**38.39**	**69.98**	**20.26**	**18.72**

ANNEXURE - XVI

STATEMENT OF DIVIDEND PAID

The declaration and payment of dividends on our equity shares will be recommended by our board of directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividend and dividend tax paid by our company during the last five fiscal years is presented below:

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Half year ended 30.09.2006
Equity share capital	10,304.50	10,304.50	10,304.50	10,304.50	10,304.50	10,304.50
No. of Equity Shares of Rs.10 each (In million)	1,030.45	1,030.45	1,030.45	1,030.45	1,030.45	1,030.45
Rate of Dividend (%)	**19.41%**	**22.80%**	**31.25%**	**37.36%**	**35.08%**	**0.00%**
Interim	0.00%	20.57%	14.27%	30.08%	35.08%	0.00%
Final	19.41%	2.23%	16.98%	7.28%	0.00%	0.00%
Amount of Dividend on Equity Shares (Rs. In Million)	**2,000.00**	**2,350.00**	**3,220.00**	**3,850.00**	**3,615.30**	**0.00**
Interim	0.00	2,120.00	1,470.00	3,100.00	3,615.30	0.00
Final	2,000.00	230.00	1,750.00	750.00	0.00	0.00
Total Dividend Tax Paid (Rs. In million)	0.00	29.47	412.56	507.63	514.22	0.00

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

ANNEXURE - XVII

STATEMENT OF RELATED PARTY TRANSACTIONS

As per Accounting Standard (AS-18) effective from 1.4.2001, the Related Party Transactions are as follows:

A) List of joint ventures (Excluding State controlled entities)

1. **2005-06**
   (i) PTC India Limited
2. **2004-05**
   (i) PTC India Limited
3. **2003-04**
   (i) PTC India Limited

B) Key Management Personnel:

1. **As on 30th November, 2006**

(i)	Dr. V. K. Garg	Chairman and Managing Director
(ii)	Shri V. S. Saxena	Director (ID&A)
(iii)	Shri Shyam Wadhera	Director (Projects)
(iv)	Shri Satnam Singh	Director (F&FO)
(v)	Shri Arvind Jadhav	Director (Govt. Nominee)
(vi)	Shri Ajay Shankar	Director (Govt. Nominee)*
(vii)	Mr. G.P. Gupta	Independent Director
(viii)	Prof. P.G. Apte	Independent Director
(ix)	Dr. S.P. Parashar	Independent Director
(x)	Mr. Subodh Bhargava	Independent Director
(xi)	Mr. B.K. Mittal	Independent Director

* Nomination withdrawn on 31st August, 2005

2. **2005-06**

(i)	Dr. V. K. Garg	Chairman and Managing Director
(ii)	Shri V. S. Saxena	Director (ID&A)
(iii)	Shri Shyam Wadhera	Director (Projects)
(iv)	Shri Satnam Singh	Director (F&FO)
(v)	Shri Arvind Jadhav	Director (Govt. Nominee)
(vi)	Shri Ajay Shankar	Director (Govt. Nominee)*

* Nomination withdrawn on 31st August, 2005

3. **2004-05**

(i)	Shri A. A. Khan	Chairman and Managing Director*
(ii)	Shri R. Krishnamoorthy	Director (F&FO)**
(iii)	Shri V. S. Saxena	Director (ID&A)
(iv)	Shri Shyam Wadhera	Director (Projects)
(v)	Shri Satnam Singh	Director (F&FO)
(vi)	Shri Arvind Jadhav	Director (Govt. Nominee)
(vii)	Shri Ajay Shankar	Director (Govt. Nominee)

* Superannuated on August 31, 2004

** Superannuated on January 31, 2005

4. **2003-04**

(i)	Shri A. A. Khan	Chairman and Managing Director
(ii)	Shri R. Krishnamoorthy	Director (F&FO)
(iii)	Shri V. S. Saxena	Director (ID&A)
(iv)	Shri Shyam Wadhera	Director (Projects)
(v)	Shri K. K. Govil	Director (Projects)*
(vi)	Shri Arvind Jadhav	Director (Govt. Nominee)
(vii)	Shri Ajay Shankar	Director (Govt. Nominee)

* Superannuated on July 31, 2003

A) Transactions with the related parties at (A) above

(Rs. in million)

Year	Particulars	Amount
2005-06	12000000 Fully paid up Equity Shares of Rs. 10 each of Power Trading Corporation Limited.	120.00
2004-05	- do -	120.00
2003-04	- do -	120.00

B) Remuneration to key management personnel

(Rs. in million)

Upto 30th Sept. 06	3.33
2005-06	4.97
2004-05	6.25
2003-04	5.40

C) **Amount of dues outstanding**

	(Rs. in million)
Upto 30th Sept. 06	0.19
2005-06	0.27
2004-05	0.27
2003-04	0.04

D) **Amount recoverable from Subsidiaries (SPV's)**

	(Rs. in million)
Upto 30th Sept. 06	48.14
2005-06	19.29
2004-05	—
2003-04	—

E) **Investments in KSK Trust**

Year	Particulars	Amount (Rs. In millions)
Upto 30th Sept. 2006	4645576.90 Units of " Small is Beautiful " Fund at NAV of Rs.8.9630 per unit (Face Value of Rs. 10 each)	41.64
2005-06	5020944.8 Units of " Small is Beautiful " Fund at NAV of Rs.8.9842 per unit (Face Value of Rs. 10 each)	45.10
2004-05	2423708 Units of " Small is Beautiful " Fund at NAV of Rs.8.6403 per unit (Face Value of Rs. 10 each)	20.94
2003-04	—-	—-

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The summarized financial information and financial statements included in this Prospectus have been prepared in accordance with the requirements of the Companies Act and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "U.S. GAAP").

The following table summarizes significant differences between U.S. GAAP and Indian GAAP insofar as they affect financial information reported in this Prospectus.

Various U.S. GAAP and Indian GAAP pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Prospectus. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between U.S. GAAP and Indian GAAP.

Particulars	Indian GAAP	U.S. GAAP
Format and content of financial statements	Entities are required to present balance sheets, profit and loss accounts and, if listed or proposing listing, cash flows for two years together with accounting policies, schedules and notes. Entities seeking a listing are required to present five years of adjusted financial information. Format for presentation of financial statements is as prescribed by the relevant statute.	All entities are required to present balance sheets, income statements, statements of shareholders' equity, cash flows and comprehensive income, together with accounting policies and notes to the financial statements. No specific format is mandated, generally items are presented on the face of the balance sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function.
Changes in accounting policies	Any change in an accounting policy which has a material effect should be disclosed. The impact of, and the adjustments resulting from such change, if material, should be shown in the financial statements of the period in which such change is made, to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted. New standards generally require adjustment to reserves.	U. S. GAAP requires recognition and disclosure of the cumulative amount of the change in the income statement for the period of change. The entity discloses proforma comparatives as if the change had been applied to those periods. However, retrospective adjustments are required in certain cases. Under U.S. GAAP change in depreciation method for previously recorded assets are considered as change in accounting principle Pro forma disclosure for all periods presented.
Prior Period Items	Adjust the error or omission in the period in which it is discovered and corrected with appropriated disclosure.	No concept of prior period items. Financials have to be restated, i.e. errors or omission has to be adjusted to the period to which it relates. Prior period items /adjustments can

Particulars	Indian GAAP	U.S. GAAP
		go directly to retained earnings and do not affect income statement of the current period. Disclosure of nature and effect for all periods presented.
Extraordinary Items	Extraordinary items of such size and nature that requires separate disclosure to explain the performance of the entity, is disclosed separately, net of income taxes, on the face of the income statement or in the notes, provided the total of all such items is shown on the face of the income statement. Exceptional items usually shown on the face of the income statement or in the notes.	Disclosure of individual extraordinary items; including gains or losses from the early extinguishments of debt if material, net of income taxes, is made either on the face of the income statement or in the notes, provided the total of all such items is shown on the face of the income statement. Disclosure of tax impact is either on the face of income statement or in the notes to financial statements.
Allowance for credit losses	Allowance for credit losses are based on defaults expected both on principal and interest. The allowance does not consider present value of future inflows. The allowances are made in accordance with the prudential norms prescribed by the RBI (RBI). As our Company is specifically exempted by the RBI from complying with the prudential norms, the company has formulated self regulated prudential guidelines to provide for such assets. The RBI has recently amended the regulatory framework governing NBFCs and has proposed to bring all deposit taking and systematically important companies, which are defined as NBFCs having an asset size of Rs. 1,000 million or more under the provisions of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Directions"). However, the date from which Govt owned NBFCs are to fully comply with these guidelines will be decided later. Such companies including ourselves are therefore, required to prepare a road map for compliance with various elements of the NBFC regulations, in consultation with the Govt of India and submit the same to the Reserve Bank of India (Department of Non – Banking Supervision) by March 31, 2007.	Loans are identified as non- performing and placed on non-accrual basis, where management estimates that payment of interest or principal is doubtful of collection. Non-performing loans are reported after considering the impact of impairment. The impairment is measured by comparing the carrying amount of the loan to the present value of expected future cash flows or the fair value of the collateral (discounted at the loan's effective rate).
Foreign exchange translation	AS11 "The Effects of Changes in Foreign Exchange Rates" deals with accounting for foreign exchange transactions. Transactions in foreign currency are recorded at the	Under U.S. GAAP gains or losses arising from foreign currency transactions are included in determining net income. Foreign exchange gains or losses are not included in interest cost.

Particulars	Indian GAAP	U.S. GAAP
	exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expense in the year in which they arise. Foreign exchange losses that relate to foreign borrowings incurred to finance an asset are treated as a part of borrowing cost and are capitalised.	For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity.
	With the revision of this standard, with effect from accounting periods commencing on or after April 1, 2004, translation differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non- integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognized as income or as expenses. Guidance relating translation of foreign operations integral to the reporting enterprise requires foreign exchange gains or losses to be recognized in the income statement.	The concept of capitalization of exchange fluctuations, arising from foreign liabilities incurred for acquiring fixed assets does not exist.
Deferred taxation	Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Redemption premiums payable on the redemption of debt may be accrued over the life of the debt.	Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the tax and book bases of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Redemption premiums are accrued as a yield adjustment over the life of the debt.
Fringe Benefit Tax	Included as a part of related expense (fringe benefit) which gives rise to incurrence of the tax.	Disclosed as a separate item after Profit before Tax on the face of the Income statement.

Particulars	Indian GAAP	U.S. GAAP
Capital issue expenses	Capital issue expenses can be amortised or written off against reserves.	Capital issue expenses are required to be written off when incurred against proceeds of capitals.
Proposed dividend	Proposed dividends are recognised in the financial statements in the period to which they relate, even if they are subject to shareholders' approval.	Dividends are recorded in the year of declaration.
Vacation accrual	Short Term compensated absences are measured on an undiscounted basis, thus there is no requirement of any acturial valuation. Vacation accrual, or leave encashment, as a retirement entitlement is generally reported at the actuarially determined present value of future benefits.	Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate.
Employee benefits	Projected Unit Credit Method is used to determine benefit obligation and record plan asset at fair value. Acturial Gains and Losses are recognised upfront in the Income Statement. Expenditure incurred on voluntary retirement scheme uptil March 31, 2009 can be deferred.	The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit credit method, with a stipulated method to determine assumptions. However, Acturial Gains and Losses can be deferred. Expenditure incurred on voluntary retirement scheme should be expensed in the period incurred.
Depreciation	Depreciation is generally charged at rates prescribed by the Companies Act. These rates are the minimum rates, and companies are permitted to charge depreciation at higher rates, in order to write-off the cost of assets over their useful lives, if shorter.	Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the assets.
Development costs	Development cost is capitalised over the cost of the asset created.	Development cost is expensed as incurred.
Construction contracts	Indirect expenditure on construction is also capitalized to the asset concerned.	Indirect expenditure on construction is charged to revenue.
Revaluation of Property, plant & Equipment or Investment	Upward revaluation of Property, Plant and equipment or Investment is permitted by creating a revaluation reserve, which is not available for distribution.	Upward revaluation of property, Plant and Equipment or Investment is not permitted.
Off-balance sheet items	There is no specific guidance or the accounting and reporting for off balance sheet items. Commitments and contingencies are required to be disclosed.	Securities Exchange Commission registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed.

Particulars	Indian GAAP	U.S. GAAP
Fair values of financial instruments	There is no requirement to disclose the fair value of financial instruments.	Extensive disclosures are required of the fair values of financial instruments and the methodologies or determining fair values.
Current year dues arising out of Long Term debts	Obligations for repayment of long-term debts, which fall due for repayment within one year, are not congregated but continue to form part of long-term debt.	Obligations for repayment of long-term debts, which fall due for repayment within one year, are included in current liabilities.
Lease Financing: Lessor accounting	a) The lessor should recognise assets given under a finance lease in its balance sheet as a receivable at an amount equal to the net investment in the lease. b) The recognition of finance income should be based on a pattern reflecting a constant periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease. c) The manufacturer or dealer lessor should recognise the transaction of sale in the statement of profit and loss for the period, in accordance with the policy followed by the enterprise for outright sales. If artificially low rates of interest are quoted, profit on sale should be restricted to that which would apply if a commercial rate of interest were charged. Initial direct costs should be recognised as an expense in the statement of profit and loss at the inception of the lease.	Sales-type leases shall be accounted for by the lessor as follows: a) The minimum lease payments (net of amounts, if any, included therein with respect to executory costs such as maintenance, taxes, and insurance to be paid by the lessor, together with any profit thereon) plus the unguaranteed residual value accruing to the benefit of the lessor shall be recorded as the gross investment in the lease. b) The difference between the gross investment in the lease in (a) above and the sum of the present values of the two components of the gross investment shall be recorded as unearned income. The discount rate to be used in determining the present values shall be the interest rate implicit in the lease. The net investment in the lease shall consist of gross investment less the unearned income.

SELECTED STATISTICAL INFORMATION

The following information should be read together with our financial statements included in this Prospectus as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 176 of this Prospectus. The amounts presented in this section are based on our financial statements prepared in accordance with Indian GAAP and internally generated statistical data.

Net Interest Margin Analysis

The table below presents the average balances for interest earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each year.

The average balance is mean of the opening and closing balances of fiscal year. Our calculation of the average balance is not comparable with other Indian banks and financial institutions, which calculate their average balances based on a daily, fortnightly or monthly average. We believe, however, that the volatility of our assets and liabilities is lower than most banks and financial institutions due to the make-up of our portfolio, which is concentrated on relatively longer-term assets and liabilities.

The average yield on interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost of interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances in the table below includes gross non-performing assets. The interest income and interest expense excludes extraordinary items.

(Rs. in million, except percentages)

	Fiscal year								
	2004			2005			2006		
	Average balance	Interest income / expense	Average yield / cost	Average balance	Interest income / expense	Average yield / cost	Average balance	Interest income / expense	Average yield / cost
Total interest earning assets[1]	226,326.21	26,941.64	11.90%	272,204.59	27,132.43	9.97%	327,993.39	29,176.35	8.90%
Total interest bearing liabilities	170,197.67	13,464.86	7.91%	207,081.19	15,025.92	7.26%	253,758.23	17,935.79	7.07%
Net interest income	-	13,476.77	-	-	12,106.51	-	-	11,240.57	-
Net interest margin[2]	-	-	5.95%	-	-	4.45%	-	-	3.43%

(Rs. in million, except percentages)
(Percentages are annualized)

	Six months ended September 30, 2006		
	Average balance	Interest income / expense	Average yield / cost
Total interest earning assets[1]	371,703.37	16,882.27	9.08%
Total interest bearing liabilities	290,697.44	10,624.67	7.31%
Net interest income	-	6,257.60	-
Net interest margin[2]	-	-	3.37%

(1) Total Interest Earning Asset consists of loans and deposits.

(2) The net interest margin is the ratio of net interest income to average interest-earning assets.

Volume and Rate Analysis of Changes in Interest Income and Interest Expense

The following table sets forth, for the years indicated, the allocation of the changes in our interest income and interest expense between changes in average volume and changes in average rates. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes, which are due to both volume and rate, have been allocated solely to changes in rate.

Net Interest Income has decreased due to competitive pressures and partially due to increase in leverage. This decrease also was partially due to interest rate restructuring on existing loans and new lending with three-year interest reset clauses as compared to lending at fixed rate for full tenure of the loan.

The policy of restructuring the interest rate on existing loans was introduced in fiscal 2003 to allow non-defaulting borrowers to benefit from lower interest rates provided a certain percentage of premium representing the net present value of the differential between the actual and new rate was paid upfront. This policy was discontinued with effect from December 26, 2005. For further information as to the impact of the discontinuation of this policy, see, "Management's Discussion and Analysis of Financial Condition and Result of Operations – Six months Ended September 30, 2006"

(Rs. in million)

	Fiscal 2005 vs. Fiscal 2004			Fiscal 2006 vs. Fiscal 2005		
	Net change in interest income or expense	Change due to change in average volume(1)	Change due to change in average rate(2)	Net change in interest income or expense	Change due to change in average volume(1)	Change due to change in average rate(2)
Interest Income	190.79	5,459.53	(5,268.73)	2,043.92	5,578.88	(3,534.96)
Interest Expense	1,561.05	2,917.49	(1,356.43)	2,909.87	3,388.75	(478.88)
Net Interest Income	(1,370.26)	2,542.04	(3,912.30)	(865.95)	2,190.13	(3,056.07)

(1) The change due to a change in average volume was calculated from the change in average balance over the two years multiplied by the average rate in the earlier year, ignoring the variation during the year.

(2) The change due to a change in average rate is the total change less the change due to volume.

Financial Ratios

The following table sets forth, for the years indicated, the yields, spreads and net interest margins on our interest-earning assets.

(Rs. in million, except percentages)
(Percentages are annualized)

	Fiscal year			Six months ended September 30,
	2004	2005	2006	2006
Interest income	26,941.64	27,132.43	29,176.35	16,882.27
Average interest-earning assets	226,326.21	272,204.59	327,993.39	371,703.37
Interest expense	13,464.86	15,025.92	17,935.79	10,624.67
Average interest-bearing liabilities	170,197.67	207,081.19	253,758.23	290,697.44
Net interest income	13,476.77	12,106.51	11,240.57	6,257.60

(Rs. in million, except percentages)
(Percentages are annualized)

	Fiscal year			Six months ended September 30,
	2004	**2005**	**2006**	**2006**
Average total assets[1]	245,816.71	289,094.98	343,179.67	387,877.95
Average interest-earning assets as a percentage of average total assets	92.07%	94.16%	95.57%	95.83%
Average interest-bearing liabilities as a percentage of average total assets	69.24%	71.63%	73.94%	74.95%
Yield[2]	11.90%	9.97%	8.90%	9.08%
Cost of funds[3]	7.91%	7.26%	7.07%	7.31%
Spread[4]	3.99%	2.71%	1.83%	1.77%
Net interest margin[5]	5.95%	4.45%	3.43%	3.37%

(1) Approximately 2% of this amount is represented by fixed and net current assets, the average balances of which are available on a yearly and not daily basis.

(2) Yield represents the ratio of interest income to average interest earning assets.

(3) Cost of funds represents the ratio of interest expense to average interest bearing liabilities.

(4) Spread is the difference between yield and cost of funds.

(5) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference between net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

Returns on Equity and Assets

The following table presents selected financial ratios for the years indicated.

(Rs. in million, except percentages)
(Percentages are annualized)

	Fiscal year			Six months ended September 30,
	2004	**2005**	**2006**	**2006**
Profit after tax, as restated	10,184.66	9,705.31	9,754.14	4,013.01
Average total assets [1]	245,816.71	289,094.98	343,179.67	387,877.95
Average Net Worth [2]	52,390.09	57,586.46	62,515.12	66,882.26
Profit after tax as a percentage of average total assets	4.14%	3.36%	2.84%	2.07%
Profit after tax as a percentage of average Net Worth	19.44%	16.85%	15.60%	12.00%
Average Net Worth as a percentage of average total assets	21.31%	19.92%	18.22%	17.24%

(1) Approximately 2% of this amount is represented by fixed and net current assets, the average balances of which are available on a yearly and not daily basis.

(2) Net worth is defined as Shareholders' fund less Reserve for Bad & Doubtful Debts u/s 36(1)(viia)(c) of Income Tax Act,1961.

Unrealized Gains in Equity Investment

Our Company along with certain other parties are the promoters of PTC India Limited ("PTC") (formerly known as Power Trading Corporation of India Limited) whereby we own 8% of their equity share capital. PTC was incorporated as a joint venture company on April 16, 1999 under the Companies Act and received certificate of commencement of business on July 15, 1999. PTC is engaged in the business of purchasing, procuring, selling, importing, exporting, trading all forms of electric power and ancillary services.

Our equity investment has unrealized gains, comprised of the difference between our cost and the market value of these securities. The following table shows our unrealized gain as of March 31, 2004, 2005, 2006 and September 30, 2006:

(Rs. in million)

	As of March 31,			As of September 30, 2006
	2004	2005	2006	
Cost	120.00	120.00	120.00	120.00
Market Value [(1)]	120.00	577.20	709.20	691.80
Unrealized Gain	0.00	457.20	589.20	571.80

(1) Market value has been determined by reference to the NSE. However for fiscal 2004, PTC was unquoted so market value is assumed to be at cost.

Employee Productivity

The following table sets forth employee productivity for the years as indicated:

(Rs. in million except number of employees)

	Fiscal year			Six months ended September 30,
	2004	2005	2006	2006
Disbursement (A)	89,741.70	94,091.50	116,808.80	59,987.90
Profit after tax, as restated (B)	10,184.66	9,705.31	9,754.14	4,013.01
No. of employee (C)	269	269	288	303
Disbursement Per Employee (A/C)	333.61	349.78	405.59	395.96*
Profit Per Employee (B/C)	37.86	36.08	33.87	26.49*

** Figures are annualized.*

Growth Statistics

The following table sets forth the growth statistics for the years as indicated:

(Rs. in million except percentages)

	Fiscal year					4-year CAGR
	2002	2003	2004	2005	2006	
Sanctions	85,227.40	140,019.00	164,719.10	185,728.00	225,017.90	27.47%
Disbursements	51,677.52	73,406.40	89,741.70	94,091.50	116,808.80	22.61%
Operating Income	21,046.83	26,408.73	28,220.79	28,377.47	30,203.95	9.45%
Profit After Tax as Restated	6,630.1	10,332.69	10,184.66	9,705.31	9,754.14	10.13%
Loan Assets	164,584.2	208,053.62	248,273.41	295,200.77	356,025.32	21.28%
Total Assets	179,835.6	224,898.91	266,734.5	311,455.45	374,903.89	20.16%

(Rs. in million)

	Six months ended September 30, 2006
Sanctions	199,858.38
Disbursements	59,987.90
Operating Income	17,331.81
Profit After Tax as Restated	4,013.01
Loan Assets	385,629.42
Total Assets	400,852.01

Concentration of Total Exposure

The following table sets forth our ten largest single and group exposures (defined as sanctions less cancellations less repayments, and including disbursements and guarantees) as of September 30, 2006. The "group" is defined to include all utilities in a state under the control of their respective state governments but the same is not used for application of exposure norms.

