



# A.K. Stockmart Pvt. Ltd.



Public Issue of Secured Redeemable Non-Convertible  
Debentures  
Of  
POWER FINANCE CORPORATION LIMITED  
(A Government of India undertaking)  
Tranche I Issue  
January 15, 2021- January 29, 2021





## POWER FINANCE CORPORATION LIMITED

(A Government of India undertaking)

### INVESTMENT RATIONALE

- **PUBLIC ISSUE** by POWER FINANCE CORPORATION LIMITED (“COMPANY” or “ISSUER”) of SECURED, REDEEMABLE NON-CONVERTIBLE DEBENTURES of FACE VALUE of Rs. 1,000 each, (“NCDs”), for an amount of Rs.500 Crore (“BASE ISSUE SIZE”) with an option to retain oversubscription up to Rs.4,500 Crore aggregating up to 5,00,00,000 NCDs amounting to Rs.5,000 Crore (TRANCHE I ISSUE LIMIT) which is within the shelf limit of Rs. 10,000 CRORE (“SHELF LIMIT”) (“ISSUE”) and is being offered by the way of Tranche I Prospectus.
- The issue offers yields ranging from 4.65% to 7.15% depending up on the Category of Investor and the option applied for.
- Credit Rating of “AAA; Stable” by CARE, “AAA/Stable” by CRISIL and “[ICRA] AAA (Stable)” by ICRA for an amount up to Rs 98,000 Crore.
- The NCDs are proposed to be listed on the BSE. BSE is the Designated Stock Exchange for the purpose of the Issue.

### COMPANY PROFILE

- **Power Finance Corporation Limited (PFC)** is one of the leading financial institutions in India, focused on the power sector. The Company is a listed government of India (GoI) company and a public financial institution under the Companies Act, 2013. The Company is registered with the RBI as a non-deposit taking systemically important non-banking financial company (NBFC), and was classified as an Infrastructure Finance Company (IFC) on July 28, 2010.
- The Company plays a strategic role in the initiatives of the GoI for the development of the power sector in India and works with GoI agencies, state governments, power sector utilities, other power sector intermediaries and private sector clients for the development and implementation of policies and for structural and procedural reforms in the power sector in India.
- In addition, Company is involved in various GoI programs relating to the power sector, including acting as the nodal agency for the UMPP program, the IPDS/R-APDRP (now subsumed under the IPDS) and funding DISCOMs under the COVID 19 liquidity package.
- PFC provides a comprehensive range of financial products and other services to its clients in the power sector, including services ranging from project conceptualization to the post-commissioning stage, including generation (conventional and renewable), transmission and distribution projects, and related renovation and modernization projects, various forms of fund-based assistance, including long-term project finance, short-term loans, buyers’ lines of credit, underwriting of debt and debt refinancing schemes, various forms of non-fund based assistance including default payment guarantees, credit enhancement guarantees and letters of comfort and various fee-based technical advisory and consultancy services for power sector projects through its wholly owned subsidiary PFC Consulting Limited.
- The focus areas of the Company have been strategically expanded to include projects that represent forward and backward linkages to core power sector projects, including procurement of capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development. PFC also fund power trading initiatives.
- PFC’s primary sources of funds include equity capital, internal resources, and domestic and foreign currency borrowings.
- PFC believes that its NBFC and IFC classifications enable it to effectively capitalize on available financing opportunities in the Indian power sector. In addition, as a GoI-owned NBFC, loans made by the Company to central and state entities in the power sector are exempt from the RBI’s Concentration of Credit (exposure) norms that are until March 31, 2022.
- The Company was granted the “Navratna” status by the GoI in 2007, and has received an “Excellent” rating from the GoI in each of the fiscal years beginning from Fiscal 2007. The assessment for Fiscal 2020 is ongoing.