(Rs. in million, except percentages)

Borrower	Exposure	% of total outstanding exposure
Borrower 1	66,197.78	7.80%
Borrower 2	48,110.00	5.67%
Borrower 3	46,461.66	5.47%
Borrower 4	40,320.26	4.75%
Borrower 5	38,706.28	4.56%
Borrower 6	35,794.18	4.22%
Borrower 7	33,701.85	3.97%
Borrower 8	29,501.75	3.48%
Borrower 9	27,300.00	3.22%
Borrower 10	21,874.47	2.58%
Total	**387,968.23**	**45.70%**

(Rs. in million, except percentages)

Group	Exposure	% of total outstanding exposure
Group 1	98,274.33	11.58%
Group 2	78,000.07	9.19%
Group 3	69,360.31	8.17%
Group 4	62,972.20	7.42%
Group 5	60,000.59	7.07%
Group 6	50,954.38	6.00%
Group 7	43,573.92	5.13%
Group 8	37,098.91	4.37%
Group 9	35,794.18	4.22%
Group 10	35,731.80	4.21%
Total	**571,760.69**	**67.35%**

NPA Analysis

As of September 30, 2006, six of our loans have been categorized as non-performing. Our gross non-performing assets as a percentage of gross loan assets were 0.23% and our net non-performing assets as a percentage of net loan assets were 0.16%. We define net NPAs as gross NPAs less write-offs and our loan loss provision. We have made such provisions for 31.12% of our gross non-performing assets.

The following table set forth, as of the dates indicated, information about our non-performing assets:

(Rs. in million, except percentages)

	March 31, 2004			March 31, 2005			March 31, 2006		
	Loan Assets	NPAs[1]	NPAs as a % of loan assets	Loan Assets	NPAs[1]	NPAs as a % of loan Assets	Loan Assets	NPAs[1]	NPAs as a % of loan assets
Total gross	248,407.88	1,207.26	0.49%	295,563.44	1,947.28	0.66%	356,237.28	909.92	0.26%
Provisions and write-offs	134.47	134.47	-	362.67	362.67	-	211.96	211.96	-
Net	**248,273.41**	**1,072.79**	**0.43%**	**295,200.77**	**1,584.61**	**0.54%**	**356,025.32**	**697.96**	**0.20%**

	September 30, 2006		
	Loan Assets	NPAs[1]	NPAs as a % of loan assets
Total gross	385,905.21	886.11	0.23%
Provisions and write-offs	275.79	275.79	-
Net	385,629.42	610.32	0.16%

(1) NPA figures include non-performing guarantees but does not include NPA figures on consultancy assignments.

In case of consultancy assignments, provisions were not made in earlier years separately and the amount of Rs. 6.69 million (out of Gross NPA on consultancy assignments of Rs. 7.07 million) has been provided in fiscal 2006 and further provision amounting to Rs. 0.04 million (out of Gross NPA on consultancy assignments of Rs. 10.60 million) has been provided in six month ended September 30, 2006. Net NPA on consultancy assignments as on September 30, 2006 is Rs. 3.865 million.

Classification of Assets

For fiscal 2006, an asset other than a lease asset, in respect of which instalments of loan, interest and/or other charges remain due and unpaid for a period of 6 months or more, is classified as Non-Performing Asset (NPA). Any lease rental, which remains due but unpaid for a period of twelve months or more, is considered NPA. A facility made available to a State Power Utility against state government undertaking, for deduction from central plan allocation to make payment to PFC against its unpaid dues, is treated as Deemed Standard Asset. Income accrued on NPAs and Deemed Standard Asset is not recognized in financial statements until it is realised. No provision is made against the Deemed Standard Assets.

NPA classification and provisioning norms for assets other than lease

The NPAs are further classified into various categories as follows:

i) NPA for a period not exceeding 2 years : Sub-standard asset

ii) NPA exceeding 2 years : Doubtful asset

iii) When an asset is identified by our Company as loss asset : Loss asset

NPA classification and provisioning norms for lease assets

The NPAs are further classified into various categories as follows: -

i) NPA for a period not exceeding 1 year : Sub-standard asset

ii) NPA exceeding 1 –3 years : Doubtful asset

iii) NPA exceeding 3 years : Loss asset

For the purpose of application of Prudential Norms and Provisioning Norms

i. Facilities granted to State / Central Sector entities are considered loan wise.

ii. Facilities granted to other entities are considered borrower wise.

In cases where our Company has lent in consortium with banks and financial institutions and the projects are under implementation, and defaults have occurred, such assets are considered as Deemed Standard Assets until the period, not exceeding two years from the deemed date of completion notified by RBI group. The income on these loans is recognised at the time of its receipt.

We have in place an effective post sanction follow-up system that monitors and tracks the status of projects. This includes obtaining progress reports, undertaking site visits and comparisons of disbursements in-line with the projected drawdown of funds on the project. In case of private power projects we engage project monitoring agencies to assist us in this process.

The following table provides a break down of our gross loan assets as of the dates indicated.

(Rs. in million, except percentages)

	March 31, 2004		March 31, 2005		March 31, 2006	
	Rs.	%	Rs.	%	Rs.	%
Standard assets	247,200.62	99.51%	293,616.16	99.34%	355,327.35	99.74%
Non-Performing assets (1)	1,207.26	0.49%	1,947.28	0.66%	909.92	0.26%
of which:						
Sub-standard assets	932.37	0.38%	744.86	0.25%	177.27	0.05%
Doubtful assets	274.89	0.11%	1,202.42	0.41%	732.65	0.21%
Loss assets	-	0.00%	-	0.00%	-	0.00%
Total Loan assets	**248,407.88**		**295,563.44**		**356,237.28**	

(Rs. in million)

	September 30, 2006	
	Rs.	%
Standard assets	385,019.10	99.77%
Non-Performing assets [(1)]	886.11	0.23%
of which:		
Sub-standard assets	178.50	0.05%
Doubtful assets	707.61	0.18%
Loss assets	-	0.00%
Total Loan assets	**385,905.21**	

(1) NPA figures include non-performing guarantees but does not include NPA figures on consultancy assignments.

In case of consultancy assignments, provisions were not made in earlier years separately and the amount of Rs. 6.69 million (out of Gross NPA on consultancy assignments of Rs. 7.07 million) has been provided in fiscal 2006 and further provision amounting to Rs. 0.04 million (out of Gross NPA on consultancy assignments of Rs. 10.60 million) has been provided in six month ended September 30, 2006. Net NPA on consultancy assignments as on September 30, 2006 is Rs. 3.865 million.

As of March 31, 2004, 2005, 2006 and September 30, 2006, our Deemed Standard Assets were Rs. 91.79 million, Rs. 91.79, Rs. 56.29 and nil respectively. Standard Assets as of March 31, 2004, 2005, 2006 and September 30, 2006, Rs. 1,640.32 million, Rs. 983.93 million, Rs. 1,192.69 million and Rs. 1,705.73 million respectively represents loan outstanding to a project under implementation, which has been considered as Standard Asset on basis of RBI Circular No. DBS.FID. No. 1285/01.02.00/ 2001-02 dated February 1, 2002 read with DO letter DBS.FID.No. 1285/01.02.00/2001-02 dated May 14, 2002. The income on these loans is recognised at the time of its receipt.

Rescheduled Assets

We define rescheduled assets as assets where the terms of the agreement regarding interest and/ or principal have been renegotiated or rescheduled except loans where interest rates have been reduced under our interest restructuring scheme. For fiscal 2006 and the six months ended September 30, 2006, rescheduled NPAs are continued to be classified as NPAs till the assets display satisfactory performance under the renegotiated or rescheduled terms at least for one year.

The following table presents our rescheduled assets during the years indicated below:

(Rs. in million)

	Fiscal year			Six months ended September 30,
Rescheduled assets	**2004**	**2005**	**2006**	**2006**
Standard assets	1,337.80	990.82	628.63	428.19
Sub-standard assets	-	651.10	87.66	81.92
Doubtful assets	-	-	415.32	390.28
Total rescheduled assets	**1,337.80**	**1,641.92**	**1,131.61**	**900.39**

Provisioning and Write-offs

The following is a summary of our provisioning policy for fiscal 2007. For further details, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 176 of this Prospectus.

NPA provisioning norms for assets other than lease

The provision against NPAs is made at the rates given hereunder:

(i)	Sub-Standard Assets:	10%
(ii)	Doubtful assets:	
	(a) Facilities guaranteed by state/central government	
	To 1 year	15%
	1 – 3 years	25%
	More than 3 years	50%
	(b) Others	
	(i) Unsecured	100%
	(ii) Secured to 1 year	20%
	1 – 3 years	30%
	More than 3 years	50%
	(iii) Loss assets	100%

NPA provisioning norms for lease assets

The provision against NPAs is made at the rates given hereunder:

(i)	Sub-Standard Assets	10%
(ii)	Doubtful assets:	
	NPA for 1-2 years	40%
	NPA for 2 – 3 years	70%
(iii)	Loss assets	100%

The table below shows the changes in our provisions over the past three and a half years. In case of consultancy assignments, provisions were not made in earlier years separately and the amount of Rs. 6.69 million (out of Gross NPA on consultancy assignments of Rs. 7.07 million) has been provided in fiscal 2006 and further provision amounting to Rs. 0.04 million (out of Gross NPA on consultancy assignments of Rs. 10.60 million) has been provided in six month ended September 30, 2006. Net NPA on consultancy assignments as on September 30, 2006 is Rs. 3.865 million.

(Rs. in million)

	Fiscal year			Six months ended September 30,
	2004	**2005**	**2006**	**2006**
Opening Balance	128.82	134.47	362.67	211.96
ADD: Provisions made during the year	13.74	228.20	38.92	69.46
LESS: Write-off/write-back during the year	8.09	-	189.63	5.63
Closing Balance	134.47	362.67	211.96	275.79

Once loan accounts are identified as non-performing, interest and other fees credited in the account, if uncollected, are not accrued and not provided in our books of accounts. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative provision.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Prospectus, along with the section titled "Selected Statistical Information" beginning on page 167 of this Prospectus, which presents important statistical information about our business. You should also read the section titled "Risk Factors" beginning on page xii of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company, and, unless otherwise stated, is based on our restated financial statements, which have been prepared in accordance with Indian GAAP, the Companies Act, the SEBI Guidelines and the RBI guidelines. The following discussion is also based on internally prepared statistical information and other sources. Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year.

Overview

We are a leading power sector public financial institution and a non-banking financial company providing fund and non-fund based support for the development of the Indian power sector. Our organization occupies a key position in the government's plans for the growth of this sector. We perform a major role in channeling investment into the power sector and function as a vehicle to develop this sector.

Our clients include state power utilities, central power sector utilities, power departments, private power sector utilities (including independent power producers), joint sector power utilities, power equipment manufacturers and power utilities run by local municipalities. These clients are involved in all aspects of the generation, transmission and distribution and related activities in the power sector in India.

We draw on our knowledge of the power sector and financing expertise to provide products and services to our clients. Our financial products and services include:

- rupee term loans, foreign currency loans, bridge loans, short term loans and reform-linked transitional loans;
- bill discounting, equipment leasing, buyers' line of credit, loans to equipment manufacturers, asset acquisition schemes, line of credit for the import of coal for power generation;
- debt refinancing;
- study assistance;
- letter of comfort for opening letter of credit against sanctioned loan; and
- non-fund based products such as guarantees.

We have demonstrated consistent growth in our business and profitability. Our sanctions have grown by a compounded annual growth rate (CAGR) of 27.47% and disbursements have grown by a CAGR of 22.61% from fiscal 2002 to fiscal 2006. Our profit after tax increased from Rs. 6,630.10 million in fiscal 2002 to Rs. 9,754.14 million in fiscal 2006 at a CAGR of 10.13% and our operating income increased from Rs. 21,046.83 million in fiscal 2002 to Rs. 30,203.95 million in fiscal 2006 at a CAGR of 9.45%. Volume of our business represented by loan assets have grown from Rs. 164,584.18 million in fiscal 2002 to Rs. 356,025.32 million in fiscal 2006 at a CAGR of 21.28%. In the six months ended September 30, 2006 our net profit was Rs. 4013.01 million. As on September 30, 2006 we had total assets of Rs. 400,852.01 million and net worth of Rs. 68,710.44 million.

Factors Affecting Our Financial Results

Our financial results are dependent on the performance of the Indian economy and the power sector generally and the projects we finance in particular. Power sector projects are subject to various risks and uncertainties, including those discussed in the section titled "Risk Factors" beginning on page xii of this Prospectus. The following is a discussion of certain other factors that have had, and we expect will continue to have, a significant effect on our financial results.

Economic growth and its impact on the power sector

Our financial results are significantly affected by general economic conditions prevailing in India and in particular by developments in the power sector. India's GDP has grown at an annual average of 6.1% per year over the past ten years on a constant price basis. Power is a critical sector for the economic development of a country. According to estimates made by the Centre for Monitoring Indian Economy, electricity- GDP elasticity during fiscal 1991 to fiscal 2000 for India was about 1.21 times, i.e. the power sector has to grow at 12.1% for the economy to grow at 10%. As per the revised estimates of the Central Statistical Organisation of India, India's GDP growth was 8.2% in fiscal 2004, 7.5% in fiscal 2005 and 8.4% in fiscal 2006. As per the estimates released by the Central Statistical Organisation in India, GDP at factor cost grew by 9.2 per cent in the second quarter of fiscal 2006.

The higher GDP growth estimation is primarily due to higher growth of 11.9% witnessed in manufacturing industry and 9.8% in construction industry and 13.9% growth in trade, transport, hotels and communication sectors for the second quarter of fiscal 2006. As per estimates of Central Statistical Organisation of India, the electricity sector has grown by 8% in the second quarter of fiscal 2006.

This economic growth translated into a large amount of investment required in power sector development. The GoI adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. In each successive Five Year Plan, government has increased power generation capacity addition targets. The Ninth Plan targeted a capacity addition of 40,245 MW of which 24.4% was to come from hydro capacity, 73.4% was to come from thermal capacity, and 2.2% was to come from nuclear capacity. As per the MoP around 19,251 MW or 47.8% of the planned capacity was added during the Ninth Plan. The Tenth Plan for fiscal years 2002 to 2007 has targeted a capacity addition of 41,110 MW revised to 30,641 MW. During the Tenth Plan period from April 1, 2002 upto November 30, 2006, 17,743 MW has been commissioned with the remaining 12,898 MW in progress.

The annual rate of inflation, as measured by variations in the wholesale price index (WPI), on a point-to-point basis was 6.5% in fiscal 2003, 4.6% in fiscal 2004, 6.01% in fiscal 2005 and 4% in fiscal 2006. Annual inflation rose to 5.45% in the week ended November 18, 2006 from 5.29% in the preceding week. Inflation has remained at above 5% for the months of October and November, reaching the upper limit of the inflation band predicted by the RBI in January 2006, which gave an inflation rate forecast of 5.0 to 5.5% for the year 2006-07.

The following table sets forth the bank rate and reverse repo rate in percentages as of the dates indicated.

As of	Bank rate (%)	Reverse Repo rate (%)
March 31, 2003	6.25	5.00
March 31, 2004	6.00	4.50
March 31, 2005	6.00	4.75
March 31, 2006	6.00	5.50
September 30, 2006	6.00	6.00

Source: Reserve Bank of India statistical data.

Since we source almost 7.03% of our funds in foreign currencies particularly in US dollar, Japanese Yen and Euro, any major change in these economies would affect the cost of foreign currency borrowing. Major changes in GDP growth rate, inflation, interest rate and currency rate in these countries have a direct or indirect implication on our asset-liability position as well as our cost of funds.

GDP growth rate of these economies for fiscal 2006 and estimation for fiscal 2007 are as follows:

Growth rates	USA	Japan	Euro-zone
2006	3.4%	2.8%	2.3%
2007 (Estimated)	2.6%	1.9%	1.6%

Source: OPEC Monthly Report, October 2006

US economy grew by 3.4% in fiscal 2006 and estimated to grow less than 3.0% in the second half of fiscal 2007. Continued weakness in the housing sector and falling auto production reduced the growth estimates for fiscal 2007 to 2.6%. The Japanese economy grew by 1% in the second quarter with growth estimated at 3.0% in the third quarter of the year 2006-07. An overall dip in consumer spending has reduced estimated growth in Japan for the year 2007 to 1.9% compared to the 2.8% GDP growth in 2006. Despite economic recovery in Japan during 2006 the Yen has remained weak during calendar 2006.

Growth in the Euro zone is 2.3% in 2006 and projected to grow by 1.6% in 2007. In October 2006, the ECB increased interest rates to 3.25% and showed signs that further increases are possible in the future.

Dependence on government policy and regulation

The growth of the power sector in India and our business is dependent on the establishment of stable government policies and prudent regulation in the industry. Power sector development in India has historically been the preserve of the central and state governments, and has been constrained by various factors such as shortages of public funding, political considerations and issues of transparency and accountability.

The statutory and regulatory framework for the Indian power sector has changed significantly in recent years and the impact of these changes is yet to be completely seen. The Electricity Act puts in place a framework for reforms in the sector, but in many areas the details and timing are yet to be determined. It is expected that many of these reforms will take time to be implemented. Furthermore, there could be additional changes in the areas of tariff and other policies, the unbundling of the State Power Utilities, restructuring of companies in the power sector, open access and parallel distribution, and licensing requirements for, and tax incentives applicable to, companies in the power sector.

Sector specific financial institution with limited number and types of borrowers

We are a power sector specific financial institution. This sector has a limited number of borrowers and many of these borrowers are loss making state / public sector utilities. Lending to state / public sector utilities requires us to contend with certain issues that are specific to these entities such as multi-layered decision making processes, which may result in delays in disbursements and project commissioning.

Historically, state/public sector borrowers offered state government guarantees as securities for loans. Most state/public sector borrowers are now offering to secure their new loans by way of a charge on their assets. If market conditions permit them to secure loans in this way, there would be pressure on our Company to adopt the market practice.

We have a mechanism of creating escrow accounts with most of our borrowers in the state sector. Under this mechanism we ensure that certain predetermined amounts from the payments received by our borrowers from their respective customers are deposited in an escrow account pursuant to a tripartite escrow agreement among us, our borrower and an escrow agent. The escrow agreement mechanism is effective only in the event of revenue from the end users (including power traders, industrial, commercial, household and agricultural consumers) being paid to our borrowers and deposited into the escrow facilities. We do not have any arrangement in place to ensure this occurs and the effectiveness of the escrow mechanism is limited to that extent. In the event the end users of power do not make payments to our borrowers, the escrow mechanism will not ensure the timely repayment of our loans which may adversely affect our financial condition and results of operations.

Long gestation periods for projects

Given the long gestation periods for the projects funded by our Company, the projects are susceptible to changes in various factors, such as interest rates, statutory regulations and policies, the cost and availability of raw materials and other key inputs and general economic conditions. These factors could affect projects' viability in the implementation and operation stages with impact on the ability of borrowers to service the loans. We endeavour to mitigate such risks by stipulating suitable conditions/ covenants in loans sanctioned by us. However, there could be situations where we may have to write off loans as non-performing assets, with adverse impact on the overall quality of our asset portfolio and profitability.

Availability of cost effective funding sources and impact of interest rate volatility and competition

Our ability to meet demand for new loans and other financing for power sector projects will primarily be funded by increased borrowing from domestic and international sources and the issuance of new debt. Our debt service costs as well as our overall cost of funds depend on many external factors, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. Internal factors that will impact our cost of funds include changes in our credit ratings and our level of borrowings. In the first few years of our operations, we relied on our ability to issue tax-free bonds and other direct support for raising debt from the GoI, as a result of which we did not have to borrow significantly in an environment of relatively high interest rates. With the growth of our operations we have had to increasingly access the debt capital markets and commercial borrowings. We have been able to offer competitive interest rates for our loans due to our relatively low effective cost of funds in the past and an increase in our cost of funds may require us to raise interest rates on our loan products. Furthermore, competition from banks and other financial institutions for project financing continues to increase in India, and as a result there could be further downward pressure on our interest margins.

The Reserve Bank of India vide its notification (No. RBI/2006-07/205/DBOD.No. FSD.BC.46/24.01.028/2006-07) dated December 12, 2006 has amended the regulatory framework governing banks to address concerns arising from divergent regulatory requirements for banks and NBFCs. This notification reduces the exposure (both lending and investment, including off balance sheet exposures) of a bank on NBFCs like ourselves. Accordingly, exposure limits on our Company will be reduced from the current 25% of the banks capital funds to 15% of its capital funds. Furthermore, RBI has suggested that banks may consider fixing internal limits for their aggregate exposure to all NBFCs put together, which may cause bank exposure on our company, to reduce considerably. The requirements of this notification are scheduled to take effect on banks from the end of March 2007. However, the RBI has allowed banks, that are unable to comply with aforesaid notification, to approach them to seek more time for compliance.

Due to our specialized role as a sector specific financial institution, we intend to request that the RBI reconsider the applicability of this notification to our organization. However, we cannot assure you that the introduction of this notification and its applicability to us will not have a material adverse effect on our future financial condition and results of operations.

Tax benefits and incentives

We have benefited from, and continue to benefit from, certain tax regulations and incentives that accord favourable treatment to long term financing of power-related activities. We enjoy several tax concessions, detailed below, which have reduced our tax liability. Our effective tax rate (a percentage computed by dividing current tax liability by profit before tax, as per books of accounts) was 19.11% in fiscal 2002, 19.05% in fiscal 2003, 20.10% in fiscal 2004, 17.95% in fiscal 2005, 17.26% in fiscal 2006 and 20.64% for the first six months of fiscal 2007 as compared with the statutory corporate tax rates (including surcharge and cess) of 35.70% in fiscal 2002, 36.75% in fiscal 2003, 35.88% in fiscal 2004, 36.59% in fiscal 2005, 33.66% in fiscal 2006 and 33.66% for the first six months of fiscal 2007.

Exemption under section 10(23G)

Section 10(23G) of the I.T. Act provides an exemption from tax on any income earned by infrastructure capital funds and companies by way of interest, long term capital gains and dividends from investment made by way of providing long term finance to an enterprise approved by the central government which is set up in any part of India for the generation or generation and distribution of power (provided the undertaking began to generate power at any time between April 1, 1993 and March 31, 2010 and started transmission or distribution of electricity by laying a network of new transmission or distribution lines at any time between April 1, 1999 and March 31, 2010). This section of the I.T. Act has been withdrawn in the Finance Act, 2006. This will have an impact on our results for fiscal 2007 and beyond as our effective tax rate will increase by approximately 1.80%. However, the actual increase in the effective tax rate may be different based on actual deductions available.

Dividends exempt under Section 10(34)

We have made certain equity investments, and we are eligible for exemption of income received by way of dividends from these investments made in domestic companies, declared in accordance with section 115-O (Tax on Distributed Profits) of the I.T. Act.

Other exemptions available to us concerning provisions and reserves

Section 36(1)(viia)(c) of the I.T. Act allows us to make a provision of 5% of our income computed before making deduction under this clause and chapter VIA of the I.T. Act as provision for bad and doubtful debts. Section 36(1)(viii) of the I.T. Act allows us deduction in respect of special reserve created and maintained of an amount not exceeding 40% of profits derived from the business of providing long term finance.

These exemptions and provisions and depreciation charges on leased assets have resulted in a reduction of our income tax liability.

Critical Accounting Policies

Critical accounting policies are those that are important to both the portrayal of our financial condition and results of operations and that also require management's most subjective and complex judgments. In order to provide an understanding about how management forms its judgment about the most appropriate accounting policy to be followed for complex transactions and future events, we identify the following critical accounting policies:

Income Recognition: Interest on loans and other dues (such as fees for guarantees and advisory services) are recognized on accrual basis. Income on NPAs and deemed standard assets is recognised in the year it is received as per the prudential norms we have adopted. Recoveries in NPA and deemed standard assets are first set off against interest due. We determine installment amounts payable as per loan agreements worked out on total disbursement amounts. The repayment is adjusted against earliest disbursement irrespective of the rate of interest being charged on various disbursements. Lease rental is accounted for on accrual basis. Income from lease rentals accounted for in respect of leases entered into earlier than April 1, 2001 is recognised on the basis of the implicit interest rate in the lease, in accordance with the 'Guidance Note on Accounting for Leases' issued by the Institute of Chartered Accountants of India. Leases entered into post April 1, 2001 are accounted for in accordance with AS-19 on "Accounting for leases".

Classification of Assets: Fixed assets are shown at historical cost less accumulated depreciation, other than the assets retired from active use and held for disposal, which are stated at the lower of the book value or net realizable value. Depreciation on assets (other than assets leased after April 1, 2001) is provided on "Written Down Value" method, in accordance with the rates prescribed in Schedule XIV of the Companies Act. However, depreciation on assets, leased prior to April 1, 2001 is provided on straight line method at the rates prescribed under schedule XIV to the Companies Act or over the primary balance period of lease of assets, whichever is higher.

Premium on interest restructuring: This is accounted for as income for the year in which the restructuring is approved. However, with effect from December 26, 2005, the policy of restructuring the interest rate on existing loans has been discontinued.

Other policies: For our internal purposes, we define a "group" of borrowers as all utilities in a state under the control of their respective state governments but the same is not used for application of exposure norms. The rebate provided on account of timely payments by borrowers is accounted for on receipt of the payment amount due. Expenditure incurred in raising funds, including discount on bonds, is accounted for in the year in which it is incurred except the discount, financial charges and interest on commercial paper and zero coupon bonds (deep discount bonds) which are amortized proportionately over the period of their tenure. Income from dividends is accounted for in the year the dividend is declared by the investee company.

*Our Prudential Norm*s: Being a government company we are exempt from provisions of the RBI Act relating to prudential norms applicable to NBFCs. Our prudential norms are approved by our Board of Directors. We have formulated our own prudential norms which were applicable for fiscal 2004, 2005, 2006 and 2007 till such time these norms are modified and approved by our Board.

However, the RBI vide its notification (No. RBI/2006-07/204/DNBS.PD/CC.No. 86/03.02.089/2006-07) dated December 12, 2006 has amended the regulatory framework governing NBFCs and has proposed to bring all deposit taking and systemically important companies, which are defined as NBFCs having an asset size of Rs. 1,000 million or more under the provisions of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Directions").However, the date from which Govt owned NBFCs are to fully comply with these guidelines will be decided later. Such companies including ourselves are therefore, required to prepare a road map for compliance with various elements of the NBFC regulations, in consultation with the Govt of India and submit the same to the Reserve Bank of India (Department of Non – Banking Supervision) by March 31, 2007.

Due to our specialised role as a sector specific financial institution, we intend to request that the RBI reconsider the applicability of these norms to us and seek exemption from the application of the notification. In the alternative, we propose to submit, by March 31, 2007, in consultation with the Ministry of Power, a road map for compliance to the notification to RBI. Given the very recent introduction of this notification and the uncertainities surrounding the date of its implemention and applicability of our organisation, it is difficult to accurately assess the impact it will have on our operations going forward. However, we cannot assure you that the introduction of this notification and its applicability to us will not have a material adverse effect on our future financial conditions and results of operations.

For fiscal 2006 and the six months ended September 30, 2006, an asset other than a lease asset, in respect of which installments of loan, interest and/or other charges remain due and unpaid for a period of 6 months or more, is classified as Non-Performing Asset (NPA). Any lease rental, which remains due but unpaid for a period of twelve months or more, is considered NPA. A facility made available to a State Power Utility against state government undertaking, for deduction from the central plan allocation to make payment to our Company against its unpaid dues, is treated as Deemed Standard Asset. Income accrued on NPAs and Deemed Standard Asset is not recognized in financial statements till its realization. No provision is made against the Deemed Standard Assets.

NPA classification and provisioning norms for assets other than lease

The NPAs are further classified into various categories as follows:

(i) NPA for a period not exceeding 2 years:	Sub-standard asset
(ii) NPA exceeding 2 years:	Doubtful asset
(iii) When an asset is identified by our Company as loss asset:	Loss asset

The provision against NPAs is made at the rates given hereunder:

(i) Sub-Standard Assets:	10%
(ii) Doubtful assets:	
(b) Facilities guaranteed by state / central government	
To 1 year	15%
1-3 years	25%
More than 3 years	50%
(b) Others	
(i) Unsecured	100%
(ii) Secured: to 1 year	20%
1-3 years	30%
More than 3 years	50%
(iii) Loss assets	100%

NPA classification and provisioning norms for lease assets

The NPAs are further classified into various categories as follows:

(i) NPA for a period not exceeding 1 year:	Sub-standard asset
(ii) NPA exceeding 1-3 years:	Doubtful asset
(iii) NPA exceeding 3 years:	Loss asset

The provision against NPAs is made at the rates given hereunder:

(i) Sub-Standard Assets:	10%
(ii) Doubtful assets:	
NPA for 1-2 years	40%
NPA for 2-3 years	70%
(iii) Loss assets	100%

For the purpose of application of prudential norms and provisioning norms:

(i) Facilities granted to state / central sector entities are considered loan wise; and

(ii) Facilities granted to other entities are considered borrower wise.

In cases where our Company has lent in consortium with banks and financial institutions and the projects are under implementation, and defaults have occurred, such assets are considered as Standard Assets until the period, not exceeding two years from the deemed date of completion notified by RBI group. The income on these loans is recognised at the time of its receipt.

Valuation of Investments: Quoted investments are carried at the lower of cost or market price at the year end. Investments in mutual funds or venture capital funds are carried at the lower of cost or net asset value at the year end. Unquoted long term investments are carried at cost less provision for diminution, other than temporary.

Accounting for Foreign Exchange Transactions: Other than as set out below, expenses and income in foreign currency and amounts borrowed and lent in foreign currency are accounted for at the exchange rates prevailing on the date of the transaction. The following balances are translated into Rupees at the exchange rates prevailing on the date of closing of accounts:

(i) Foreign currency loan liabilities to the extent not hedged;

(ii) Funds kept in foreign currency account with banks abroad;

(iii) Contingent liabilities in respect of guarantees given in foreign currency;

(iv) Loans granted in foreign currency; and

(v) Expenses and income accrued but not due on foreign currency loans/borrowings.

Interest Subsidies: Interest subsidies are received from the MoP, under the Accelerated Generation and Supply Program (AG&SP) at net present value and are passed on to eligible borrowers over the eligible period of loan. The amount so received is credited to the Interest Subsidy Fund. Any excess/shortfall in the Interest Subsidy Fund is charged off/adjusted at the completion of the respective scheme. The Interest Subsidy Fund is credited with interest on the outstanding balance in the Subsidy Fund by debit to the profit and loss account, at rates specified in the AG&SP Program.

Provision for Taxation: Provision for tax is made for both current and deferred taxes. Deferred tax assets and liabilities arising on account of timing differences as per financial statements and the profit or loss offered for income tax, which are capable of reversal in subsequent years, are recognized based on the applicable tax rates that have been enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognized only if there is a virtual certainty of its realization supported by convincing evidence. Deferred tax assets are reviewed as at each balance sheet date based on developments during the year to reassess realization.

We recognise deferred tax assets/liability in respect of the following items:

Special Reserve: This deduction is allowable under the I.T. Act at 40% of profits derived from the business of providing loans of five years or more and on creation of Special Reserve. Any withdrawal from Special Reserve created attracts tax. We provide for deferred tax liability in respect of a Special Reserve created each year at the applicable tax rate.

Foreign Currency Exchange Loss/Gain: We convert the outstanding foreign currency loan / asset at the rate prevailing at the balance sheet date under the Companies Act. This results in exchange loss/gain on a notional basis. However, under the I.T. Act only actual exchange loss/gain is considered. This results in the creation of a deferred tax liability/asset.

Creation of Provisions in respect of expenditure on retirement benefits on an actuarial basis: This is a requirement under the Companies Act, not under the I.T. Act, which allows us to account for expenditure actually incurred. This results in the creation of a deferred tax asset.

Depreciation: Depreciation is charged at different rates under the Companies Act and the I.T. Act. This results in the creation of a deferred tax liability/asset.

Lease Income in Respect of Leases prior to April 1, 2001: Under the Companies Act and the I.T. Act total lease rental is accounted for in respect of these assets. Depreciation on such assets is provided for under the above mentioned Acts at different rates. Further, lease equalization accounting is required as per the guidance note issued by the Institute of Chartered Accountants of India to account for income at a constant rate of return on net investment outstanding at the beginning of the year. This results in creation of a deferred tax asset/liability.

Lease Income in Respect of Leases on or after April 1, 2001: The accounting regime has been modified such that only finance income in respect of such leases is accounted for in books of accounts. No depreciation can be claimed on such assets under Companies Act. However, under I.T. Act, entire lease rental is considered as income and depreciation on such assets is claimed. This results in the creation of a deferred tax liability/asset.

Results of Operations

Our revenue, which is referred to herein and in our financial statements as our income, consists of income from operating income and other income, the components of which are as follows:

- Operating income includes: interest from loans to power sector projects, management, agency and guarantee fees, service and commitment charges related to loans, interest on short term surplus funds, bill discounting income and fees from advisory services; and
- Other income includes: dividends from investments, profit on sale of fixed assets, interest on income tax refunds and miscellaneous income.

The largest component of our expenditure is interest on borrowings and other charges related to our borrowings. Other charges include commitment and agency fees, financial charges on commercial paper, guarantee fees, listing and trusteeship fees and bank charges.

Our non-interest expenses include:

- staff expenses comprising salaries, contributions to provident, gratuity and superannuation funds and staff welfare expenses;
- establishment expenses comprising rent, rates and taxes, electricity, repairs and maintenance and insurance;
- other expenses, including travel expenses, printing and stationery, communications, advertising and publicity, audit and other professional fees, directors' fees and miscellaneous expenses;
- provisions and contingencies, including provisions for doubtful loans and debtors, contingent provisions against standard assets, and provisions for diminution in value of treasury and other investments;
- loss on the sale of investments; and
- depreciation.

Our extraordinary items include interest restructuring premium and exchange loss or gains, which are adjusted net of tax.

Performance Indicators

We use a variety of tools to measure our performance from year on year. These indicators are presented in tabular form in the section titled "Selected Statistical Information" beginning on page 167 of this Prospectus. These measures are broadly grouped as (i) net interest margin analysis, (ii) financial ratios, (iii) employee productivity ratios, (iv) growth statistics, (v) concentration of total exposure and (vi) NPA analysis.

Under net interest margin analysis we try to measure the efficiency of our borrowing and lending operations using tools such as yield on average earning assets, which is the ratio of interest income to the yearly average of interest earning assets; cost of funds, which is the ratio of interest expense to the yearly average of interest bearing liabilities; and interest spread which represents the difference between yield on the yearly average of interest earning assets and the cost of the yearly average of interest bearing liabilities. Net interest margin represents the ratio of net interest income to the yearly average of total interest earning assets; net profit margin represents the ratio of profit after tax to total income; net interest income, which represents our total interest income (on loans and debentures, other interest bearing investments and bank and other deposits) net of total interest expense and other charges on borrowings, upfront fees and issue expenses.

Under financial ratios we measure our profitability using ratios like return on average total assets (ROATA) and return on average net worth (ROANW).

Summary Results of Operations

The following is a summary of the results of our operations derived from our restated financial statements submitted under the section titled "Financial Statements" for the year ended 2004, 2005, 2006 and the six months ended September 30, 2006.

(Rs. in million)

	Fiscal year			Six months ended September 30,
	2004	**2005**	**2006**	**2006**
Income				
Operating Income	28,220.79	28,377.47	30,203.95	17,331.81
Other Income	38.39	69.98	20.26	18.72
Total Income	**28,259.18**	**28,447.45**	**30,224.21**	17,350.53
Expenditure				
Interest and Other Charges	14,219.89	16,032.35	18,648.57	10,942.03
Upfront fees and Issue Expenses	13.99	72.00	76.75	25.75
Non-Interest Expenses	787.66	691.52	356.68	302.24
Total Expenditure	**15,021.54**	**16,795.87**	**19,082.00**	11,270.02
Profit Before Tax & Extraordinary items	**13,237.64**	**11,651.58**	**11,142.21**	6,080.51
Provision for Taxation, Deferred Tax Liability and FBT	4,236.93	3,890.82	2,646.19	1,958.75
Profit After Tax & before Extra ordinary items - (A)	**9,000.71**	**7,760.76**	**8,496.02**	4,121.76
Extra Ordinary Items (Net of Taxes) - (B)	1,183.95	1,944.55	1,258.12	(108.75)
Profit After Tax available for Appropriations - (A) + (B)	**10,184.66**	**9,705.31**	**9,754.14**	4,013.01

Six Months Ended September 30, 2006

Our results for the six months ended September 30, 2006 were primarily affected by the following factors:

- As of December 26, 2005, we discontinued our policy of restructuring interest rates on existing loans. As a result, we did not receive any restructuring premium in the first six month period of fiscal 2007. This is the first fiscal year in which this policy change has had an impact on our results of operations because major restructuring of loans was previously done in the first half of every fiscal year. Any premium we received on interest rate restructuring was previously accounted for as income for the year in which the restructuring was approved. The policy has been discontinued because there has been less re-pricing pressure from our clients given the current rising interest rates scenario.
- Deferred tax liability issues: As a consequence of a reduction in our effective income tax rate from 36.59% in fiscal 2005 to 33.66% in fiscal 2006, our deferred tax liability was reduced due to write back. In the first six months of fiscal 2007 our provision with respect to deferred tax liability of Rs. 697.29 million, created in-line with Indian Accounting Standard 22 and based on the above current tax rates, was not reduced due to write back during this period.
- As indicated in our discussion relating to our critical accounting policies, tax benefits that were previously available to us pursuant to section 10 (23 G) of the Income Tax Act, 1961, were withdrawn with effect from April 1, 2006. This withdrawal has reduced the tax benefits in the first six-month period of fiscal 2007 that were available to us until fiscal 2006.
- Rising interest rate environment and associated competitive pressures: Indian interest rates demonstrated a hardening trend due to growing credit demand in the economy, which directly affected our borrowing costs during the six months ended September 30, 2006. We raised our lending rates on April 1, 2006, May 23, 2006 and August 8, 2006 in order to remain competitive in the market and retain our clients.

- Exchange rate fluctuations, during this period, particularly the depreciation of the Rupee against the US dollar from Rs. 44.86 as at March 31, 2006 to Rs. 46.17 as at September 30, 2006, resulted in exchange loss of Rs. 137.03 million in the first six month period of fiscal 2007. The majority of these exchange losses were due to the repayment of floating rate notes on August 4, 2006 worth Rs. 4,037.40 million as on March 31, 2006.

Total Income

(Rs. in million)

Income	**Six months ended September 30, 2006**
Operating Income	17,331.81
Other Income	18.72
Total Income	**17,350.53**

Income: Total income for the six months ended September 30, 2006 was Rs. 17,350.53 million, comprising Rs. 17,331.81 million of operating income and Rs. 18.72 million of other income.

Expenditure: Our expenditure was Rs. 11,270.02 million for the six months ended September 30, 2006. As a percentage of total income, expenditure was 64.95% for the six months ended September 30, 2006.

(Rs. in million)

Expenditure	**Six months ended September 30, 2006**
Interest and other charges	10,942.03
Upfront fees and issue expenses	25.75
Personnel and administration expenses	233.06
Depreciation	5.96
Amortisation charges – intangible assets	0.12
Provisions for contingencies	63.88
Provisions for decline in value of investments	(0.78)
Total	**11,270.02**

Interest and Other Charges: Our expenditure for interest and other charges was Rs. 10,942.03 million for the six months ended September 30, 2006. As a percentage of total income, expenditure for interest and other charges was 63.06% for the six months ended September 30, 2006.

Upfront fees and issue expenses: Our upfront fees and issue expenses were Rs. 25.75 million for the six months ended September 30, 2006. As a percentage of total income, upfront and issue expenses was 0.15% for the six months ended September 30, 2006.

Personnel and administrative expenses: Our personnel and administrative expenses were Rs. 233.06 million for the six months ended September 30, 2006. As a percentage of total income, personnel and administrative expenses was 1.34% for the six months ended September 30, 2006.

Provisions for contingencies: Our provisions for contingencies were Rs. 63.88 million for the six months ended September 30, 2006. As a percentage of total income, provisions for contingencies was 0.37% for the six months ended September 30, 2006.

Depreciation: Depreciation on our fixed assets was Rs. 5.96 million for the six months ended September 30, 2006. As a percentage of total income, depreciation accounted for 0.03% for the six months ended September 30, 2006.

Profit before tax and extraordinary items.

Our profit before tax and extraordinary items was Rs. 6,080.51 million for the six months ended September 30, 2006. As a percentage of total income, profit before tax was 35.05% for the six months ended September 30, 2006.

Profit After Tax and before extraordinary items.

Our profit after tax but before extraordinary items was Rs. 4,121.76 million for the six months ended September 30, 2006. As a percentage of total income, profit after tax but before extraordinary items was 23.76% for the six months ended September 30, 2006.

Our earnings per share based on profit after tax and before extraordinary items was Rs. 4 per equity share in the six months ended September 30, 2006.

Extraordinary Items

During the six month period ending September 30, 2006 interest restructuring premium was nil due to discontinuation of the interest restructuring scheme for loans. Exchange loss of Rs. 137.03 million was incurred during the six month period ending September 30, 2006 due to the depreciation of the Rupee against the US dollar.

Profit After Tax available for appropriations

We made a net profit of Rs. 4,013.01 million for the six months ended September 30, 2006. Our earnings per equity share was Rs. 3.89 per equity share for the six months ended September 30, 2006.

Fiscal Year Ended March 31, 2006 Compared to Fiscal Year Ended March 31, 2005

Total Income

Our total income increased by 6.25% from Rs. 28,447.45 million in fiscal 2005 to Rs. 30,224.21 million in fiscal 2006.

(Rs. in million)

Particulars	**Year ended March 31,**	
	2005	**2006**
Income		
Operating Income	28,377.47	30,203.95
Other Income	69.98	20.26
Total Income	**28,447.45**	**30,224.21**

Income from Operations: Our income from operations increased by 6.44% from Rs. 28,377.47 million in fiscal 2005 to Rs. 30,203.95 million in fiscal 2006, reflecting an increase in the average volume of financing provided to the power sector as a result of general growth in our business offset in part by a decrease in yields. The general growth in our business was due to several factors, including better economic conditions, greater opportunities in the power sector as a result of regulatory and policy changes and continued demand for debt financing as a result of low interest rates. The average interest earning assets, increased by 20.50% from Rs. 272,204.59 million in fiscal 2005 to Rs. 327,993.39 million in fiscal 2006 primarily due to increasing demand for funds from utilities. Total disbursements during fiscal 2006 increased by Rs. 22,717.30 million compared to fiscal 2005 at the rate of 24.14%.

Due to competitive pressures, yields on our average interest earning assets decreased from an average of 9.97% in fiscal 2005 to 8.90% in fiscal 2006. This decrease also was partially due to lower interest rates on loans with three-year interest reset clauses as compared to lending at fixed rate for full tenure of the loan and interest rate restructuring on existing loans. The policy of restructuring the interest rate on existing loans was introduced in fiscal 2003 to allow non-defaulting borrowers to benefit from lower interest rates provided a certain percentage of premium representing the net present value of the differential between the actual and new rate was paid upfront. This policy has been discontinued with effect from December 26, 2005.

Other Income: Our other income decreased by 71.05% from Rs. 69.98 million in fiscal 2005 to Rs.20.26 million in fiscal 2006, mainly because of the decrease in income tax refunds received in fiscal 2006 from Rs. 45.23 million in fiscal 2005 to nil in fiscal 2006.