**Source: Shelf Prospectus and Tranche I prospectus both dated January 11,2021**

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**STRENGTHS**

- ***Comprehensive financial assistance platform focused on the Indian power sector***

PFC's knowledge in the domain of project finance has helped it in strategically expanding its focus areas to include projects that represent forward and backward linkages to core power sector projects, including procurement of capital equipment for the power sector, fuel sources for power generation projects, and related infrastructure development. Further, during Fiscal 2019, the Company acquired 52.63% of the shareholding held by GoI in REC Limited (REC). By virtue of this acquisition, PFC has become the holding company of REC. PFC believes that the acquisition of REC has presented the Company with a significant inorganic growth opportunity, and may help the Company enhance its product portfolio, de-risk its revenue base, achieve economies of scale, as well as deploy investible funds.

- ***Strategic role in GoI initiatives, and established relationships with power sector participants***

PFC has played a strategic role in the GoI's initiatives for the promotion and development of the power sector in India for more than two decades. PFC believes that this unique positioning enables it to leverage its power sector knowledge, its existing client base and continuing relationships with Government agencies and instrumentalities to be a preferred financing provider for the power sector in India.

- ***Operational flexibility to capitalize on both fund raising and lending opportunities***

PFC is registered with the RBI as an NBFC and has also been classified as an IFC which enables it to be operationally more flexible and effectively capitalize on available financing opportunities. As an NBFC, PFC is governed by regulations and policies that are generally less stringent than those applicable to commercial banks, including with respect to liquidity requirements and the requirement to hold a significant portion of funds in relatively low yield assets, such as Government securities and other approved securities and cash reserves. PFC believes its classification as an IFC enables it to increase lending exposures to individual entities, corporations and groups, compared to other NBFCs that are not IFCs. PFC also believes that this results in significant competitive advantages in providing project financing for large, long-gestation power sector projects.

- ***Favorable credit rating and access to various cost-competitive sources of funds***

PFC's primary sources of funds include equity capital, internal resources, and domestic and foreign currency borrowings. PFC believes that its financial strength and favorable credit ratings facilitate access to various cost competitive funding options. PFC also have access to various international funding sources including the Asian Development Bank and KfW Development Bank. Its average cost of funds in Fiscals 2018, 2019 and 2020 was 8.21%, 7.95% and 7.79%, respectively, which PFC believes is competitive.

- ***Comprehensive credit appraisal and risk management policies and procedures***

PFC believes it has comprehensive credit appraisal policies and procedures, which enable it to effectively appraise and extend financial assistance to various power sector projects and also result in strong collection and recovery. As of March 31, 2020, 87.89% of its outstanding loans to Central and State sector borrowers provide for an escrow mechanism, which ensures that in case of default in payment of dues to PFC by such borrowers, the escrow agent is required to make available the default amount to PFC on demand.

- ***Track record of consistent financial performance and growth***

PFC believes it has a track record of consistent financial performance and growth, which enables it to capitalize on attractive financing opportunities in the Indian power sector. Its total loan assets increased from Rs. 2,78,914.76 crore as of March 31, 2018 to Rs. 3,44,904.57 crore as of March 31, 2020. PFC's total income increased from Rs. 26,737.74 crore in Fiscal 2018 to Rs 33,371.06 crore in Fiscal 2020. Its RoA and RoNW were 1.60% and 12.79%, respectively, in Fiscal 2020, while NIM (on earning assets) was 3.17% in the same period. As of March 31, 2020, its net worth was Rs. 45,164.13 crore, while capital adequacy ratio was 16.96%.

- ***Experienced and committed management and employee base with in-depth sector knowledge***

The experience of PFC's management has enabled it to successfully identify attractive financing opportunities. PFC believes that its experienced management team has been the key to its success and will enable it to capitalize on future growth opportunities.