Expenditure

Total expenses increased by 13.62% from Rs. 16,795.87 million in fiscal 2005 to Rs. 19,082 million in fiscal 2006. As a percentage of our total income, our expenditure increased to 63.13% in fiscal 2006 compared to 59.04% in fiscal 2005.

(Rs. in million)

Expenditures	**Year ended March 31,**	
	2005	**2006**
Interest and other charges	16,032.35	18,648.57
Upfront fees and issue expenses	72.00	76.75
Personnel and administration expenses	446.27	484.70
Depreciation	13.51	13.94
Amortisation charges – intangible assets	0.24	0.25
Provisions for contingencies	228.20	(144.02)
Provisions for decline in value of investments	3.30	1.81
Total	**16,795.87**	**19,082.00**

Interest and Other Charges: The primary component of our expenditure was interest and other charges related to our borrowings, which increased by 16.32% from Rs. 16,032.35 million in fiscal 2005 to Rs. 18,648.57 million in fiscal 2006. This increase reflects a 22.54% increase in our average interest bearing liabilities from Rs. 207,081.19 million in fiscal 2005 to Rs. 253,758.23 million in fiscal 2006, reflecting our increased borrowings to fund the growth of our financing business. As a percentage of total income, interest payments increased from 56.36%in fiscal 2005 to 61.70% in fiscal 2006, reflecting the greater increase in our cost of funds relative to our yield on interest earning assets.

Upfront fees and issue expenses: Our upfront and issue expenses increased by 6.60% from Rs. 72 million in fiscal 2005 to Rs. 76.75 million in fiscal 2006 primarily due to increase in borrowings.

Personnel and administrative expenses: Our personnel and administrative expenses increased by 8.61% from Rs. 446.27 million in fiscal 2005 to Rs. 484.70 million in fiscal 2006 primarily due to normal increases in pay and allowances.

Provisions for contingencies: In fiscal 2006, we have made fresh provisioning of Rs. 45.61 million. However, on account of realization of past dues and withdrawal of guarantee issued for a borrower, reversal of certain provisions was made to the extent of Rs. 189.63 million. Therefore, our total provisions for contingencies made during the year decreased by 163.11% from Rs. 228.20 million in fiscal 2005 to Rs. (144.02) million in fiscal 2006.

Depreciation: Depreciation on our fixed assets increased marginally from Rs. 13.51 million in fiscal 2005 to Rs. 13.94 million in fiscal 2006.

Profit before tax and extraordinary items.

For the reasons stated above, our profit before tax and extraordinary items decreased by 4.37% from Rs. 11,651.58 million in fiscal 2005 to Rs. 11,142.21 million in fiscal 2006. As a percentage of total income, our profit before tax decreased from 40.96% in fiscal 2005 to 36.87% in fiscal 2006.

Profit After Tax and before extraordinary items.

Our profit after tax but before extraordinary items increased by 9.47% from Rs. 7,760.76 million in fiscal 2005 to Rs. 8,496.02 million in fiscal 2006. The growth was primarily due to lower provisioning for deferred tax liability, which decreased by 60.28%

from Rs. 1,799.52 million in fiscal 2005 to Rs. 714.80 million in fiscal 2006, primarily due to reduction in the corporate tax rate. Our earnings per share based on profit after tax and before extraordinary items increased to Rs. 8.24 per equity share in fiscal 2006 compared to Rs. 7.53 per equity share in fiscal 2005.

Extraordinary Items

Interest restructuring premium: Our income from interest restructuring premium decreased by 50.40% from Rs. 2,117.83 million in fiscal 2005 to Rs. 1,050.51 million in fiscal 2006. This is due to the fact that we have restructured loans to the extent of Rs. 40,576.63 million in fiscal 2006 as compared with Rs. 48,773.31 million in fiscal 2005.

Exchange Gains increased from Rs. 252.09 million in fiscal 2005 to Rs. 470.09 million in fiscal 2006 at the rate of 86.48%. This is primarily due to rupee appreciation against major foreign currencies in fiscal 2006.

Profit After Tax available for appropriations

As a result of the foregoing factors, our profit after tax including extraordinary items net of tax increased by 0.51% from Rs. 9,705.31 million in fiscal 2005 to Rs. 9,754.14 million in fiscal 2006. Our earnings per equity share increased by 0.53% from Rs. 9.42 per equity share in fiscal 2005 to Rs. 9.47 per equity share in fiscal 2006.

Fiscal Year Ended March 31, 2005 Compared to Fiscal Year Ended March 31, 2004

Total Income

Our total income increased by 0.67% from Rs. 28,259.18 million in fiscal 2004 to Rs. 28,447.45 million in fiscal 2005.

(Rs. in million)

Particulars	**Year ended March 31,**	
	2004	**2005**
Income :		
Operating Income	28,220.79	28,377.47
Other Income	38.39	69.98
Total Income	**28,259.18**	**28,447.45**

Income from Operations*:* Our income from operations increased by 0.56% from Rs. 28,220.79 million in fiscal 2004 to Rs. 28,377.47 million in fiscal 2005, reflecting an increase in the average volume of financing provided to the power sector as result of general growth in our business. The general growth in our business was due to several factors, including better economic conditions, greater opportunities in the power sector as a result of regulatory and policy changes and continued demand for debt financing as a result of low interest rates. However, yields on our average interest earning assets decreased from an average of 11.90% in fiscal 2004 to 9.97% in fiscal 2005. Although, the disbursements grew by 4.85% from Rs. 89,741.70 million in fiscal 2004 to Rs. 94,091.50 million in fiscal 2005, the interest income did not see a commensurate rise due to lower interest rates on loans with three-year interest reset clauses as compared to lending at fixed rate for full tenure of the loan and. Our margins also declined due to competitive pressures prevailing in the low interest rate environment.

Loan assets increased by 18.90% from Rs. 248,273.41 million in fiscal 2004 to Rs. 295,200.77 million in fiscal 2005, primarily due to increasing demand for funds from utilities.

Other Income: Our other income increased by 82.29% from Rs. 38.39 million in fiscal 2004 to Rs. 69.98 million in fiscal 2005, mainly because of Rs. 45.23 million in income tax refunds received in fiscal 2005.

Expenditure

Total expenses increased by 11.81% from Rs. 15,021.54 million in fiscal 2004 to Rs. 16,795.87 million in fiscal 2005. As a percentage of our total income, our expenditure increased to 59.04% in fiscal 2005 compared to 53.16% in fiscal 2004.

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Expenditure:		
Interest and other charges	14,219.89	16,032.35
Upfront fees and issue expenses	13.99	72.00
Personnel and administration expenses	372.76	446.27
Depreciation	409.12	13.51
Amortisation charges – intangible assets	0.13	0.24
Provisions for contingencies	5.65	228.20
Provisions for decline in value of investments	-	3.30
Total Expenditure	**15,021.54**	**16,795.87**

Interest and Other Charges: The primary component of our expenditure was interest and other charges related to our borrowings, which increased by 12.75% from Rs. 14,219.89 million in fiscal 2004 to Rs. 16,032.35 million in fiscal 2005. This increase reflects a 21.67% increase in our average interest bearing liabilities from Rs. 170,197.67 million in fiscal 2004 to Rs. 207,081.19 million in fiscal 2005, reflecting our increased borrowings to fund the growth of our financing business. As a percentage of total income, interest payments increased from 50.32% in fiscal 2004 to 56.36% in fiscal 2005, reflecting the greater increase in our cost of funds relative to our yield on interest earning assets.

Upfront fees and issue expenses: Our upfront and issue expenses increased by 414.65% from Rs. 13.99 million in fiscal 2004 to Rs. 72 million in fiscal 2005 primarily due to increase in borrowings.

Personnel and administrative expenses: Our personnel and administrative expenses increased by 19.72% from Rs. 372.76 million in fiscal 2004 to Rs. 446.27 million in fiscal 2005 primarily due to normal increases in pay and allowances and also the payment of arrears of Rs. 21.20 million for incentives due in fiscal 2004 and Rs. 25.90 million in donations made in fiscal 2005.

Provisions for contingencies: Provisions made during the year have increased from Rs. 5.65 million in fiscal 2004 to Rs. 228.20 million in fiscal 2005 due to our fresh provisions in fiscal 2005 made in respect of Rs. 162.51 million in private sector loans and Rs. 65.69 million in state sector loans.

Depreciation: Depreciation on our fixed assets decreased significantly from Rs. 409.12 million in fiscal 2004 to Rs. 13.51 million in fiscal 2005. This decrease was due to fully depreciating certain lease assets in fiscal 2004.

Profit Before Tax and Extraordinary Items

For the reasons stated above, our profit before tax and extraordinary items decreased by 11.98% from Rs. 13,237.64 million in fiscal 2004 to Rs. 11,651.58 million in fiscal 2005. As a percentage of total income, our profit before tax decreased from 46.84% in fiscal 2004 to 40.96% in fiscal 2005.

Profit After Tax and before Extraordinary Items.

Our profit after tax and before extraordinary items declined to Rs. 7,760.76 million in fiscal 2005 from Rs. 9,000.71 million during fiscal 2004, at the rate of 13.78%. Our earnings per share based on profit after tax and before extraordinary items was Rs. 7.53 per equity share in fiscal 2005 compared to Rs. 8.73 per equity share during fiscal 2004.

Extraordinary Items

Interest restructuring premium: Our income from interest restructuring premium has increased from Rs. 1,882.91 million in fiscal 2004 to Rs. 2,117.83 million in fiscal 2005. This is due to Rs. 48,773.31 million of restructured loans in fiscal 2005 compared to Rs. 33,036.48 million in fiscal 2004.

Exchange loss of 401.08 million in fiscal 2004 has declined by 162.85% to become an exchange gain of Rs. 252.09 million in fiscal 2005. This exchange gain in fiscal 2005 was due to the appreciation of the rupee against foreign currencies in fiscal 2005.

Profit After Tax

As a result of the foregoing factors, our profit after tax including extraordinary items decreased by 4.71% from Rs. 10,184.66 million in fiscal 2004 to Rs. 9,705.31 million in fiscal 2005. Our earnings per equity share decreased by 4.66% from Rs. 9.88 per equity share in fiscal 2004 to Rs. 9.42 per equity share in fiscal 2005.

Related Party Transactions

The principal related parties are our affiliates and key management personnel. We do not have any obligation to provide financial support or meet any obligations of these related parties. For further information see "Financial Statements- Statement of Related Party Transactions" beginning on page 159 of this Prospectus.

Liquidity and Capital Resources

Cash flows

As September 30, 2006, we had cash and cash equivalents of Rs. 275.02 million. As of March 31, 2006, we had cash and cash equivalents of Rs. 3,648.38 million, compared to Rs. 3,383.70 million and Rs. 4,523.39 million as of March 31, 2005 and 2004, respectively.

(Rs. in million)

	Year ended March 31,			**For the six months ended September 30, 2006**
	2004	**2005**	**2006**	
Net cash flow from (used in) operating activities including loan disbursements less repayments	(28,161.04)	(35,044.62)	(49,635.42)	(21,983.64)
Net cash flow from (used in) lending and investment activities	92.83	1.15	(74.23)	(16.59)
Net cash flow from (used in) financing activities	31,520.20	33,903.78	49,974.33	18,626.87
Net cash and cash equivalents at the end of the year	4,523.39	3,383.70	3,648.38	275.02

Cash flow used in operations: Our cash flow used in operations decreased by 24.44% from Rs. (28,161.04) million in 2004 to Rs. (35,044.62) million in fiscal 2005 and decreased by 41.63% to Rs. (49,635.42) million in 2006 from fiscal 2005. Our cash flow used in operations as at September 30, 2006 was Rs. (21,983.64) million. Change in our loan assets (net of repayments) is reflected in operating activities whereas the borrowings we make to fund these loans are reflected in financial activities. This is primarily the cause of our negative cash flow from operating activities.

Cash flow used in operations in fiscal 2004 of Rs. (28,161.04) million resulted primarily due to change in loan assets (net of repayments) of Rs. 40,269.13 million, profit before tax and extraordinary items of Rs. 13,237.64 million, a net upward adjustment for various non-cash and miscelleous items of Rs. 565.95 million, an upward adjustment of Rs. 1,509.96 million for changes in working capital, and a downward adjustment of Rs. 4,687.29 million for direct taxes paid net of income tax refund.

Cash flow used in operations in fiscal 2005 of Rs. (35,044.62) million resulted primarily due to change in loan assets (net of repayments) of Rs. 47,145.59 million, profit before tax and extraordinary items of Rs. 11,651.58 million, a net upward adjustment for various non-cash and miscelleous items of Rs. 401.31 million, an upward adjustment of Rs. 308.31 million for changes in working capital, and a downward adjustment of Rs. 2,630.15 million for direct taxes paid net of income tax refund.

Cash flow used in operations in fiscal 2006 of Rs. (49,635.42) million resulted primarily due to change in loan assets (net of repayments) of Rs. 60,689.62 million, profit before tax and extraordinary items of Rs. 11,142.21 million, a net upward adjustment for various non-cash and miscelleous items of Rs. 37.37 million, an upward adjustment of Rs. 658.16 million for changes in working capital, and a downward adjustment of Rs. 2,304.14 million for direct taxes paid.

Cash flow used in operations for the six months ended September 30, 2006 was (Rs. 21,983.64) million, which resulted primarily due to change in loan assets (net of repayments) of Rs. 29,667.95 million, profit before tax and extraordinary items of Rs. 6,080.51 million, a net upward adjustment for various non-cash and miscelleous items of Rs. 143.93 million, an upward adjustment of Rs. 2,724.75 million for changes in working capital, and a downward adjustment of Rs. 1,127.85 million for direct taxes paid.

Cash flow from/(used in) investing activities: Our cash inflow from investing activities in fiscal 2004 was Rs. 92.83 million, and consisted mainly of lease equalization credited by Rs. 167.99 million, a downward adjustment for purchase of fixed assets of Rs. 35.62 million and equity investment in PTC of Rs. 40 million.

Our cash flow from investing activities in fiscal 2005 was Rs. 1.15 million, and consisted mainly of lease equalization credited by Rs. 107.51 million, a downward adjustment for purchase of fixed assets of Rs. 82.60 million and investment in units of Small is Beautiful fund of Rs. 24.24 million.

Our cash flow used in investment activities in fiscal 2006 was Rs. (74.23) million, and consisted mainly of lease equalization credited by Rs. 128.88 million, a downward adjustment for purchase of fixed assets of Rs. 177.33 million and investment in units of Small is Beautiful Fund of Rs. 25.97 million.

Our cash flow used in investing activities for the six months ended September 30, 2006 was Rs. (16.59) million, and consisted mainly of lease equalization credited by Rs. 71.05 million, a downward adjustment for purchase of fixed assets of Rs. 93.22 million.

Cash flow from financing activities: Our cash flow from financing activities was Rs. 31,520.20 million in fiscal 2004, Rs. 33,903.78 million in fiscal 2005, Rs. 49,974.33 million and Rs. 18,626.87 million in the six month period ending September 2006. In six month period ending September 2006, we have raised long term loans of Rs. 7,600 million, short term loans of Rs. 9,850.19 million issued bonds of Rs. 11,500 million. In September 2006 we have repaid our borrowings to the extent of Rs. 6820.59 million (including net increase in foreign currency borrowings) and paid dividends (including dividend tax) of Rs. 1,896.12 million, which in large part accounted for our cash flow from financing activities of Rs. 18,626.87 million.

Financial Condition

The following table sets forth the net assets as of March 31, 2005 and 2006 and September 30, 2006:

(Rs. in million)

	As of March 31,		As of September 30, 2006
	2005	2006	
Total assets	311,455.45	374,903.89	400,852.01
Total liabilities	247,302.88	305,126.70	327,114.23
Net Assets	**64,152.57**	**69,777.19**	**73,737.78**

Our net assets, which we define as our total assets less our total liabilities, increased by 8.77% from Rs. 64,152.57 million as of March 31, 2005, to Rs. 69,777.19 million as of March 31, 2006. Our net assets were Rs. 73,737.78 million as of September 30, 2006.

Assets

The following table sets forth the principal components of our assets as of March 31, 2005 and 2006 and September 30, 2006:

(Rs. in million)

	As of March 31,		**As of September 30, 2006**
	2005	**2006**	
Fixed assets	813.09	846.64	882.58
Investments	140.94	165.11	160.32
Loans	295,200.77	356,025.32	385,629.42
Cash and bank balances	3,383.70	3,648.38	275.02
Loans and advances	5,696.49	7,282.22	6,034.41
Other current assets	6,220.46	6,936.22	7,870.26
Total assets	**311,455.45**	**374,903.89**	**400,852.01**

Our total assets increased by 20.37% from Rs. 3,11,455.45 million as of March 31, 2005 to Rs. 374,903.89 million as of March 31, 2006. The most significant element of this increase was a 20.60% increase in loans, as a result of the growth of our business. Our total assets were Rs. 400,852.01 million as of September 30, 2006, this increase was due to result of growth of our business.

Liabilities

The following table sets forth the principal components of our liabilities as of March 31, 2005 and 2006 and September 30, 2006:

(Rs. in million)

	As of March 31,		**As of September 30, 2006**
	2005	**2006**	
Loan funds (unsecured)	216,482.40	269,248.19	291,445.12
Deferred tax liability	8,990.06	9,704.86	10,402.15
Interest subsidy fund from government	11,558.95	12,003.30	10,396.69
Current liabilities	5,203.48	5,849.69	9,693.52
Provisions	5,067.99	8,320.66	5,176.75
Total liabilities	**247,302.88**	**305,126.70**	**327,114.23**

Our total liabilities increased by 23.38% from Rs. 247,302.88 million as of March 31, 2005 to Rs. 305,126.70 million as of March 31, 2006. This consisted mainly of a 24.37% increase in our loan funds as a result of the growth in our business. Our total liabilities were Rs. 327,114.23 million as of September 30, 2006, this increase was due to higher borrowings to meet lending requirements.

Capital Resources

The following are the sources of funding for our operations:

(Rs. in million)

	Fiscal		Six months ended September 30,
	2005	2006	2006
Shareholders funds	**64,152.57**	**69,777.19**	**73,737.78**
- *Capital*	*10,304.50*	*10,304.50*	*10,304.50*
- *Free reserves and surplus*	*49,670.46*	*54,750.77*	*58,458.36*
- *Reserve for bad and doubtful debts*	*4,177.61*	*4,721.92*	*5,027.34*
Less: Miscellaneous expenditure			*52.42*
Loan Funds	**216,482.40**	**269,248.19**	**291,445.12**
Deferred tax liability (net of assets)	**8,990.06**	**9,704.86**	**10,402.15**
Interest subsidy fund from government	**11,558.95**	**12,003.30**	**10,396.69**
Total	**301,183.98**	**360,733.54**	**385,981.74**

Shareholders' funds: As of September 30, 2006, our total shareholders' funds were Rs. 73,737.78 million, consisting of share capital of Rs. 10,304.50 million, free reserves and surplus of Rs. 58,458.36 million and reserve for bad and doubtful debts u/s 36(1)(viia)(c) of Rs. 5,027.34 million. After the Issue, the government's shareholding will be 89.78% of the fully diluted post Issue paid up equity capital of our Company. Equity from investors was a significant source of funding for us in the earlier years of our operations. With the growth of our business, we have become more reliant on other sources of funding, such as borrowings. Our cash flow from operations, which is discussed above, contributes to our liquidity, reserves and surplus on an ongoing basis.

Placements of bonds and debentures: A major source of our financing is placements of bonds and debentures with institutional investors such as banks, mutual funds and insurance companies. As of September 30, 2006, we had aggregate outstanding domestic bonds and debentures of Rs. 123,069.64 million. A proportion of these bonds are guaranteed by the government. As of September 30, 2006, the Government guaranteed Rs. 965.07 million, or 0.78% of our bonds and debentures.

Commercial Borrowings: We also make medium to long-term borrowings through term loans from banks and financial institutions and issue of bonds. We make short-term borrowings through loans from banks, the issuance of commercial paper and certificates of deposits. As of September 30, 2006, the aggregate amount of outstanding commercial borrowings was Rs. 147,887.16 million which includes short term borrowings of Rs. 31,105.10 million and long term borrowings of Rs. 116,782.06 million.

Foreign Currency Borrowings: As of September 30, 2006, we had foreign currency borrowings outstanding of US$ 240.17 million, Japanese Yen 18,262.05 million and Euro 36.24 million, the total of which was equivalent to approximately Rs. 20,488.32 million.

Deferred Tax Liability (net of assets): Deferred tax liability (net of assets) has increased from Rs. 8,990.06 million as of March 31, 2005 to Rs. 9,704.86 million as of March 31, 2006 and to Rs. 10,402.15 million as of September 30, 2006.

Interest subsidy fund from the GoI: The interest subsidy fund from the GoI of Rs. 10,396.69 million as of September 30, 2006 includes interest accrued of Rs. 552.88 million. Rs. 1,606.61 million of the interest subsidy was passed on to borrowers during the six month period ending September 30, 2006. The interest subsidy fund from the GoI of Rs. 12,003.30 million as of March 31, includes interest accrued of Rs. 1,077.23 million thereon and Rs. 2,427.02 million received from MoP, GoI in fiscal 2006. Rs. 3,059.89 million of the interest subsidy was passed on to borrowers in fiscal 2006.

Off-Balance Sheet Arrangements and Financial Instruments

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as of March 31, 2005, 2006 and as of September 30, 2006.

(Rs. in million)

	Fiscal 2005	Fiscal 2006	Half year ended 30.09.2006
On account of guarantees issued	1,826.56	1,552.33	1,503.85
Letter of Comfort issued (net of disbursement)	0.00	23,657.00	19,908.61
Contracts remaining to be executed on capital accounts and not provided for	95.95	72.39	14.78
Appeal filed by DDA before Ministry of Urban Development	0.00	99.94	99.94
Appeal filed by Income Tax Deptt. pending before ITAT	80.08	80.08	166.93
Total	**2,002.59**	**25,461.74**	**21,694.11**

Contingent liabilities increased from Rs. 2.002.59 million as of March 31, 2005 to Rs. 25,461.74 million as of March 31, 2006 and to Rs. 21,694.11 million as of September 30, 2006. The main reason for the increase in contingent liabilities in fiscal 2006 and six month ended September 30, 2006 was an issue of letter of comfort (net of disbursement) amounting to Rs. 23,657 million in fiscal 2006 and Rs. 19,908.61 million for the six months ended September 30, 2006. We offer comfort letters against our sanctioned term loans to enable the borrower to establish a Letter of Credit with its banker. The Letter of Comfort is issued only in cases where it is a prerequisite for engineering, procurement and construction contracts or equipment supply contracts of projects financed by us. When we make a disbursement against a letter of comfort, the amount so disbursed gets converted into a loan asset and value of letter of comfort gets reduced by amount disbursed. The amount outstanding on account of letters of comfort issued by us as on September 30, 2006 is Rs. 19,908.61 million.

Undisbursed Approvals

As of September 30, 2006, we had undisbursed approvals net of cancellations of Rs. 461,509.30 million. We disburse the funds related to these approvals upon the fulfillment of the conditions specified in our approval letters.

Foreign Exchange and Derivative Transactions

We have entered into hedging transactions against foreign currency liabilities. As on September 30, 2006 to mitigate exchange rate risk of USD/JPY leg, approximately Japanese Yen 1,904 million had been hedged through forward contracts and Japanese Yen 4,800 million through options. Further, to cover USD/INR risk USD 180 million has been hedged through principal only swaps. Similarly, to mitigate interest rate risk various interest payments had been hedged through forward rate agreements and interest rates swaps.

Further, as on September 30, 2006, we had entered into derivative transactions or lent in foreign currency to cover 68.92% of our foreign currency principal exposure. Further, we have also entered into derivative transactions or lent in foreign currency to cover 58.09% of our foreign currency interest rate risk.

Capital Expenditure

Our business has not in the past required, and is not in the future expected to require, substantial capital expenditure. Our fixed assets of Rs. 882.58 million as of September 30, 2006 consist mainly of computers, office equipments, and furniture and capital work in progress. Our capital expenditure for the six month period ended September 30, 2006 was Rs. 93.22 million.

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments consist principally of the following, as of September 30, 2006, classified by maturity:

(Rs. in million)

Payment by period	**September 30, 2006 to March 31, 2007**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**Beyond 2011-12**	**Total**
Long term debt	24,024.59	44,739.37	42,470.34	35,096.09	34,822.33	13,173.48	71,410.40	265,736.61
Short term debt	14,705.10	16,400.00	-	-	-	-	-	31,105.10
Guarantees	109.29	177.86	177.86	177.86	177.86	177.86	505.30	1,503.84
Total Contractual cash obligations	**38,838.93**	**61,317.23**	**42,648.20**	**35,273.95**	**35,000.20**	**13,351.34**	**71,915.70**	**298,345.55**

Note: Exchange rate as on September 30, 2006 has been used for all conversion in the above table.

Significant Developments after September 30, 2006 that may affect the future of our operations

Since September 30, 2006, the following significant events have occurred. We anticipate that each of these events may have an impact on our financial condition and results of operations in future fiscal periods:

- We received in-principle approval from the RBI on November 29, 2006 (vide letter no FED.CO.ECBD/03.02.766/2006-07), to commence borrowings for an amount equivalent to USD 500 million through an issue of fixed rate notes under a medium term note program. This will help us to broaden our lender base and the amounts raised will be used for lending to eligible projects for their capital expenditure.
- On December 02, 2006, we concluded a Rs. 19,072 million borrowing program, which comprised Rs. 14,512 million 10 year Series A bonds and Rs. 4,560 million 3 year Series B bonds, subscribed by various Bond holders on a private placement basis and the proceeds of the same were, and will continue to be used for lending to eligible projects.
- We have issued letters of intent on December 28, 2006, awarding the Sasan and Mundra projects to successful bidders, namely to the consortium of Globeleq Pte, Singapore and Lanco Infratech Limited (levelised tariff of Rs. 1.196 per unit) for the Sasan project and Tata Power Limited (levelised tariff of Rs. 2.263 per unit) for the Mundra project.
- We have also incorporated one subsidiary for an UMPP located in Tamil Nadu and two subsidiaries for two transmission projects on lines similar to that of UMPPs.
- Our Company being a government company was exempt by the RBI from the applicability of the provisions of the RBI Act relating to maintenance of liquid assets, creation of reserve funds and the directions relating to acceptance of public deposits and prudential norms. The RBI vide its notification (No. RBI/2006-07/204/DNBS.PD/CC.No. 86/03.02.089/2006-07) dated December 12, 2006 has amended the regulatory framework governing NBFCs and has proposed to bring all deposit taking and systemically important companies, which are defined as NBFCs having an asset size of Rs. 1,000 million or more under the provisions of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 **("Directions").** However, the date from which Govt owned NBFCs are to fully comply with these guidelines will be decided later. Such companies including ourselves are therefore, required to prepare a road map for compliance with various elements of the NBFC regulations, in consultation with the Govt of India and submit the same to the Reserve Bank of India (Department of Non – Banking Supervision) by March 31, 2007. Given the very recent introduction of this notification, the uncertainities surrounding the date of its implmentation and applicability to our organization, it is difficult to accurately assess the impact it will have on our operations going forward. However, we cannot assure you that the introduction of this notification and its applicability to us will not have a material adverse effect on our future financial condition and results of operations.
- The Reserve Bank of India vide its notification (No. RBI/2006-07/205/DBOD.No. FSD.BC.46/24.01.028/2006-07) dated December 12, 2006 has amended the regulatory framework governing banks to address concerns arising from divergent

regulatory requirements for banks and NBFCs. This notification reduces the exposure (both lending and investment, including off balance sheet exposures) of a bank on NBFCs like ourselves. Accordingly, exposure limits on our Company will be reduced from the current 25% of the banks capital funds to 15% of its capital funds. Furthermore, RBI has suggested that banks may consider fixing internal limits for their aggregate exposure to all NBFCs put together, which may cause bank exposure on our company, to reduce considerably. The requirements of this notification are scheduled to take effect on banks from the end of March 2007. However, the RBI has allowed banks, that are unable to comply with aforesaid notification, to approach them to seek more time for compliance. Due to our specialized role as a sector specific financial institution, we intend to request that the RBI reconsider the applicability of this notification to our organization. However, we cannot assure you that the introduction of this notification and its applicability to us will not have a material adverse effect on our future financial condition and results of operations.

- Our Board of Directors vide their resolution dated January 9, 2007 have declared an interim dividend of Rs. 1,450 million (14.07%) for the fiscal 2007. The total dividend tax payable on the interim dividend is Rs. 203.40 million. This interim dividend shall only be paid to current shareholders as on the date of filing the Red Herring Prospectus.

Analysis of Certain Changes

Unusual or infrequent events or transactions

To our knowledge there have been no unusual or infrequent events or transactions that have taken place during the last three years, except as disclosed as extraordinary items and fixed assets in this section.

Significant economic changes

From fiscal 2003 until December 26, 2005, declining interest rates led to re-pricing of our loans as borrowers took advantage of the more attractive interest rate environment to reduce their borrowing costs. Furthermore, there was a significant increase in funds available for loan financing in the Indian financial system, which lead to increased competition among lenders for loan assets, thereby contributing to pressure on loan pricing. These economic events impacted our financial results in these periods. There was a rise in ineterst rates during the half year ended September 30, 2006, which affected our business and results of operations as described in "Summary Results of Operations – Six months Ended September 30, 2006" above.

Known trends or uncertainties

Our business has been impacted and we expect will continue to be impacted by the trends identified above in "Factors Affecting our Financial Results" beginning on page 176 of this Prospectus and the uncertainties described in the section titled "Risk Factors" beginning on page xii of this Prospectus. To our knowledge, except as we have described in this Prospectus, there are no known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.

Seasonality of business

Our business is not affected by any seasonal changes.

Increase in our revenue

In addition to increase in the volume of our lending and investing activities, the introduction of new products and services in the ordinary course of business would also contribute to increase in our revenue.

Significant Regulatory Changes

Except as described in the section titled "Regulations and Policies in India" beginning on page 103 of this Prospectus, there have been no significant regulatory changes that could affect our income from continuing operations.

Future relationship between expenditure and revenues

Except as described in "Risk Factors", "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Statistical Information" on beginning on pages xii, 50, 176 and 167 of this Prospectus respectively, to the best of our knowledge, there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

New products or business segment

We develop new products from time to time based on needs of our clients. Apart from the new products under development as mentioned in section titled "Our Business" beginning on page 50 of this Prospectus, we have no current plans to develop new products or establish any new business segments.

Dependence on a few customers

As described in the section titled "Selected Statistical Information - Concentration of Total Exposure" beginning on page 171 of this Prospectus, our infrastructure loans are concentrated in the energy sector and to certain borrowers.

Competitive conditions

We expect competition to increase in the infrastructure lending sector due to, among other things, the increase of new participants, as described in above in "Factors Affecting Our Financial Results" on page 176 and in the section titled "Risk Factors" beginning on page xii of this Prospectus.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors, our Subsidiaries, that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional / bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against us, our Directors, our subsidiaries, as of the date of this Prospectus.

I. Litigation against and Contingent Liabilities of our Company:

A. Contingent liabilities not provided for as of September 30, 2006

(Rs. in million)

Contingent Liabilities	**Amount**
On account of guarantees issued	1,503.85
Letter of Comfort Issued (net of disbursements)	19,908.61
Contracts remaining to be executed on capital accounts and not provided for	14.78
Appeal filed by the DDA before the Ministry of Urban Development	99.94
Appeal filed by the IT Department pending before the ITAT	166.93
Total	**21,694.11**

B. Pending litigation against our Company:

1. Income Tax Cases:

There are thirteen income tax cases involving us which are pending before various appellate authorities, tribunals in India. These cases pertain to appeals we have filed in relation to demands raised on us for various assessment years. We have deposited these demands with the Income Tax Department from time to time. However, we have also filed appeals against the demands. The total amount claimed by us, against the Income Tax Department aggregate to Rs. 2,242.57 million. However, in relation cases pertaining to the assessment years 1996-1997, 2000-2001, 2001-2002 and 2002-2003, the Income Tax Department has appealed against the refunds of Rs. 166.93 million granted to us in relation to the aforesaid assessment years. The details of these are as follows.

a) Assessment Year 1995-1996

The Assessing Officer, Income Tax Department ("I.T. Department") via order dated March 26, 2002 raised a demand of Rs. 30.58 million for the assessment year 1995-1996, in relation to disallowance of a deduction of Rs. 113.69 million as provision for bad and doubtful debts on the grounds that we had not made any provision in the books of accounts. We filed an appeal with the Commissioner Income Tax ("CIT") (Appeals), XVII, New Delhi who whilst allowing our claim with respect to bad and doubtful debts, upheld the action of the Assessing Officer in re-opening the assessment vide order dated February 17, 2003. We have filed an appeal on April 17, 2003 before the Income Tax Appellate Tribunal ("ITAT"), Delhi against the order of the CIT (Appeals) challenging the re-opening of the assessment. Arguments in relation to this case have been completed and currently the order is awaited. There is no demand due against us in this case.

b) Assessment Year 1996-1997

The Joint CIT, Special Range, 22, New Delhi via order dated March 22, 1999 raised a demand of Rs. 94.51 million in relation to assessment year 1996-1997, by disallowing a deduction on provision for bad and doubtful debts primarily on the grounds that we had not made any provision in the books of accounts. Furthermore, deduction on account of depreciation and prior period expenses was disallowed and deduction in respect of provision for special reserve was partly disallowed. We deposited the demand of Rs. 94.51 million raised by the assessing officer and filed an appeal with the CIT (Appeals), Delhi, who via order dated December 14, 1999 partially allowed our claim in respect to deduction of special reserve, however disallowed our claim of deduction for bad and doubtful debts. Consequently, an amount of Rs. 80.08 million was refunded to us. The I.T. Department filed an appeal (Appeal No: 994/Del/2000) against the grant of refund of Rs. 80.08 million. Our Company also filed an appeal (Appeal No: 1062/Del/2000) before the ITAT, Delhi, on March 9, 2000 against the order of the CIT (Appeals) for not granting certain relief's prayed for. The ITAT via its order (No. I.T.A No. 1062/Del/2000) dated August 11, 2006 has allowed deduction under section 36(i) (viiia) (c) relating to provision for bad and doubtful debts and special reserve on lease income. However, in respect of allocation of expenses on interest on investments equal to projected three months disbursement, interest on inter-corporate deposits and guarantee fees. The matter has been restored to the file of the Assessing Officer. Consequently, the total impact of the order of ITAT is not ascertainable. The Company has filed an appeal on December 8, 2006 before the High Court, New Delhi against the order of the ITAT.

c) *Assessment Year 1997-1998*

The Joint CIT Special Range 22, New Delhi via order dated March 30, 2000 raised a demand of Rs. 359.87 million in relation to assessment year 1997-1998 while disallowing a deduction on provision for bad and doubtful debts on the grounds that we had not made any provision in the books of accounts. Furthermore, the Joint CIT Special Range, disallowed deduction for unavailed leave encashment, prior period expenditure and partly disallowed deduction claimed under the provision for special reserve. On an appeal to the CIT (Appeals), Delhi, our appeal was partly allowed vide order dated January 13, 2003. We have filed an appeal (Appeal No: 1164/DEL/03) on March 13, 2003 before the ITAT, Delhi. The case has been listed for hearing in April 2007. However, the demand raised by the Assessing Officer has been deposited by us.

d) *Assessment Year 1998-1999*

The Joint CIT Special Range-22, New Delhi via order dated March 22, 2001 as rectified by order dated December 4, 2002 raised a demand of Rs. 259.77 million in relation to assessment year 1998- 1999 while disallowing a deduction on provision for bad and doubtful debts on the grounds that we had made no provision in the books of accounts. Furthermore, the Assessing Officer partly disallowed the deduction in relation to special reserve. On an appeal to the CIT (Appeals), Delhi our appeal was partly allowed vide order dated January 31, 2003. We have filed an appeal (Appeal No: 1520/Del/2003) before the ITAT, Delhi on April 3, 2003, which has been listed for hearing on April 11, 2007. However, the demand raised by the Assessing Officer has been deposited by us.

e) *Assessment Year 1999-2000*

The Deputy Commissioner of Income Tax, Range 14, New Delhi raised a demand of Rs. 149.07 million on us via order dated March 30, 2002 as modified by order dated April 24, 2002 on the grounds of disallowance of deduction on provision for bad and doubtful debts. Furthermore, deduction in relation to the provision for special reserve was partly disallowed. We filed an appeal with the CIT (Appeals) XVII, New Delhi who vide order dated March 6, 2003 partly allowed our claim. Our Company has filed an appeal (Appeal No: 2310/D/03) on May 6, 2003 before the ITAT, New Delhi which has been listed for hearing on April 11, 2007. However, the demand raised by the Assessing Officer has been deposited by us.

f) *Assessment Year 2000- 2001*

The Deputy Commissioner of Income Tax, Circle 14(I), New Delhi raised a demand of 308.29 million via order dated January 27, 2003 as rectified by order dated August 28, 2003 on the grounds of disallowance of deduction on provision for bad and doubtful debts. Furthermore, deduction in relation to the provision for special reserve was partly disallowed. On an appeal to the CIT (Appeals) XVII, New Delhi, our claim was partly allowed vide order dated December 5, 2003 as rectified by order dated June 11, 2004. Appeals before the ITAT, New Delhi have been filed by the Income Tax Department (Appeal No: 1105/D/04) against a refund of Rs. 83.22 million and by the Company (Appeal No: 3558) on February 12, 2004, as revised on August 12, 2004 (Appeal No: 713/04) on receipt of the rectification order dated June 11, 2004. The Company's appeal has been listed for hearing on April 11, 2007. However, the demand raised by the Assessing Officer has been deposited by us.

g) *Assessment Year 2001-2002*

i) The Additional Commissioner of Income Tax, Range 14, New Delhi raised a demand of Rs. 451.41 million via order dated November 28, 2003 as rectified by order dated March 29, 2004 and August 27, 2004 on the grounds of disallowance of deduction on provision for bad and doubtful debts. Furthermore, deduction in relation to the provision for special reserve and exempted income was partly disallowed. On an appeal to the CIT (Appeals) our claim was partly allowed vide order dated October 1, 2004. We have filed an appeal (Appeal No: 4592/04) before the ITAT, New Delhi on December 8, 2004. The case has been listed for hearing on April 11, 2007. However, the demand raised by the Assessing Officer has been deposited by us.

ii) We filed an application for rectification on June 30, 2003 for interest on refund accruing on account of revised return filed from April 1st of the assessment year till the date of filing revised return. The Assistant CIT, Circle 12(1) New Delhi vide order dated December 10, 2003 rejected our claim on the grounds that the proceedings resulting in refund are delayed for reasons attributable to us. On an appeal to the CIT (Appeals) - XVII, New Delhi while passing a consolidated order for the assessment years 2001-2002 and 2002-2003 partly allowed our claim via order dated August 25, 2004. Appeals before the ITAT, New Delhi have been filed by the Income Tax Department (Appeal No: 4767/D/04) against a refund of Rs. 2 million and by the Company (Appeal No: 5347/D/04) on October 20, 2004. The amount in dispute, which has been claimed by us, in this case is Rs. 3.69 million. The next date of hearing is yet to be fixed.

h) Assessment Year 2002-2003

i) The Additional Commissioner of Income Tax, Range 14, New Delhi raised a demand of Rs. 385.76 million via order dated January 30, 2004 as rectified by order dated August 27, 2004 on the grounds of disallowance of deduction on provision for bad and doubtful debts. Furthermore, deduction in relation to the provision for special reserve and exempted income was partly disallowed. On an appeal to the CIT (Appeals) our claim was partly allowed vide order dated October 4, 2004. We have filed an appeal (Appeal No: 4593/04) before the ITAT, New Delhi on December 8, 2004. The case has been listed for hearing on April 11, 2007. However, the demand raised by the Assessing Officer has been deposited by us.

ii) The Deputy CIT, New Delhi via order dated August 27, 2004 disallowed our claim of interest on refund accruing on account of revised return filed from April 1st of the assessment year till the date of filing revised return. On an a–peal to the CIT (Appeals) - XVII, New Delhi while passing a consolidated order for the assessment years 2001-2002 and 2002-2003 partly allowed our claim via order dated August 25, 2004. Appeals before the ITAT, New Delhi have been filed by the Income Tax Department (Appeal No: 4768/D/04) against a refund of Rs. 1.63 million and by the Company (Appeal No: 5348/D/04) on October 20, 2004. The amount in dispute, which has been claimed by us, in this case is Rs. 3.25 million. The next date of hearing is yet to be fixed.

i) Assessment Year 2003-2004

The Additional CIT, Range 14, New Delhi raised a demand of Rs. 448.84 million while disallowing deduction on provision for bad and doubtful debts on the grounds that we had not made any provision in the books of accounts via order dated February 27, 2004. Further, the Additional CIT partly disallowed deduction in relation to the special reserve and exempted income. The CIT (Appeals) XVII, New Delhi, partly allowed our appeal vide order dated October 4, 2004. We have filed an appeal (Appeal No: 5349/D/04) on December 8, 2004 before the ITAT, Delhi against the order of the CIT (Appeals). The next date of hearing is yet to be fixed. However, the demand raised by the Assessing Officer has been deposited by us.

j) Assessment Year 2004-2005

The Assessing Officer raised a demand of Rs. 638.81 million against us via order dated January 31, 2005 as rectified vide order dated February 15, 2005, while disallowing a deduction on provision for bad and doubtful debts, and partly disallowing deduction in relation to the provision for special reserve, exempted income and making addition in respect of income not recognized in the books of accounts among other grounds. We have filed an appeal [Appeal No: 296/2004-05] on March 1, 2005 before the CIT (Appeals) – XVII, New Delhi which is pending. However, the demand raised by the Assessing Officer has been deposited by us.

k) Assesment Year 2005-2006

The Additional Commissioner of Income Tax, Range-14, New Delhi raised a demand of Rs. 236.40 million against us via order dated July 27, 2006 while partly disallowing a deduction on provision for bad and doubtful debts, and partly disallowing deduction in relation to the provision for special reserve, exempted income. We have filed an appeal (No. 39/05-06) on August 25, 2006 before the CIT (Appeals) – XVII, New Delhi which has been listed for a hearing on March 5, 2007. However, the demand raised by the Assessing Officer has been deposited by us.

2. Civil Cases:

In addition, there is one civil suit and one writ petition pending against us before various courts in India. The claims under the civil suits cannot be quantified since no monetary amounts have been claimed in the complaints. The details of these are as follows.

a) Bihar State Hydroelectric Power Corporation Limited ("BSHPCL") has filed a suit [O. A. No. 173 of 2005] before the Subordinate Judge 1, Civil Court, Patna, against us seeking a declaration that we are not entitled to claim more than double the principal amount of loan sanctioned and that the loan sanctioned by us stands liquidated on account of full repayment of the principal amount of the loan granted by us. BSHPCL has also prayed for an interim injunction restraining our Company from making any claim on the loan amount beyond double the amount of the principal. The next date of hearing is February 19, 2007.

b) Mr. A.K. Verma, employee with our Company, has filed a writ petition [C.W.P. No. 2470 of 2003] against us, the Union of India and Satluj Jal Vidyut Nigam Limited before the High Court of Delhi challenging the validity of the order issued by our Company, terminating his lien on his position in our Company, before he could exercise his rights. Mr. Verma has prayed for our order to be quashed. The next date of hearing has been fixed on February 23, 2007 for arguments.

3. Miscellaneous Cases:

a) We are involved in a dispute with the Delhi Development Authority ("DDA"), in relation to allotment of land to us by the DDA in Madangir, Delhi, for which our Company had deposited an amount of Rs. 299.20 million with the DDA. However, the DDA failed to handover possession of the said land to us. We have claimed interest on the amount deposited with the DDA at 25% per annum, whilst the DDA has offered to refund the amount deposited with them with an interest of 7% per annum. We have also claimed a compensation of Rs. 1.5 million due to lapse of the stamp duty papers submitted to the DDA for registration of the plot of land at Madangir. Subsequently, both parties involved agreed to refer the matter to the Secretary, Ministry of Urban Development, New Delhi for an amicable resolution. The Secretary chaired a meeting between both the parties on March 2, 2005 and arrived at a settlement in that, DDA should pay simple interest on the amount deposited by us to DDA for the plot at Madangir at the RBI rate on term deposit for the period 1996 to 1998 in place of 7% per annum paid to our Company by the DDA. Further, under the terms of the settlement, the DDA is to compensate the loss of Rs. 1.5 million being 10% of the value of the stamp paper deposited by our Company with the DDA for registration of the plot of land at Madangir. Pursuant to the above resolution, we have revised the claim from Rs. 390.30 million to Rs. 41.80 million, which was accordingly conveyed to the DDA. The DDA in response has made a counter claim for Rs. 99.9 million on account of money owed by our Company to the DDA. The matter is under consideration with the Ministry of Urban Development, GoI for compliance of the settlement. The matter is still under dispute.