**Source: Shelf Prospectus and Tranche I prospectus both dated January 11, 2021**

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**ISSUE STRUCTURE**

<b>Issuer</b>	<b>Power Finance Corporation Limited</b>
<b>Type of instrument</b>	Secured redeemable non-convertible debentures
<b>Nature of instrument / Seniority</b>	Secured redeemable non-convertible debentures
<b>Mode of issue</b>	Public Issue
<b>Listing</b>	The NCDs shall be listed on the BSE Limited (Stock Exchange) within six Working Days from the Issue Closing Date
<b>Rating of the instrument</b>	'CARE AAA; Stable' by CARE; 'CRISIL AAA / Stable' by CRISIL; and '[ICRA]AAA(Stable)' by ICRA
<b>Base Issue size</b>	Rs. 500 cr
<b>Option to retain oversubscription</b>	Rs. 4500 cr
<b>Day count basis</b>	Actual / Actual.
<b>Issue Price (in Rs.)</b>	Rs. 1000 per NCD
<b>Call/Put Date</b>	Not Applicable
<b>Face Value (in Rs.)</b>	Rs. 1,000 per NCD
<b>Minimum application size and in multiples of debt securities thereafter</b>	Rs. 10,000 (10 NCDs) across all series collectively and in multiples thereafter of ₹ 1000 (1NCDs) thereafter.
<b>Issue Timing</b> 1. Issue Opening Date 2. Issue Closing Date 3. Pay-in Date	1. January 15, 2021 2. January 29, 2021 Application date (the entire application amount is payable on application date)
<b>Deemed Date of Allotment</b>	The date on which the Authorized Officials approve the Allotment of the NCDs for this Tranche I Issue, or such other date as may be determined by the Authorized Officials and notified to the Stock Exchange. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment. All benefits relating to the NCDs including interest on NCDs (as specified in the Tranche I Prospectus for this Tranche I Issue) shall be available to the Debenture Holders from the Deemed Date of Allotment.
<b>Issuance mode of the instrument</b>	Dematerialised form only.
<b>Trading</b>	In dematerialised form only.
<b>Security cover</b>	100% of the amount of outstanding NCDs and the interest thereon at any point of time.
<b>Security</b>	The principal amount of the NCDs to be issued in terms of the Tranche I Prospectus together with all interest accrued on the NCDs shall be secured by way of first pari passu charge through hypothecation of the book debts/receivables (excluding the receivables on which a specific charge has already been created by the Company)

\* In terms of Regulation 4(2)(d) of the SEBI Debt Regulations, the Company will undertake this public issue of the NCDs in dematerialised form.

**\*\*The Tranche I Issue shall remain open for subscription on Working Days from 10.00 a.m. to 5.00 p.m., during the period indicated in the Tranche I Prospectus, except that the Tranche I Issue may close on such earlier date or extended date as may be decided by the Board. In the event of such an early closure of or extension of the Tranche I Issue, the Company shall ensure that notice of such early closure or extension is given to the prospective investors in all the newspapers in which pre-issue advertisement and advertisement for opening or closure of the Tranche I Issue have been given, on or before such earlier date or initial date of closure. Applications Forms for the Tranche I Issue will be accepted only from 10.00 a.m. till 5.00 p.m. or such extended time as may be permitted by the Stock Exchange, on Working Days during the Tranche I Issue Period. On the Tranche I Issue Closing Date, Application Forms will be accepted only between 10.00 a.m. to 3.00 p.m. and uploaded until 5.00 p.m. or such extended time as may be permitted by the Stock Exchange. Further, pending mandate requests for bids placed on the last day of bidding will be validated by 5 PM on one Working Day post the Issue Closing Date. Further, pending mandate requests for bids placed on the last day of bidding will be validated by 5 PM on one Working Day after the Issue Closing Date.**

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## THE SPECIFIC TERMS OF EACH OPTION OF NCDs