C. Legal notices received by our Company

We have received a legal notice dated May 6, 2006 from advocate Prashant Bhushan on behalf of the Narmada Bachao Andolan in relation to our financial assistance granted to the Shree Maheshwar Hydel Project Corporation Limited ("SMHPCL") in relation to the Maheshwar project in Madhya Pradesh. The Narmada Bachao Andolan, through their advocate, has requested our Company not to grant any further financial assistance to the SMHPCL and has requested our Company to declare our existing loan to them as a non-performing asset and recover all outstanding defaults from the SMHPCL by invoking the personal guarantees of the directors and the promoter's and the corporate guarantees of the associate companies. The Narmada Bachao Andolan, through their advocate, has requested our Company to furnish them with certain documents and asked us to send them our response within two weeks. Further, on June 15, 2006 we have received another legal notice from advocate Prashant Bhushan requesting our Company to not grant any financial assistance to SMHPCL and to recall the money already invested.

D. Miscellaneous proceedings involving our Company

a) IMP Powers Limited, our borrower, has moved an application [Company Application No. 97 of 2006] before the High Court of Judicature at Bombay under Section 391 of the Companies Act on April 7, 2006 for approval of a scheme of compromise/arrangement between IMP Powers Limited and its secured creditors, including our Company. Accordingly, the High Court of Judicature at Bombay issued notice to the secured creditors, including our Company and the applicant for convening a meeting on May 20, 2006 to approve the scheme of compromise/arrangement of IMP Powers Limited. In the meeting held on May 20, 2006, the secured creditors have cast their votes in relation to the compromise/arrangement. The High Court order is currently awaited.

E. Litigation filed by our Company

There are two civil suits filed by us pending before various courts and tribunals in India. The aggregate amount claimed by us in these cases is approximately Rs. 71.96 million. The details of these are as follows.

a) We have filed a suit against BSHPCL [O.A. No. 116 of 2004] before the Debts Recovery Tribunal, Delhi seeking repayment of outstanding loan (Loan No: 47302001) amount of Rs 58.94 million which had been sanctioned by our Company to BSHPCL. BSHPCL has made an application requesting for a permanent injunction to be granted against our Company which is pending. The next date of hearing has been fixed on February 26, 2007.

b) We have filed a suit against BSHPCL suit [O.A. No. 117 of 2004] before the Debts Recovery Tribunal, Delhi seeking repayment of outstanding loan (Loan No: 47302002) amount of Rs 13.02 million which had been sanctioned by our Company to BSHPCL. BSHPCL has made an application requesting for a permanent injunction to be granted against our Company. The next date of hearing has been fixed on February 26, 2007.

II. Material Developments:

Except as stated in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 176 of this Prospectus, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of its consolidated assets or our ability to pay material liabilities within the next 12 months.

III. Litigation against our Directors:

None of our Directors have any outstanding litigation towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non-payment of statutory dues, in their individual capacity or in connection with us and other companies with which the Directors are associated.

IV. Litigation against our subsidiaries:

There is no litigation pending against any of our subsidiaries before any court, authority or tribunal in India.

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake this Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Prospectus.

I. Approvals for the Issue

a) The Board of Directors has, pursuant to resolutions passed at its meetings held on January 31, 2006 and September 13, 2006, authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

b) The shareholders have, pursuant to resolutions dated February 3, 2006 and December 6, 2006 under Section 81(1A) of the Companies Act, authorised the Issue.

c) The President of India through the MoP vide Letter No. 32024/36/2003-PFC Desk dated January 6, 2006 has granted approval for intital public offer of 10% of pre-issued paid capital and disinvestment of 5% of the GoI shareholding in our Company. This approval has been partially modified by the President of India through the MoP vide Letter No. 3/2/2006-PF Desk-Vol. II dated November 30, 2006, whereby approval has been granted to our Company to issue fresh equity shares through an initial public offer of 117,316,700 Equity Shares constituting 10.22% of our post issue paid up capital.

d) SEBI Letter No.CFD/DIL/SC/64911/2006 dated April 10, 2006 granting its approval for relaxing the strict enforcement of the condition (c) of Rule 19(2)(b) of the Securities Contract Regulation) Rules, 1957.

e) The MoP has vide its approval (No. 3/5/2006-PF-Desk) dated December 9, 2006 granted Presidential consent for the lock-in of 20% of the fully diluted post Issue paid up equity share capital of our Company for three years from the date of Allotment and lock-in of the balance pre Issue equity share capital of our Company for a period of one year from the date of Allotment.

II. Approvals for our business

We have received the following government and other approvals pertaining to our business:

Description	Reference No.	Date of Issue	Date of Expiry
Registration under section 45 IA of the Reserve Bank of India Act, 1934 as a NBFC.*	14.00004	February 10, 1998	Not applicable.
Permanent Account Number.	AAACP1570H	February 8, 1996	Not applicable.
TAN.	DELP08697D	2004	Not applicable.
Allotment of Service Tax code Number.	STC No: AAACP1570HST001 Location Code: 041604	September 1, 2005	Not applicable.
Registration under section 69 of the Finance Act, 1994 on management consultancy, banking and financial service and consulting engineers.	DLI/ST/MC /624/Power/2001 DLI/ST/B&FS/624/Power/2001 DLI/ST/CE /624/Power/2001	April 30, 2001 April 15, 2004, w.e.f. March 18, 2004 August 12, 2005, w.e.f. July 18, 2005	Not applicable.
Registration under the Andhra Pradesh Value Added Tax Act, 2005.	TIN: 28430157708	March 22, 2005, w.e.f. April 1, 2005	Not applicable.
Registration under the Andhra Pradesh General Sales Tax Act, 1957.	RC. No. ABS/09/1/2567/96-97	July 5, 1997, w.e.f. March 1, 1997	Valid until cancelled.

Description	Reference No.	Date of Issue	Date of Expiry
Registration under the Central Sales Tax Act, 1956 for business in Andhra Pradesh.	CST No. ABS/09/1/2126/97-98	July 5, 1997	Valid until cancelled.
Registration of the copyright of our Company's logo under section 45 of the Copyright Act, 1957.	A 649691/2003	July 10, 2003	Not applicable.
Registration under the Rajasthan Sales Tax Act, 1994.	08641608994	January 7, 2005, w.e.f. April 1, 2004	Valid until cancelled.
Registration under the Central Sales Tax, 1956 for Rajasthan.	08641608994(Central)	January 7, 2005, w.e.f. October 30, 2004	Valid until cancelled.
Registration under the Central Sales Tax, 1956 for Maharashtra.	110001/NRC-09	April 23, 1997, w.e.f. January 7, 1997	Valid until cancelled.
Registration under the Bombay Sales Tax Act, 1959.	110001/NRS-10	July 21, 1999, w.e.f. January 25, 1999	Valid until cancelled.
Recognition of our Company's Employees Provident Fund under Rule 3(1) of Part A of Schedule IV of the I.T. Act.	F. No. CIT.VIII/PF-207/ 90-91/2648	March 3, 1991. However, order effective from March 30, 1989	Not applicable.
Exemption under Section 17(1)(a) of the Employee Provident Fund Act, 1952.	E/DL/14037/Relaxed/318	April 23, 1993	Not applicable.
Registration of the Power Finance Corporation Employees Union under the Indian Trade Unions Act, 1926.	No. 4153	September 20, 1991	Not applicable.
Registration under the Maharashtra Sales Tax on Transfer of the Right to use any Goods or any purpose Act, 1985	L/NR-00031	May 25, 1999, w.e.f. January 25, 1999	Valid until cancelled.

* *Pursuant to an amendment to the NBFC regulations [Ref: DNBS. (PD).CC.No.12/02.01/99-2000] dated January 13, 2000 the RBI has exempted government companies as conforming to section 617 of the Companies Act from applicability of the provisions of the RBI Act relating to maintenance of liquid assets and creation of reserve funds and the directions relating to acceptance of public deposits and prudential norms. The RBI vide its notification (No. RBI / 2006-07 / 204 / DNBS.PD / CC.No. 86 / 03.02.089 / 2006-07) dated December 12, 2006 has amended the regulatory framework governing NBFCs and has proposed to bring all deposit taking and systemically important companies, which are defined as NBFCs having an asset size of Rs. 1,000 million or more under the provisions of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Directions"). However, the date from which Govt owned NBFCs are to fully comply with these guidelines will be decided later. Such companies including ourselves are therefore, required to prepare a road map for compliance with various elements of the NBFC regulations, in consultation with the Govt of India and submit the same to the Reserve Bank of India (Department of Non – Banking Supervision) by March 31, 2007.*

B. RBI Approvals in relation to our borrowings:

i) We have received the following approvals from the RBI in relation to our ECBs:

Sl. No.	Description	Reference Number	Date of Issue
1.	RBI approval with respect to syndicate facility of JPY 11,915.90 million.*	EC.DEL.ECBD/14.03/783/2442/ 2002-2003	January 6, 2003.
2.	RBI approval with respect to syndicate facility of US$ 100 million. *	FED.CO.ECBD.1269/ 03.02.764(A)(EC)/2003-2004	April 23, 2004.
3.	RBI approval with respect to a loan facility consisting of a dollar tranche of an amount not exceeding US$ 60 million and a Yen tranche of an amount not exceeding JPY 7,500 million from the Asian Development Bank.	EC/DEL/Import/2133/57 ECB 432/97-98 and EC/DEL/Import/2150/57 ECB/433/97-98	November 13, 1997 and November 17, 1997.
4.	RBI approval with respect to a loan facility of FRF 172.80 million.	EC/Del/Import/3806/57 ECB 422/97-98	February 26, 1998.
5.	RBI approval with respect to borrowing from the GoI of the rupee equivalent of US$ 1.2 million lent to the GoI of India by the IBRD.	EC/DEL/Import/3205/57/ ECB/98-99 No. 40655	February 17, 1999.
6.	RBI approval with respect to US$ 100 million 7.5% fixed rate notes.	EC/DEL/IMD/BH-693/57/ ECB/14.03.178/97-98	August 22, 1997.
7.	RBI approval with respect to a credit facility of US$ 75 million from the Export Development Corporation.	Letter No. EC.DEL.IMD II/ 14.03.575/35 as amended by Letter No. EC.CO.ECBD.705/ 03.02.764 (A)/2003-04	August 14, 2001 as amended on December 15, 2003.
8.	RBI approval with respect to a loan of US $ 150 million from the Asian Development Bank.	DESACS/BPSD/640/04.61.19/ 2004-05 No. 2003916	October 12, 2004.
9.	RBI approval with respect to a loan of DM 46.50 million from KfW, Frankfurt.	EC/DEL/Import/1587/57 ECB 5972000-01	December 26, 2000.
10.	In-Principle Approval of the RBI for issue of fixed rate notes of an amount equivalent to USD 500 million under medium term note program.	FED.CO.ECBD/03.02.7/2006-07	November 29, 2006.

** These approvals were granted with respect to the pre-existing syndicate loan facilities of Japanese Yen 12,000 million and US$ 100 million respectively. The RBI has clarified through its letter dated May 28, 2005 that refinancing of existing external commercial borrowings at lower costs are under the automatic route provided that the outstanding maturity of the original loan is maintained.*

ii) We have received the following approvals in relation to the government guaranteed bonds issued by us:

Sl. No.	Description	Reference Number	Date of Issue
1.	Approval of the RBI in relation to 11.5% (I Series), 2008 bonds issued by us.	SYD.PB/1271/M.33-88/89	September 6, 1988.
2.	Approval of the RBI in relation to 11.5% (II Series), 2010 bonds issued by us.	SYD.PB/1293/M.99-89/90	September 13, 1989.
3.	Approval of the RBI in relation to 11.5% (III Series), 2011 bonds issued by us.	SYD.PB2545/M.99/90-91	November 17, 1990.
4.	Approval of the RBI in relation to 12% (IV Series), 2007 bonds issued by us.	SYD.PB/3008/M.99-91-92	November 29, 1991.
5.	Approval of the RBI in relation to 13% (V Series), 2007 bonds issued by us.*	SYD/1830/08:04:17/92/93	September 21, 1992.

** Under the terms of its approval, the RBI has stated that for subsequent borrowings our Company should consider public floatation rather than private placement of our bonds.*

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to resolutions passed at its meetings held on January 31, 2006 and on September 13, 2006, authorised the Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

Our shareholders have authorised the Issue by special resolutions in accordance with section 81(1A) of the Companies Act, passed at the extra ordinary general meeting of our Company held on February 3, 2006 and on December 6, 2006 at the registered office of our Company.

Prohibition by SEBI

Our Company, our Directors, our Promoter and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Furthermore, our Promoter has confirmed that it has not been declared as a wilful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by our Promoter in the past or are pending against our Promoter.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under the eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.1.1(a) of the SEBI Guidelines;
- Our Company has a track record of distributable profits in accordance with Section 205 of the Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.1.1(b) of the SEBI Guidelines;
- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.1.1(c) of the SEBI Guidelines; and
- The aggregate of the proposed Issue size and all previous issues made in the same financial year is not expected to exceed five times the pre-Issue net worth of our Company and is compliant with Clause 2.1.1(e) of the SEBI Guidelines.

The Issue size of up to Rs. 9971.92 million alongwith the previous issues of Equity Shares in this fiscal 2007 aggregates to Rs 9971.92 million. The said aggregate, i.e., Rs. 9971.92 million, does not exceed five times the pre-Issue net worth as per the audited accounts for fiscal 2006 which is Rs. 325,276.35 million (i.e., 5 x Rs. 65,055.27 million = Rs. 325,276.35 million).

Our Company's net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Prospectus under the section titled "Financial Statements" beginning on page 132 of this Prospectus, as at, and for the last five years ended fiscal 2006 are set forth below:

Rs. (in million)

	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Net Tangible Assets*	348,729.61	289,624.18	243,474.61	201,508.45	158,047.11
Monetary Assets**	3,648.38	3,383.70	3,530.19	1,020.70	957.24
Net profits, as restated	9,754.14	9,705.31	10,184.66	10,332.69	6,630.10
Net worth, as restated	65,055.27	59,974.96	55,197.95	49,582.23	42,273.56

* *Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), investments, loans (assets) current assets, loans and advances (excluding deferred tax assets) less interest subsidy fund, current liabilities and provisions (excluding deferred tax liabilities).*

** *Monetary assets include cash on hand and bank. Detailed figures are given in the section titled "Financial Statements" on page 132 of this Prospectus.*

**** The distributable profits of our Company as per section 205 of the Companies Act have been calculated from the audited financial statements of the respective years and/or period before making adjustments for restatement of Financial Statements.*

Hence, we are eligible for the Issue under Clause 2.2.1 of the SEBI Guidelines.

Furthermore, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000, otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Disclaimer Clause

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, ICICI SECURITIES LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, ICICI SECURITIES LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 11, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/ SOLD/

TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS."

The filing of this Prospectus does not, however, absolve the Company from any liabilities under section 63 and section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the BRLMs, any irregularities or lapses in this Prospectus.

All legal requirements pertaining to the Issue will be complied with at the time of filing of this Prospectus with the ROC in terms of section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of this Prospectus with the ROC in terms of section 56, section 60 and section 60B of the Companies Act.

Disclaimer from our Company and the BRLMs

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities, and anyone placing reliance on any other source of information, including our website, www.pfcindia.com would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among our Company, the President of India, through the MoP and the BRLMs dated April 13, 2006, and further amended on December 5, 2006 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software and/ or hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies, and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted Non Residents including Eligible NRIs, FIIs and other eligible foreign investors (viz. FVCIs, multilateral and bilateral development financial institutions). This Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold in the United States to (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act and "Qualified Purchasers" as defined under the Investment Company Act of 1940 and

related rules (the "Investment Company Act") and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Disclaimer Clause of the NSE

As required, a copy of the Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter dated December 13, 2006 permission to us to use NSE's name in the Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed.. The NSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus, nor does it warrant that our securities will be listed or will continue to be listed on the NSE, nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquire any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription and/or acquisition whether by reason of anything stated or omitted to be stated herein, or any other reason whatsoever.

Disclaimer Clause of the BSE

As required, a copy of the Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated December 13, 2006, permission to the Company to use BSE's name in the Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; or

(ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or

(iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company; and

(iv) it should not for any reason be deemed or construed that the Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to, or in connection with such subscription and/or acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus has been filed with SEBI at the Division of Issues and Listing, SEBI Bhawan, C-4G, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the ROC and a copy of this Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the ROC.

Listing

Applications have been made to the NSE and the BSE for permission to deal in and for an official quotation of the Equity Shares. The NSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Issue.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Issue, and (b) the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the ROC, as required under Sections 60 and 60B of the Companies Act, and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the ROC.

M/s Bansal Sinha & Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the ROC.

Expert Opinion

Except as stated in the sections titled "Financial Statements" and "Statement of Tax Benefits" beginning on pages 132 and 35, respectively, of this Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

Activity	Expense * (Rs. in Millions)	% of the Issue Expenses	% of total Issue Size
Lead management, underwriting and selling commission	10.95	3.37%	0.11%
Advertisement & Marketing expenses	172.02	52.90%	1.73%
Printing, stationery including transportation of the same	89.21	27.43%	0.89%
Others (Registrar's fees, Legal fees, listing fees, etc.)	53.02	16.30%	0.53%
Total estimated Issue expenses*	**325.20**	100%	3.26%

** Subject to finalisation once actual Issue expenses are incurred and determined.*

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable to the Book Running Lead Managers and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLMs, a copy of which is available for inspection at the corporate office of our Company and reimbursement of their out of pocket expenses.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue including fees for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register, etc will be as per the Memorandum of Understanding signed with our Company, a copy of which is available for inspection at the corporate office of our Company. The Company shall bear such expenses.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post, speed post and/or under certificate of posting.

Particulars regarding Public or Rights Issues during the Last Five Years

There have been no public or rights issue by our Company during the last five years preceding the date of this Prospectus.

Issues otherwise than for Cash

We have not issued any equity shares for consideration otherwise than for cash.

Commission and Brokerage paid on Previous Issues of our Equity Shares

There has not been any previous public issue of our Equity Shares.

Companies under the Same Management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act other than the subsidiaries and group companies, details of which are provided in the section entitled "Our Promoters, Subsidiaries and Group Companies" beginning on page 129 of this Prospectus.

Promise vs. Performance – Last Three Issues

There has not been any previous public issue of our Equity Shares.

Promise vs. Performance – Last Issue of Group/Associate Companies

All our subsidiary companies are unlisted and have not made a public issue of their equity shares.

However, our associate company, PTC made an initial public offer in March, 2004. The objects of the issue were to augment long term capital base for their business, as mentioned in the prospectus of PTC. The issue proceeds have been utilised for the said purpose.

Outstanding Debentures or Bonds

Except as described in the sections titled "Financial Indebtedness" and "Financial Statements" beginning on pages 77 and 132, respectively, of this Prospectus, our Company does not have any outstanding debentures or bonds.

Outstanding Preference Shares

There are no outstanding preference shares issued by our Company

Stock Market Data of our Equity Shares

The Equity Shares are not listed on any stock exchange and thus there is no stock market data for the same.

Other Disclosures

Our Directors have not purchased or sold any securities of the Company during a period of six months preceding the date on which the Red Herring Prospectus is filed with SEBI.

Mechanism for Redressal of Investor Grievances by our Company

The Memorandum of Understanding between the Registrar to the Issue and our Company, provides for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, credit to demat accounts, refund orders to enable the investors to approach the Registrar to the Issue, to redress their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances by our Company

We estimate that the average time required by our Company or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. J.S. Amitabh, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

'Urja Nidhi',
1, Barakhamba Road,
Connaught Place,
New Delhi 110 001, India
Tel: +91 11 2345 6786
Fax: +91 11 2345 6786
E-mail: ipo@pfcindia.com

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

Changes in Auditors

The following are the details of the changes in auditors in the last five fiscal years:

Sl. No.	Name of Auditor	Date of Appointment	Reason for change
1.	M/s Bubber Jindal & Co.	December 10, 2001	Appointment as statutory auditor
2.	M/s Suresh Chandra and Associates	October 5, 2002	Appointment as statutory auditor
3.	M/s K.K. Soni & Co.	October 29, 2003	Appointment as statutory auditor
4.	M/s Bansal Sinha & Co.	August 25, 2004	Appointment as statutory auditor

Capitalisation of Reserves or profits

We have not capitalised our reserves or profits at any time during last five years.

Revaluation of Assets

There has been no revaluation of assets of the Company since incorporation.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our Company's borrowings or deposits.

Payment or benefit to officers of our Company

Except certain post retirement medical benefits and statutory benefits and upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

None of the beneficiaries of loans and advances are related to our Directors.

ISSUE STRUCTURE

The present Issue of up to 117,316,700 Equity Shares at a price of Rs. 85 for cash aggregating Rs. 9,971.92 million is being made through the Book Building Process. The Issue comprises of a Net Issue of 114,816,700 Equity Shares and a reservation for Employees of 2,500,000 Equity Shares.

	Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation*	Up to 2,500,000 Equity Shares.	At least 57,408,350 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Up to 17,222,505 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 40,185,845 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Up to 2.13 % of the Issue**.	At least 50% of Net Issue or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Up to 15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate.	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	80 Equity Shares.	Such number of Equity Shares in multiples of 80 Equity Shares so that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares in multiples of 80 Equity Shares so that the Bid Amount exceeds Rs. 100,000.	80 Equity Shares.
Maximum Bid	Such number of Equity Shares in multiples of 80 Equity Shares so that the Bid Amount does not exceed Rs. 2.5 million.	Such number of Equity Shares in multiples of 80 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of 80 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of 80 Equity Shares so that the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share.	One Equity Share.	One Equity Share.	One Equity Share.
Who can Apply ***	All or any of the following: (a) a permanent employee of the Company as of the date of the filing of the Red Herring Prospectus and based and present in India	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and bilateral	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts.	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

	Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	as on the date of submission of the Bid cum Application Form. (b) a Director of the Company, whether a whole- time Director, part time Director or otherwise as of the date of the filing of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form.	development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	100% of Bid Amount.	10% of Bid Amount.	100% of Bid Amount.	100% of Bid Amount.