Series	I	II	III	IV	V	VI	VII
Interest type	Fixed	Fixed	Fixed	Fixed	Floating #	Fixed	Fixed
Frequency of Interest Payment	Annual	Annual	Quarterly	Annual	Annual	Quarterly	Annual
Tenor	3 Years	5 Years	10 Years	10 Years	10 Years	15 Years	15 Years
Coupon (per cent.) for Category I & II	4.65%	5.65%	6.63%	6.80%	Gsec 10 Yr (Annualised) + 55 BPS	6.78%	6.95%
Coupon (per cent.) for Category III & IV	4.80%	5.80%	6.82%	7.00%	Gsec 10 Yr (Annualised)+ 80 BPS	6.97%	7.15%
Effective Yield (per cent. per annum) for Category I & II	4.65%	5.65%	6.79%	6.80%	-	6.95%	6.95%
Effective Yield (per cent. per annum) for Category III & IV	4.80%	5.80%	6.99%	7.00%	-	7.15%	7.15%
Put and Call Options	Not applicable.						
Redemption amount (Rs. per NCD)	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Redemption Date	3 Years	5 Years	10 Years	10 Years	10 Years	15 Years	15 Years
Minimum Application	Rs. 10,000 (10 NCDs) across all Series collectively						
In multiples of thereafter	Rs. 1,000 (1 NCD)						
Face Value / Issue Price (Rs. / NCD)	Rs. 1,000 (1 NCD)						
Mode of Interest Payment	Through various options available.						

# G-sec 10 Yr (Annualised) is referred to as FIMMDA 10Yr G-sec benchmark published by Fixed Income Money Market and Derivatives Association of India Reference computed on an annualised basis.

# The effective coupon will be subject to a floor rate of 5.80% p.a. and cap rate of 7.30% p.a. for Category I & II.

# The effective coupon will be subject to a floor rate of 6.00% p.a. and cap rate of 7.50% p.a. for Category III & IV.

# The coupon will change according to annualised FIMMDA 10Yr G-sec benchmark, however, the spread will be fixed throughout the tenor of the Series V NCDs for respective categories till redemption.

# The Floating Coupon to be rounded upto 2 decimal.

# For the purpose of Series V NCDs (10 Year Floating Rate Bonds), The cash flows shall change in accordance with change in Reference FIMMDA 10Yr G-sec Benchmark and subject to floor and cap on floating interest rates.

\* The company shall allocate and allot Series IV NCDs wherein the Applicants have not indicated their choice of the relevant NCD Series.

Note-1: If the Deemed Date of Allotment undergoes a change, the coupon payment dates, Redemption Dates and other cash flow workings shall be changed accordingly.

Note-2: The Coupon/ Interest Payments are rounded-off to nearest rupee as per FIMMDA 'Handbook on market practices'.

## ALLOCATION RATIO:

Institutional Portion	Non-Institutional Portion	High Net Worth Individual Portion	Retail Individual Investor Portion
10%	10%	40%	40%

Source: Shelf Prospectus and Tranche I prospectus both dated January 11,2021

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**INVESTORS CATEGORIES AND ALLOTMENT:**

Category I – Institutional Investors	Category II – Non Institutional Investors	Category III - High Net Worth Individual Investors	Category IV – Retail Individual Investors
<ul style="list-style-type: none"> <li>Public financial institutions, scheduled commercial banks, and Indian multilateral and bilateral development financial institutions which are authorised to invest in the NCDs;</li> <li>Provident funds and pension funds with a minimum corpus of Rs. 25 Crore, superannuation funds and gratuity funds, which are authorised to invest in the NCDs;</li> <li>Alternative Investment Funds registered with SEBI, subject to investment conditions applicable to them under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012;</li> <li>Resident venture capital funds registered with SEBI;</li> <li>Insurance companies registered with the IRDAI;</li> <li>State industrial development corporations;</li> <li>Insurance funds set up and managed by the army, navy, or air force of the Union of India;</li> <li>Insurance funds set up and managed by the Department of Posts, the Union of India;</li> <li>Systemically important non-banking financial company registered with the RBI and having a net-worth of more than Rs. 500 Crore in accordance with the last audited financial statements</li> <li>National Investment Fund set up by resolution no. F.No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; and</li> <li>Mutual funds registered with SEBI.</li> </ul>	<ul style="list-style-type: none"> <li>Companies within the meaning of Section 2(20) of the Companies Act, 2013;</li> <li>Statutory bodies or corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs;</li> <li>Co-operative banks and regional rural banks;</li> <li>Trusts including public or private charitable or religious trusts which are authorised to invest in the NCDs;</li> <li>Scientific and/or industrial research organisations, which are authorised to invest in the NCDs;</li> <li>Partnership firms in the name of the partners;</li> <li>Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009), as amended;</li> <li>Association of persons; and</li> <li>Any other incorporated and/ or unincorporated body of persons.</li> </ul>	<ul style="list-style-type: none"> <li>High Net-worth Individual Investors - Resident Indian individuals or Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs.10,00,000 across all series of NCDs in a Tranche Issue.</li> </ul>	<ul style="list-style-type: none"> <li>Retail Individual Investors - Resident Indian individuals or Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs.10,00,000 across all options of NCDs in a Tranche issue.</li> </ul>