* *Subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category, except in the QIB Portion, would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded.*

** *Any under subscription in Equity Shares, if any, reserved for Employees would be included in the Net Issue and allocated in accordance with the description in Basis of Allocation as described on page 235 of this Prospectus.*

*** *In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid Cum Application Form.*

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime after the Bid/ Issue Opening Date but before Allotment, without assigning any reason therefor.

Letters of Allotment or Refund Orders

Our Company shall give credit of Equity Shares allotted, if any, to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. Our Company shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post or Direct Credit, NEFT, RTGS or ECS at the sole or First Bidder's sole risk within 15 days of the Bid/ Issue Closing Date.

Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, our Company undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- Despatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or ECS, shall be done within 15 days from the Bid/ Issue Closing Date; and
- Our Company shall pay interest at 15% per annum if allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Issue Programme

Bidding Period/Issue Period

BID ISSUE OPENED ON	**:**	**WEDNESDAY,**	**JANUARY 31, 2007**
BID ISSUE CLOSED ON	**:**	**TUESDAY,**	**FEBRUARY 6, 2007**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form and uploaded till such time as permitted by the NSE and the BSE on the Bid/Issue Closing Date.

Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the price band.

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the NSE and the BSE, by issuing a press release, and also by indicating the change on the web sites of the BRLMs and at the terminals of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

This is an Issue of less than 25% of the post-issue capital. However, SEBI has through its letter dated April 10, 2006 permitted the issue of securities to the public through the 100% Book Building Process wherein at least 50% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders, including 5% of the QIB Portion which shall be available for allocation to the Mutual Funds only. Further, up to 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and up to 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. In case of QIB Bidders, our Company, in consultation with BRLMs, may reject Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bids under the Employee Reservation Portion, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of this Prospectus with the ROC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing this Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis.	White
Non Residents, Eligible NRIs or FIIs applying on a repatriation basis.	Blue
Bidders in the Employee Reservation Portion.	Pink

Who can Bid?

1. Indian nationals resident in India who are majors in single or joint names (not more than three);
2. Hindu undivided families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs other than Eligible NRIs are not permitted to participate in this Issue;
4. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in equity shares;
5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
6. Scientific and/or industrial research authorized to invest in equity shares;

7. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
8. Mutual funds registered with SEBI;
9. FIIs registered with SEBI, on a repatriation basis;
10. Multilateral and bilateral development financial institutions;
11. Venture capital funds registered with SEBI;
12. Foreign venture capital investors registered with SEBI;
13. State Industrial Development Corporations;
14. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
15. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares;
16. Pension funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares; and
17. Employees of our Company.

Participation by Associates of BRLMs and Syndicate Members:

However, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Associates of the BRLMs and Syndicate Members may bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLMs and Syndicate Members shall be on a proportionate basis.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 2,870,418 Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company’s paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Bids by Eligible NRIs

Eligible NRIs are required to comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Form from our Registered Office, our Corporate Office, members of the Syndicate or the Registrar to the Issue.
2. Eligible NRI Bidders may note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through the Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in colour).

Bids by FIIs

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

With the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII holding limit may be increased to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15(A)(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids by the SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on Venture Capital Funds and Foreign Venture Capital Investors registered with the SEBI. Accordingly, the holding by any Venture Capital Fund should not exceeds 25% of the corpus of the Venture Capital Fund.

The SEBI has issued a notification dated October 16, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft red herring prospectus with SEBI.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLMs are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 80 Equity Shares and in multiples of 80 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIB Bidders**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 80 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date and is required to pay the QIB Margin Amount upon submission of the Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

(c) **For Bidders in the Employee Reservation Portion**

The Bid must be for a minimum of 80 Equity Shares and in multiples of 80 Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, the maximum Bid by an Employee cannot exceed Rs. 2.5 million. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an over subscription in the Employee Reservation Portion, the maximum allotment to any Employee will be capped up to such number so that the application size per employee doesn't exceed Rs. 2.5 million.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in the Red Herring Prospectus.

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the ROC at least three days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Registered Office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

(a) Our Company and the BRLMs shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with ROC and also publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement. Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.

(b) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.

(c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details, see the section titled "Issue Procedure - Bids at Different Price Levels" beginning on page 221 of this Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(d) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to a member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure - Build up of the Book and Revision of Bids" beginning on page 223 of the Prospectus.

(e) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(f) During the Bidding Period, Bidders may approach a member of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure - Terms of Payment" beginning on page 222 of this Prospectus.

Bids at different price levels

(a) The Price Band has been fixed at Rs. 73 to Rs. 85 per Equity Share of Rs. 10 each, Rs. 73 being the Floor Price and Rs. 85 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.

(b) In accordance with the SEBI Guidelines, our Company in consultation with the BRLMs reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the NSE and the BSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(d) Our Company in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders in excess of Rs. 100,000 and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

(f) Retail Individual Bidders who bid at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price and Employees bidding under the Employee Reservation Portion at Cut-Off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-Off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account or the Refund Account, as the case may be.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion at Cut-Off Price, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid by a Retail Individual Bidder will be considered for allocation under the Non-

Institutional Portion in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion, who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.

Application in the Issue

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only.

Escrow Mechanism

Our Company shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account and the Refund Account as per the terms of the Escrow Agreement.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account (for details see the section titled "Issue Procedure - Payment Instructions" beginning on page 230 of this Prospectus.) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account shall be transferred to the Refund Account.

Each category of Bidders i.e. QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page 214 of this Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15 days from the Bid /Issue Closing Date, failing which our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic registration of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of the NSE and the BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The NSE and the BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of the NSE and the BSE will be displayed on-line at all bidding centers and at the websites of the NSE and the BSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the Bidder(s)
- Investor category – individual, corporate, or Mutual Fund, etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid cum Application Form number
- Margin Amount paid upon submission of Bid cum Application Form
- Depository participant identification no. and client identification no. of the beneficiary account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. T**he registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) It is to be distinctly understood that the permission given by the NSE and the BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLMs are cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(h) It is also to be distinctly understood that the approval given by the NSE and the BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the NSE and the BSE.

Build up of the book and revision of Bids

(a) Bids registered through the members of the Syndicate shall be electronically transmitted to the NSE or the BSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period using the printed Revision Form which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) Only Bids that are uploaded on the online IPO system of the NSE and the BSE shall be considered for Allocation. In case of discrepancy of data between the NSE or the BSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.

(b) Our Company, in consultation with the BRLMs, shall finalise the "Issue Price" and the number of Equity Shares to be allocated in each investor category.

(c) The allocation under the Issue shall be on proportionate basis, in the manner specified in the SEBI Guidelines and the Red Herring Prospectus and in consultation with Designated Stock Exchange.

(d) In case of over subscription in all categories, at least 50% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders out of which 5% shall be available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 2,870,418 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. Further, upto 15% of the Net Issue shall be available for allocation on a proportionate basis to Non- Institutional Bidders and up to 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Any under subscription in the Employee Reservation Portion would be included in the Net Issue. Under subscription, if any, in any category of the Net Issue, other than the QIB Portion, would be allowed to be met with spill over from any of the other categories at the discretion of our Company, in consultation with the BRLMs. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded.

(e) Allocation to Non Residents applying on a repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for the transfer of Equity Shares to them and to applicable law.

(f) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

(h) In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and ROC Filing

(a) Our Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement upon finalisation of the Issue Price.

(b) After signing the Underwriting Agreement, we would update and file the updated Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

After filing of this Prospectus with the ROC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper and a Hindi national newspaper of wide circulation. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. Investors should note that the Company shall endeavour to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue;

(b) The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder; and

(c) Such Bidders who have been allocated Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

INVESTORS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THIS ISSUE.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account and the Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days from the date of Allotment.

(b) As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

Letters of Allotment or Refund Orders

We shall give credit of Equity Shares allotted, if any, to the beneficiary account with Depository Participants within two working days from the date of the Allotment. Applicants residing at 15 centres where clearing houses are managed by the RBI will get refunds through ECS (subject to availability of information for crediting the refund through ECS) except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. In case of other applicants, our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid /Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post intimating them about the mode of credit of refund within 15 working days of the closure of the Issue. Our Company shall ensure dispatch of refund orders/refund advice (for Direct Credit, NEFT, RTGS or ECS), if any, by "Under Certificate of Posting" or registered post or speed post, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for making refunds to applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

Our Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode, i.e. Direct Credit, NEFT, RTGS or ECS, refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by our Company as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply.

(b) Read all the instructions carefully and complete the Bid cum Application Form (white, blue or pink in colour) as the case may be.

(c) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.

(d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate.

(e) Ensure that you have been given a TRS for all your Bid options.

(f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

(g) Where Bid(s) is/are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the I.T. Act. The copies of the PAN card or PAN allotment letter should be submitted with the Bid cum Application Form. If you have mentioned "Applied For" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

(h) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

(i) Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size.

(b) Do not Bid/revise Bid price to less than Floor Price or higher than the Cap Price.

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.

(d) Do not pay the Bid amount in cash, by money order or by postal order or by stock invest.

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.

(f) Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders and Bidders bidding under the Employee Reservation Portion, for whom the Bid Amount exceeds Rs. 100,000).

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

(h) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue or pink colour).

(b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form.

(d) The Bids from the Retail Individual Bidders must be for a minimum of 80 Equity Shares and in multiples of 80 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 80 Equity Shares such that the Bid Amount exceeds Rs. 100,000. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(f) For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of 80 Equity Shares in multiples of 80 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 2.5 million.

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's depository account details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from

the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or give credit through Direct Credit, NEFT, RTGS or ECS and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ECS credit or credit through Direct Credit, NEFT or RTGS for refunds/CANs/Allocation advice and printing of Company particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the sole or Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Bidder's Bank Details

Bidders should note that on the basis of names of the Bidders, Depository Participant's name, Depository Participant Identification Number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar will obtain from the Depository the Bidder bank Account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit, NEFT, RTGS or ECS, hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refund to Bidders at the sole or Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to reject such Bids in whole or in part.

In case of the Bids made pursuant to a power of attorney by FIIs, FVCIs, VCFs and Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to reject such Bid in whole or in part.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/the BRLMs may deem fit.

Bids by Employees

For the purpose of the Employee Reservation Portion, Employee means all or any of the following:

(a) a permanent employee of our Company as of the date of filing of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form.

(b) a Director, whether a whole-time Director, part time Director or otherwise as of the date of the filing of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form. Bids under Employee Reservation Portion by Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour form).
- Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/ first Bidder should be Employees.
- Only Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum Bid under Employee Reservation Portion by an Employee cannot exceed Rs. 2.5 million.
- Bid by Employees can be made also in the 'Net Issue' portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 2,500,000 Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than 2,500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, see the section titled "Issue Procedure- Basis of Allocation" beginning on page 235 of this Prospectus.

Bids made by Insurance Companies

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bids in whole or in part.

Bids made by Provident Funds

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

Bids by Non Residents, including Eligible NRIs, FIIs and FVCIs on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other Non Resident Bidders must Bid for a minimum of such number of Equity Shares and in multiples of 80 that the Bid Amount exceeds Rs. 100,000. For further details, see the section titled "Issue Procedure - Maximum and Minimum Bid Size" beginning on page 219 of this Prospectus.
4. In the names of individuals, or in the names of FIIs, FVCIs, etc but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, including Eligible NRIs, FIIs and FVCIs and all Non Residents will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the government of India, OCBs cannot participate in this Issue. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue.

Payment Instructions

Our Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

(i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

(iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:

(a) In case of resident QIB Bidders: **"Escrow Account – PFC Public Issue-QIB-R"**

(b) In case of Non Resident QIB Bidders: **"Escrow Account-PFC Public Issue-QIB-NR"**

(c) In case of resident Bidders: **"Escrow Account – PFC Public Issue-R"**

(d) In case of Non Resident Bidders: **"Escrow Account – PFC Public Issue-NR"**

(e) In case of Employees: **"Escrow Account- PFC Public Issue-Employee"**

In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of Non Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

(v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

(vii) On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub member of the banker's clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India's Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will issue a TRS slip giving the details of the Bids registered and acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.
4. The applications will be scanned for same or identical DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.

5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also fathers/husbands names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

Bids made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

The Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

'PAN' or 'GIR' Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card(s) or PAN allotment letter(s) is required to be submitted with the Bid cum Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground. In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving licence (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, state government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended by a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Company's Right to Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Bidders in the Employee Reservation Portion, the Company has the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;
4. NRIs, except Eligible NRIs;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;
6. **PAN not stated if Bid is for Rs. 50,000 or more or copy of PAN, Form 60 or Form 61, as applicable, or GIR number furnished instead of PAN. See the section titled "Issue Procedure-PAN or GIR Number" beginning on page 232 of this Prospectus;**
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
11. Bids for number of Equity Shares, which are not in multiples of 80;
12. Category not ticked;
13. Multiple Bids as defined in the Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLMs or the Syndicate Members;
18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Levels" beginning on page 221 of this Prospectus;
22. Bids by OCBs;
23. Bids by U.S. persons other than entities that are both "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act, 1933 and "qualified purchasers" under the Investment Companies Act;
24. Bids by QIBs not submitted through members of the Syndicate; and
25. Bids by employees of the Company or Directors of the Company not eligible to apply in the Employee Reservation Portion;
26. Bids under the Employee Reservation Portion for amounts greater than Rs. 2.5 million; and
27. Bids by QIBs submitted to sub-syndicate members.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

a) an agreement dated May 16, 2006 between NSDL, us and Registrar to the Issue;

b) an agreement dated April 25, 2006 between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. J.S. Amitabh, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

'Urja Nidhi',
1, Barakhamba Road,
Connaught Place,
New Delhi 110 001, India
Tel: +91 11 2345 6786
Fax: +91 11 2345 6786
E-mail: ipo@pfcindia.com

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allocation

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to 40,185,845 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this category are for more than 40,185,845 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 80 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to 17,222,505 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
- In case the valid Bids in this category are for more than 17,222,505 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 80 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Net Issue less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of 2,870,418 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds are for less than 2,870,418 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated

proportionately to the QIB Bidders. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 50% of the Net Issue size, i.e. 57,408,350 Equity Shares.

- Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:

 (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

 (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.

 (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below.

(b) In the second instance allocation to all QIBs shall be determined as follows:

 (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids at or above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

 (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

 (iii) Under subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Except for any Equity Shares allocated to QIB Bidders due to under subscription in the Retail Portion and/or Non-Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis of up to 57,408,350 Equity Shares up to a minimum of 80 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

D. For Employee Reservation Portion

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 2,500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 2,500,000 Equity Shares up to a minimum of 80 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.
- Only Employees (as defined above) are eligible to apply under Employee Reservation Portion.

Method of Proportionate basis of allocation in the Issue

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 80 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 80 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner approved by the Designated Stock Exchange.

If the proportionate allotment to a Bidder is a number that is more than 80 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. The basis of allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue details

Sr. No.	Particulars	Issue details
1	Issue size	200 million Equity Shares
2	Allocation to QIB (at least 50% of the Issue)	100 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

B. Details of QIB Bids

S. No.	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	**500**

 # A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. **Details of Allotment to QIB Bidders/Applicants**

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. The illustration presumes compliance with the requirements specified in the Red Herring Prospectus in the section titled "Issue Structure" beginning on page 214 of this Prospectus.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.
3. The balance 95 million Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
    1. For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for x 95 /495
    2. For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] x 95/495
    3. The numerator and denominator for arriving at allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

Our Company shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid/Issue Closing Date. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS (subject to availability of all information for crediting the refund through ECS) except where applicants are otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS.

In case of other applicants, the Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under

Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through Direct Credit, NEFT, RTGS or ECS.

Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of the Issue.

Our Company shall ensure dispatch of refund orders, if any, by "Under Certificate of Posting" or registered post or speed post or Direct Credit, NEFT, RTGS or ECS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

Our Company shall ensure dispatch of allotment advice, refund orders and shall give credit of Equity Shares allotted, if any to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of Allotment.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;
- Refunds shall be made within 15 days from the Bid/Issue closing date at the sole or First Bidder's sole risk, except for Bidders who have opted to receive refunds through Direct Credit, NEFT, RTGS or ECS; and
- Our Company shall pay interest at 15% (fifteen) per annum if allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Mode of making refunds

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the sole or Bidder's sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference:

I. Direct Credit

Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.

II. NEFT

Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

III. RTGS

Applicants having a bank account at any of the abovementioned 15 centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

IV. ECS

Payment of refund shall be undertaken through ECS for applicants having an account at any of the following 15 centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned 15 centres.

Note: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Please note that applicants having a bank account at any of the 15 centres where the clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in I, II, III and IV above. For all the other applicants, including applicants who have not updated their bank particulars alongwith the nine digit MICR Code, prior to the Bid/Issue Opening Date, the refund orders would be dispatched under "Under Certificate of Posting" for refund orders less than Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Allotment, giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund;
- that the Allotment advice or refund orders to the Non Resident Bidders shall be dispatched within the specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through the Red Herring Prospectus and the Prospectus are listed or until the Bid monies are refunded on account of non-listing, under subscription, etc.

Utilisation of Issue proceeds

Our Board of Directors certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of the Issue referred above shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;

Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investments.

The Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, through paragraph 2(e) of Press Note 4 (2006 series) has allowed the transfer of shares from residents to Non Residents in financial services under the automatic route subject to the sectoral policy on FDI.

At present, investments in NBFCs engaged in leasing and finance fall under the automatic approval route for FDI/NRI investment up to 100%.

Subscription by Eligible NRIs/FIIs/FVCIs

It is to be distinctly understood that there is no reservation for Non Residents including Eligible NRIs, FIIs and FVCIs and all Non Residents will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold in the United States to (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act and "Qualified Purchasers" as defined in the Investment Company Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

With the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII holding limit may be increased to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15(A)(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with the SEBI. Accordingly, the holding by any venture capital fund should not exceed 25% of the corpus of such venture capital fund.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modifications or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their own independent investigations and ensure that the number of Equity Shares Bid for does not exceed the applicable limit under relevant laws or regulations. However, we shall update this Prospectus and keep the public informed of any material changes in matters concerning our business and operations until the listing and commencement of trading of our Equity Shares.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/ or their consolidation/splitting are as detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

SHARE CAPITAL

Capital

4. The Share Capital of the company is Rs. 20,00,00,00,000 (Rupees Two thousand crores) divided into 2,00,00,00,000 (Two hundred crores) equity shares of Rs. 10/- (Rupees Ten) each.

Company's Shares not to be purchased

5. Except to the extent allowed by Section 77, no part of the funds of the company shall be employed in the purchase of or in loans upon the security of the company's shares.

Buy Back of the Shares of the Company

5A. Notwithstanding, any thing contained in Article 5, the Company may buy back the shares of the Company to the extent and in the manner allowed under Section 77A of the Companies Act, 1956.

Allotment of Shares

6. Subject to the provisions of Section 81 of the Act and these articles, the shares in the capital of the Company for the time being shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of the same to such persons, in such proportions and on such terms and conditions and either at a premium or at par or (Subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and subject to provisions of Section 77A of the Act with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid-up shares and if so issued shall be deemed to be fully paid shares.

   Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting.

CERTIFICATES

Share Certificate

7. The Certificates of title to shares shall be issued in accordance with provision of the Companies (Issue of Share Certificate) Rules, 1960.

Members right to Certificates

8. (i) Subject to the requirements of the listing agreement and the bye laws of the stock exchanges, every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fees as the directors may from time to time determine) to several certificates, each for one or more such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment unless the condition of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of share shall be under the seal of the Company and shall specify the number and distinctive number of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe or approve.

Provided that in case of securities held by the member in dematerialized form no share certificate shall be issued.

(ii) In respect of share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

Issue of new share certificates in place of one defaced, lost or destroyed

9. If any security certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Articles shall be issued without payment of fees.

   Provided that notwithstanding what is stated above the directors shall comply with such rules or regulations or requirements of any stock exchange or the rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

   The provision of this Article shall mutatis mutandis apply to the debentures of the Company.

CALLS

Calls on shares

10. The Board may, from time to time, make calls upon the members in respect of any moneys unpaid on their shares and specify the time or times of payments, and each member shall pay to the Company at the time or times so specified the amount called on his shares.

    Provided, however, that the Board may, from time to time, at its discretion extend the time fixed for the payment of any call and may extend such time to allow any of the members whom for residence at a distance or other cause, the Board may deem entitled to such extension, but no member shall be entitled to such extension save as a matter of grace and favour.

When interest on call payable.

11. If a sum payable in respect of any call be not paid on or before the day appointed for payment thereof the holder for the time being or allottee of the share in respect of which a call shall have been made, shall pay interest on the same at such rate not exceeding 5 (five) per cent per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part.

Payment in anticipation of calls may carry interest.

12. The Directors may, if they think fit subject to the provision of section 92 of the Act, agree to and receive from any member willing to advance the same, whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as may be decided by directors provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

    The members shall not be entitled to any voting rights in respect of the moneys so paid by them until the same would but for such payment, become presently payable.

    The provisions of these Articles shall mutatis-mutandis apply to the calls on debentures of the Company.

Joint-holders' liability to pay.

13. The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

FORFEITURE, SURRENDER AND LIEN

Company's Lien on shares

14. The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares and in case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares)

registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. Any such lien shall extend to all dividends, bonuses and interest from time to time declared/accrued in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares/debentures. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.

TRANSFER AND TRANSMISSION OF SHARES

Register of transfer.

21. The Company shall keep a book to be called register of transfers and therein enter the particulars of several transfers or transmission of any share.

Transfer & Transmission of Shares

22. Subject to the provisions of the Listing Agreements between the Company and the Stock Exchanges, in the event that the proper documents have been lodged, the Company shall register the transfer of securities in the name of the transferee except:

    (i) When the transferee is, in exceptional circumstances, not approved by the Directors in accordance with the provisions contained herein;

    (ii) When any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor;

    (iii) When the transferor object to the transfer provided he serves on the Company within a reasonable time a prohibitory order of a court of competent jurisdiction.

Notice of refusal to register transfer

23. Subject to the provisions of Section 111 and 111A of the Act, the provisions of the Listing Agreements with the Stock Exchange and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor a notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

Company not bound to recognize any interest in shares other than that of the registered holders.