**APPLICATIONS CANNOT BE MADE BY****Applications cannot be made by:**

- Minors without a guardian name\* (A guardian may apply on behalf of a minor. However, Application by minors must be made through Application Forms that contain the names of both the minor applicant and the name of the guardian);
- Foreign nationals;
- Persons resident outside India;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Non Resident Indians;
- Qualified Foreign Investors;
- Overseas Corporate Bodies\*\*;
- Foreign Venture Capital Funds; and
- Persons ineligible to contract under applicable statutory/ regulatory requirements.

\*Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872

\*\*The concept of Overseas Corporate Bodies (meaning any company, partnership firm, society and other corporate body or overseas trust irrevocably owned/held directly or indirectly to the extent of at least 60% by NRIs), which was in existence until 2003, was withdrawn by the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003. Accordingly, OCBs are not permitted to invest in the Issue.

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**Key Operational Financial Parameters: (Standalone)**

Particulars	FY20 IND-AS	FY19 IND-AS
Net worth	45164.13	43287.99
Total Debt at Amortised Cost	310274.68	295238.72
Other Financial Liabilities	5375.16	5327.84
Derivative Financial Instruments (Liabilities)	599.82	505.59
Other Non-Financial liabilities	373.47	495.55
Property, Plant & Equipment & Intangibles	31.76	28.33
Cash and Cash Equivalents and Other Bank Balances	198.99	14155.01
Derivative Financial Instruments (Assets)	1863.42	567.98
Investments	16473.32	16586.2
Loans (Assets)	334112.6	303210.36
Other Financial Assets	5339.12	5376.4
Other non-Financial Assets	128.87	242.09
Interest Income	31950.42	28440.97
Finance Cost	21853.19	18981.76
Impairment on Financial Instruments	991.22	-871.48
Profit For the period	5655.14	6952.92
Gross Stage 3 Assets (%)	8.08%	9.39%
Net Stage 3 Assets (%)	3.97%	4.85%
Tier I Capital Adequacy Ratio (%)	12.45%	11.73%
Tier II Capital Adequacy Ratio (%)	4.51%	5.36%

(Rs. Cr)

Particulars	FY18 I-GAAP
Net worth	39860.67
Total Debt Of Which	229538.4
Non-Current Maturitis of Long Term Borrowing	191498.7
Short term borrowings	6924.74
Current Maturitis of Long Term Borrowing	31114.93
Net Fixed Assets	64.83
Non-Current Assets Other Than Fixed Assets	241977.8
Cash and Cash Equivalents and Other Bank Balances	553.2
Current Investments	1070.76
Current Assets except Cash and Cash Equivalents and Other Bank Balances	42798.54
Current Liabilities	8601.61
Interest Income	25820.86
Finance Costs	17204.85
Provisioning & Write Up	560.83
PAT	5855.22
Gross NPA (%)	9.57%
Net NPA (%)	7.55%
Tier I Capital Adequacy Ratio (%)	16.98%
Tier II Capital Adequacy Ratio (%)	3.01%

**Debt Equity Ratio (Standalone):**

<b>Before the Issue (As on September 30, 2020)</b>	6.57
<b>After the Issue of NCDs*</b>	6.77

\*Post issue Debt- Equity Ratio is considering the issue size of Rs. 10,000 crore

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**DISCLAIMER:****‘The investors shall invest only on the basis of information contained in the final prospectus’**

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CIN: U67120MH2006PTC158932