24. Save as herein otherwise provided the Board shall be entitled to treat the person whose name appears on the register of members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as by law required) be bound to recognize any benami trust or equity or equitable contingent or other claim to or interest in such share on the part of any person, whether or not it shall have express or implied notice thereof.

Execution of transfer

25. The instrument of transfer of any share in the Company shall be executed both by the transferor and the transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

Instrument of Transfer

25A The instrument of transfer in case of shares held in physical form shall be in writing and all provisions of section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

Form of transfer

26. A common form of transfer of shares or debentures as the case may be, shall be used by the Company.

Transfer to be left at office and evidence of title to be given.

27. Every instrument of transfer shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such evidence as the Company may require to prove the title of the transferor, or his right to transfer the shares. All instruments of transfer shall be retained by the company but any instrument of transfer which the Board may decline to register shall be returned to the person depositing the same.

Transmission by operation of law.

28. Nothing contained in Article 22 shall prejudice any power of the company to register as shareholder any person to whom the right to any shares in the company has been transmitted by operation of law.

Fee on transfer

29. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

When transfer books and register may be closed.

30. The transfer books and register of members or register of debenture holders may be closed for any time or times not exceeding in the aggregate 45 days in each year but not exceeding 30 days at a time, by giving not less than seven days previous notice and in accordance with Section 154 of the Act.

Board's right to refuse registration.

31. Subject to the provision of Act, the Board shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee, as if he were the transferee named in the ordinary transfer presented for registration.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

Increase of Capital

33. Subject to the provisions of the Act the Company in General Meeting, may increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.

On what condition new shares may be issued

34. New shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation whereof shall direct. Provided that no shares (not being preference share) shall be issued carrying voting right or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attaching to the holders of other shares (not being preference shares).

How far new shares to rank with shares in original capital.

35. Except so far as otherwise provided by the conditions of issue, or by these articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, lien, voting, surrender and otherwise.

New shares to be offered to members

36. The new shares (resulting from an increase of capital as aforesaid) may be issued or disposed of by the directors to such persons and on such terms and conditions as they think fit.

Further issue of Shares

36A. 1. Where at the time after the expiry of two years from the formation of the Company or at time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on that shares at the date.

b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in sub clause (b) hereof shall contain a statement of this right, provided that the directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

2. Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever:

a) If a special resolution to that effect is passed by the Company in General Meeting, or

b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf the proposal is most beneficial to the Company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

a) To extend the time within which the offer should be accepted; or

b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

i) To convert such debentures or loans into shares in the Company, or

ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by that Government in this behalf; and

b) in the case of debentures or loan or other than debentures issued to or loans obtained from Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

Reduction of Capital

37. Subject to provision of section 100-104 of the Act, the Company may, from time to time, by special resolution, reduce its capital by paying off capital or cancelling capital which has been lost or is un-represented by available assets or is superfluous

or by reducing the liability on the shares or otherwise as may deem expedient, and capital may be paid off upon the footing that it may be called upon again or otherwise, and the Board may, subject to the provisions of the Act, accept surrender of shares.

Sub-division and consolidation of shares

38. Subject to the provisions of the Act, the Company in general meeting may, from time to time sub-divide or consolidate its shares or any of them and exercise any of the other powers conferred by sub-section (i) (a) to (e) of section 94 of the Act and shall file with the registrar such notice of exercise of any such powers as may be required by the Act.

De-materialization of securities

38A. a) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize or rematerialize its shares, debentures and other securities (both present and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialized form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any.

b) Every person subscribing to securities offered by the Company shall have the option to receive the security certificate or to hold the securities with a Depository. Such a person who is the beneficial owner of securities can at any time opt out of a Depository, if permitted by law, in respect of any security and the Company shall, in the manner and within the time prescribed provided by the Depositories Act, 1996 issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, then notwithstanding anything to the contrary contained in the Act or in these Articles, the Company shall intimate such Depository the details of allotment of the security and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

c) All securities held by a Depository shall be dematerialized and shall be in fungible form. Nothing contained in Sections 153 of the Act shall apply to a Depository in respect of securities held by it on behalf of the beneficial owners.

d) (i) Notwithstanding anything to the contrary contained in the Act or in these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

(ii) Save as otherwise provided in (i) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(iii) Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member/ debenture holder, as the case may be, of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

(a) Notwithstanding anything to the contrary contained in the Act or in these Articles to the contrary where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

(b) Nothing contained in the Act or in these Articles, shall apply to a transfer or transmission of Securities where the company has not issued any certificates and where such Shares or Debentures or Securities are being held in a electronic and fungible form in a Depository. In such cases the provisions of the Depositories Act, 1996 shall apply.

(c) Notwithstanding anything to the contrary contained in the Act or these Articles, after any issue where the securities are dealt with by a Depository, the company shall intimate the details thereof to the depository immediately on allotment of such securities.

(d) Nothing contained in the Act or in these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held by a Depository.

(iv) Notwithstanding anything contained in these Articles the Company shall have the right to issue Securities in a public offer in dematerialized form as required by applicable laws and subject to the provisions of applicable law, trading in the Securities of the Company post-listing shall be in the demat segment of the relevant Stock Exchanges, in accordance with the directions of SEBI, the Stock Exchanges and the terms of the listing agreements to be entered into with the relevant Stock Exchanges.

MODIFICATION OF CLASS RIGHTS

Power to modify rights of different classes of shareholders.

39. If at any time, the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act be modified, abrogated or dealt with by agreement between the company and by any person purporting to contract on behalf of that class, provided such agreement is (a) ratified in writing by the holder of at least three-fourth of the nominal value of the issued shares of that class or (b) confirmed by a special resolution passed at a separate general meeting of the holders of shares of that class and all the provisions hereinafter contained as to general meeting shall *mutatis mutandis* apply to every such meeting, except that the quorum thereof shall be members holding or representing by proxy one-fifth of the nominal amount of the issued shares of that class. This article is not by implication to curtail the power of modification which the company would have if the article was omitted.

GENERAL MEETINGS

Annual General Meetings.

44. The first annual general meeting of the company shall be held within 18 months from the date of its incorporation and thereafter the next general meeting of the company shall be held within 6 months after the expiry of the financial year in which the first annual general meeting was held and thereafter an annual general meeting shall be held by the company within 6 months after the expiry of each financial year, in accordance with the provisions of Section 166 of the Act. Such general meetings shall be called "Annual General Meetings".

Extraordinary General Meetings.

45. All general meetings other than "Annual General Meetings" shall be called "Extraordinary General Meetings". The Board may whenever it thinks fit, and they shall when so required by the President or on the requisition of the holders of not less than one tenth of the paid up share capital of the company upon which all calls or other sums then due have been paid, forthwith proceed to convene an extraordinary general meeting of the company and in case of such requisition the following provisions shall have effect:

    (i) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the office and may consist of several documents in like form each signed by one or more requisitionists.

    (ii) If the Board does not proceed within 21 days from the date of deposit of valid requisition to call a meeting on a day not later than 45 days from such date the meeting may be called by such of the requisitionists as represent either majority in value of the paid up share capital held by all of them or not less than one-tenth of such of the paid up share capital of the company as is referred to in clause (a) of sub-section (4) of Section 169 of the Act whichever is less.

    (iii) Any meeting convened under this article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the Board.

    If, after a requisition has been received, it is not possible for a sufficient number of Directors to meet in time so as to form a quorum, any Director may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.

Notice of Meeting.

46. (a) A general meeting of the Company may be called by giving not less than 21 days' notice in writing.

    (b) A general meeting may be called after giving shorter notice than that specified in sub-clause (a) if consent is accorded thereto:

        (i) in the case of an annual general meeting by all the members entitled to vote thereat; and

(ii) in the case of any other meeting by members of the company holding not less than 95 per cent of such part of the paid-up share capital of the company as gives a right to vote at the meeting.

Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purpose of this sub-clause in respect of the former resolution or resolutions and not in respect of the latter.

Business at the Annual General Meeting.

54. (a) In the case of an Annual General Meeting, all business to be transacted at the meeting shall be deemed special, with the exception of business relating to:

(i) the consideration of accounts, Balance Sheet and report of the Board of Directors and Auditors;

(ii) the declaration of a dividend;

(iii) the appointment of Directors in the place of those retiring; and

(iv) the appointment of, and the fixing of remuneration of the Auditors; and

(b) In the case of any other meeting all business shall be deemed special.

Explanatory statement to be annexed to the notice.

55. (i) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each item of business, including in particular the nature of the concern or interest, if any, therein, of every Director, and the Manager, if any.

Provided that where any item of special business as aforesaid to be transacted at a meeting of the company relates to, or affects any other company, the extent of shareholding interest in that other company of every Director, and Manager, if any, of the Company shall also be set out in the statement if the extent of such shareholding interest is not less than twenty per cent of the paid-up share capital of that other Company.

(ii) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

PROCEEDINGS AT GENERAL MEETINGS

Quorum

56. (i) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.

(ii) Five members present in person or by duly authorized representative shall be quorum for a General Meeting of the Company.

Right of President to appoint any person as his representative.

57. (i) The President, so long as he is a shareholder of the company may, from time to time, appoint such person as he thinks fit (who need not be member of the company) to represent him at all or any meetings of the company.

(ii) Any one of the persons appointed under sub-clause (i) of this article who is personally present at the meeting shall be deemed to be member entitled to vote and be present in person and shall be entitled to represent the President at all or any such meeting and to vote on his behalf whether on a show of hands or on a poll.

(iii) The President may, from time to time, cancel any appointment made under sub-clause (i) of this article and make fresh appointments.

(iv) The production at the meeting of an order of the President, evidenced as provided in the Constitution of India, shall be accepted by the company as sufficient evidence of any such appointment or cancellation as aforesaid.

(v) Any person appointed by the President under this article may, if so authorised by such order, appoint a proxy whether specially or generally.

Chairman of general meeting.

58. The Chairman of the Board of Directors shall be entitled to take the chair at every general meeting or if there be no such chairman, or if at any meeting he shall not be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act as chairman, the members present shall choose another Director as chairman, and if no Director shall be present or, if all the Directors present decline to take the chair, then the members present shall choose one of the members to be chairman.

Proceeding when quorum not present.

59. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon any requisition of the members, shall be dissolved but in any other case it shall stand adjourned to the same day in the next week not being a public holiday (but if the same be a public holiday the meeting shall stand adjourned to the succeeding date of such public holiday) at the same time and place, or to such other day and at such other time and place as the Board may determine and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, those members who are present shall be a quorum and may transact the business for which the meeting was called.

How questions to be decided at meetings.

60. Every question submitted to a meeting shall be decided in the first instance by a show of hands, and in the case of an equality of votes the chairman shall, both on a show of hands and at a poll (if any), have a casting vote in addition to the vote to which he may be entitled as a member.

What is to be evidence of the passing of resolution where poll not demanded.

61. At any general meeting resolution put to vote of the meeting shall be decided on a show of hands, unless a poll is, before or on the declaration of the result of the show of hands, demanded by a member present in person or proxy or by duly authorised representative, and unless a poll is so demanded, a declaration by the chairman that resolution has, on a show of hands been carried or carried unanimously or by particular majority or lost, and an entry to that effect in the book of proceedings of the company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

Poll

62. If a poll is duly demanded, it shall be taken in such manner and at such time and place as in accordance with Sections 179 and 180 of the Act.

Power to adjourn general meeting.

63. The chairman of a general meeting may, with the consent of the meeting, adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

VOTES OF MEMBERS

Votes

67. Every member entitled to vote and present in person or by proxy shall have one vote on a show of hands and upon a poll one vote for each share held by him.

Postal Ballot

69A. Notwithstanding anything contained in the Articles of the Company, the Company do adopt the mode of passing resolutions by the members of the Company by means of Postal Ballot (which includes voting by electronic mode) and/or other ways as may be prescribed in the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 in respect of the matters specified in said Rules as modified from time to time instead of transacting such business in a general meeting of the company subject to compliances with the procedure for such postal ballot and/or other requirements prescribed in the rules in this regard.

BOARD OF DIRECTORS

Number of Directors

80. Until otherwise determined in a general meeting the number of Directors of the company shall not be less than three and not more than twelve. The Directors are not required to hold any qualification shares.

Appointment of Chairman, Managing Director and other Directors

81. (1) The President shall appoint one of the Directors as the Chairman and shall appoint other Directors in consultation with the Chairman provided that no such consultation is necessary in respect of Government representatives on the Board of Directors of the company. The Directors (including the Chairman/Managing Director) shall be paid such salary and/ or allowance as the President may from time to time determine.

(2) The President may from time to time appoint a Managing Director and other whole-time Director/ Directors on such terms and remuneration (whether by way of salary or otherwise) as he may think fit.

(3) All the Directors of the Corporation except the Chairman, the Managing Director/whole-time Directors and the Government representatives on the Board of Directors shall, unless otherwise specified in their order of appointment, retire at the end of three years from the date of their appointment. The Directors so retired will be eligible for reappointment.

(4) Subject to the relevant provisions of the Act, the President shall have the right to remove or dismiss the Chairman, the Managing Director/whole-time Director and the Directors for any reasons whatsoever and shall have the right to fill in any vacancy in the office of the Chairman, Managing Director/whole-time Director or the Directors caused by removal, dismissal, resignation, death or otherwise.

(5) Subject to the provisions of Section 292 of the Companies Act, the Board of Directors may, from time to time, entrust and confer upon the Chairman or Managing Director for the time being such of the powers as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient and may, from time to time, revoke, withdraw, alter or vary all or any of such powers.

Disclosure of interest and interested Directors not to participate or vote in Board's proceedings

82. (i) Every Director of the company shall disclose the nature of his concern or interest in accordance with the provisions of Section 299 of the Act.

(ii) No Director of a company shall, as a Director, take any part in the discussion of or vote on, any contract or arrangement entered into or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void as provided in Section 300 of the Act.

Disqualifications of and vacating of office by Directors

83. A person shall not be capable of being appointed as a Director of the company if he suffers from any of the disqualifications enumerated in Section 274 of the Act.

The office of a Director shall be vacated if any of the conditions set out in Section 283 of the Act comes to happen. This is without prejudice to the right of the President to remove any Director without assigning any reason whatsoever.

Powers of Chairman

85. (a) The Chairman shall reserve for the decision of the President any proposal or decision of the Board of Directors in any matter which in the opinion of the Chairman is of such importance as to be reserved for the approval of the President. No action shall be taken by the company in respect of any proposal or decision of the Board of Directors reserved for approval of the President as aforesaid until his approval to the same has been obtained.

(b) Without prejudice to the generality of the other provisions contained in these Articles, the Board shall reserve for the decision of the President any matter relating to:

(i) The Company's revenue budget in case there is an element of deficit, which is proposed to be met by obtaining funds from the Government.

(ii) Winding up of the Company.

(iii) Sale, lease, disposal or otherwise of the whole or substantially the whole of the undertaking of the company.

(iv) Any other matter which in the opinion of the Chairman and Managing Director be of such importance as to be reserved for the approval of the President.

Right of the President

(86) Notwithstanding anything contained in all these Articles the President may from time to time issue such directives or instructions as may be considered necessary in regard to conduct of business and affairs of the company and in like manner may vary and annul any such directive or instruction. The Directors shall give immediate effect to the directives or instructions so issued. In particular, the President will have the powers:

(i) To give directives to the Company as to the exercise and performance of its functions in matters involving national security or substantial public interest.

(ii) To call for such returns, accounts and other information with respect to the property and activities of the company as may be required from time to time.

(iii) To determine in consultation with the Board annual, short and long term financial and economic objectives of the Company.

Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall except where the President considers that the interest of national security requires otherwise incorporate the contents of directives issued by the President in the annual report of the Company and also indicate its impact on the financial position of the Company.

RESERVE AND DIVIDEND

Division of Profit

101. (i) The profits of the Company available for payment of dividend subject to any special rights relating thereto created or authorised to be created by these Articles of Association and subject to the provisions of the Act and Articles of Association as to the reserve fund and amortisation of capital shall be divisible among the members in proportion to the amount of capital paid-up by them respectively. Provided always that (subject as aforesaid) any capital paid-up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

(ii) No dividend shall be declared or paid by the company for any financial year except out of profits of the company for that year arrived after providing for the depreciation in accordance with the provisions of sub-section (2) of section 205 of the Act or out of profits of the company for any previous financial year or years arrived after providing for the depreciation in accordance with applicable laws and remaining undistributed or out of both or out of moneys provided by the government for the payment of dividend in pursuance of a guarantee given by the government. No dividend shall carry interest against the company.

(iii) For the purpose of the last preceding article, the declaration of the directors as to the amount of the profits of the company shall be conclusive.

(iv) Subject to the provisions of section 205 of the Act as amended, no dividend shall be payable except in cash.

(v) A transfer of shares shall not pass the right to any dividend declared thereon after transfer and before the registration of the transfer.

(vi) Any one of the several persons who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on accounts of dividends in respect of such shares.

(vii) Unless otherwise directed any dividend may be paid by cheque or demand draft or warrant or such other permissible means to the registered address of the member or person entitled or in the case of joint holding, to the registered address of that one whose name stands first in the register in respect of joint holding and every cheque, demand draft or warrant so sent shall be made payable to the member or to such person and to such address as the shareholder or the joint shareholders in writing may direct.

The Company in General Meeting may declare a dividend

102. The company in General meeting may declare a dividend to be paid to the members according to their respective rights and interest in the profits and may fix the time for payment but no dividend shall exceed the amount recommended by the Board.

Interim Dividend

103. The Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Unpaid or unclaimed dividend

103.A There shall not be any forfeiture of unclaimed dividends and the company shall comply with the applicable provisions of the Act relating to transfer of unclaimed and unpaid dividend to the Investor Education and Protection Fund or to any such other fund as may be required under applicable laws.

WINDING UP

Distribution of assets on winding up

113. If the company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up, at the commencement of the winding up of the shares held by them respectively. And if in a winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which will be attached to the copy of this Prospectus, will be delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at 'Urja Nidhi', 1 Barakhamba Lane, Connaught Place, New Delhi 110 001 from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Engagement Letters dated March 6, 2006 for appointment of ENAM Financial Consultants Private Limited, ICICI Securities Limited and Kotak Mahindra Capital Company Limited as BRLMs.
2. Memorandum of Understanding dated April 13, 2006 amongst our Company, the President of India, through the MoP, and the BRLMs and the Amendment Agreement to the Memorandum of Understanding dated April 13, 2006 executed on December 5, 2006.
3. Memorandum of Understanding dated April 13, 2006 executed by our Company, the President of India, through the MoP, with the Registrar to the Issue and the Amendment Agreement to the Memorandum of Understanding dated April 13, 2006 executed on December 5, 2006.
4. Escrow Agreement dated January 5, 2007 between our Company, the BRLMs, Escrow Collection Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated January 5, 2007 between our Company, the BRLMs and Syndicate Members.
6. Underwriting Agreement dated February 7, 2007 between our Company, the Registrar to the Issue, the BRLMs and Syndicate Members.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Our certificate of incorporation dated July 16, 1986.
3. Resolutions of the Board dated January 31, 2006 and September 13, 2006 authorising the Issue.
4. Shareholders' resolutions dated February 3, 2006 and December 6, 2006 in relation to this Issue and other related matters.
5. The President of India through the MoP vide Letter No. 32024/36/2003-PFC Desk dated January 6, 2006 has granted approval for initial public offer of 10% of pre-issued paid capital and disinvestment of 5% of the GoI shareholding in our Company. This approval has been partially modified by the President of India through the MoP vide Letter No. 3/2/2006-PF Desk-Vol. II dated November 30, 2006 whereby approval has been granted to our Company to issue fresh equity shares through an initial public offer of 117,316,700 Equity Shares constituting 10.22% of our post issue paid up capital.
6. SEBI Letter No. CFD/DIL/SC/64911/2006 dated April 10, 2006 granting its approval for relaxing the strict enforcement of the condition (c) of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957.
7. Resolutions of the IPO Committee dated December 9, 2006 approving the Draft Red Herring Prospectus.
8. Resolution of the Board of Directors dated January 10, 2007 and February 10, 2007 respectively approving the Red Herring Prospectus and the Prospectus.
9. Resolution of the IPO Committee dated February 7, 2007 approving the Issue Price.
10. Copies of the letters by the MoP, GoI for appointment and remuneration of our Directors.
11. Report of the Auditors, M/s Bansal Sinha & Co., Chartered Accountants, prepared as per Indian GAAP and mentioned in this Prospectus dated December 9, 2006.
12. Copies of annual reports of our Company for the past five financial years.

13. Consents of the Auditors, M/s Bansal Sinha & Co., Chartered Accountants, for inclusion of their report on accounts and the Statement of Tax Benefits in the form and context in which they appear in this Prospectus.
14. General Powers of Attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to this Prospectus and other related documents.
15. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Banker to the Issue, Domestic Legal Counsel to the Company, International Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
16. Applications dated December 11, 2006 and December 11, 2006 for in-principle listing approval from the BSE and NSE, respectively.
17. In-principle listing approval dated December 13, 2006 and December 13, 2006 from the BSE and NSE, respectively.
18. Agreement between NSDL, our Company and the Registrar to the Issue dated May 16, 2006.
19. Agreement between CDSL, our Company and the Registrar to the Issue dated April 25, 2006.
20. Due diligence certificate dated December 11, 2006 to SEBI from ENAM Financial Consultants Private Limited, ICICI Securities Limited and Kotak Mahindra Capital Company Limited.
21. SEBI observation letter CFD/DIL/ISSUES/PB/PR/83382/2006 dated January 2, 2007 and our in-seriatim reply to the same dated January 8, 2007.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Prospectus are true and correct.

Signed by all Directors

Dr. V. K. Garg

Mr. V. S. Saxena

Mr. Shyam Wadhera

Mr. Satnam Singh

Mr. Arvind Jadhav

Mr. G.P. Gupta

Prof. P.G. Apte*

Dr. S.P. Parashar

Mr. Subodh Bhargava*

Mr. B.K. Mittal

Mr. Satnam Singh
Director (Finance and Financial Operations)

Mr. J.S. Amitabh
Company Secretary

* Through his constituted attorney, Mr. J.S. Amitabh.

Date: February 12, 2007

Place: New Delhi.

This page has been left blank intentionally