

Independent Auditors' Report

To the Members of Power Finance Corporation Limited

REPORT ON THE AUDIT OF THE STANDALONE IND AS FINANCIAL STATEMENTS

OPINION

We have audited the standalone Ind AS financial statements of Power Finance Corporation Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and Notes to the Standalone Ind AS Financial Statements, including a summary of Significant Accounting Policies and other explanatory information (hereinafter referred to as "the Standalone Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ('Ind AS') and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit (including other comprehensive income), the changes in equity and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the Standalone Ind AS Financial Statements in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial

Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Standalone Ind AS Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone Ind AS Financial Statements.

Emphasis of matter

We draw attention to Note No. 57 of the Standalone Ind AS Financial Statements regarding the impact of COVID-19 pandemic on the Company. Management is of the view that there are no reasons to believe that the pandemic will have any significant impact on the ability of the Company to continue as a going concern. Nevertheless, the impact in sight of evolution of pandemic in future period is uncertain and could impact the impairment allowance in future years.

Our opinion is not modified in respect of the matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of these Standalone Ind AS Financial Statements of the current period. These matters were addressed in the context of our audit of the Standalone Ind AS Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

Sr. No.	Key Audit Matter	Auditors' Response
1.	<p>Credit impairment of financial instruments—Loan Assets</p> <p>The Company follows a Board approved methodology wherein assessment for allowance is carried out by an external agency for impairment based on certain guidelines and procedures in respect of criterion/framework classifying the assets into various stages depending upon credit risk and level of evidence of impairment.</p> <p>Impairment loss measurement requires use of statistical models to estimate the Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These models are key driver to measure Impairment loss.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Company has availed services of independent expert to estimate the carrying value of the loan assets. We verified the criterion/ framework with various regulatory updates along with Company's internal guidelines and procedures in respect of the impairment allowance as well as the completeness and accuracy of the data shared with the independent experts. Recoveries are verified applying the standard audit procedures. Loan balances are confirmed and quality of the borrower is evaluated and tested with key control parameters. We have reviewed the underlying assumptions and broad methodology of ECL assessment and shared our inputs.

Sr. No.	Key Audit Matter	Auditors' Response
	<p>The key indicators underlying for assessment of impairment allowance are appraised on the ongoing basis by the management.</p> <p>The most significant areas where we identified greater levels of management judgement are:</p> <p>Significant Increase in Credit Risk (SICR) – Company has classified SICR based on the indicator defined in Ind AS, estimate the Probabilities of Default (PD), Loss Given Default (LGD) and Individually assessed Stage 3 carrying value – the carrying value of loans and advances to borrowers may be materially misstated if individual impairments are not appropriately estimated based upon future cash flow and asset valuations.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the value of ECL has a high degree of estimation & uncertainty. In view of the significance of the amount of loan assets in the standalone Ind AS Financial Statements as % of total assets, impairment of loan assets there on has been considered as Key Audit Matter in our audit.</p>	<ul style="list-style-type: none"> • Components and calculations in the study for impairment allowance carried out by the third party are test checks, discussed with management and relied upon by us. <p>We considered the credit impairment charge and provision recognised and the related disclosures to be acceptable & satisfactory.</p>
2.	<p>Fair Valuation of Derivative financial instruments</p> <p>Company enters into derivative contracts in accordance with RBI guidelines to mitigate its currency and interest rate risk in accordance with Company's board approved currency risk management policy.</p> <p>Derivative contracts are either categorised at FVTPL or under cash flow hedge (Hedge Accounting). Mark to market gain/loss on derivatives categorised at FVTPL is recognised in P&L and that of Hedge Accounting is recognised in the other comprehensive income.</p> <p>We consider the valuation of the derivative financial instruments and hedge accounting as a key audit matter due to material exposure and the fact that the inappropriate application of these requirements/assumptions/estimate by contracting bank could lead to a material effect on the income statement.</p>	<p>Our audit procedures included:</p> <p>Discussing and understanding management's perception and studying policy of the Company for risk management.</p> <p>Verification of fair value of derivative in term of Ind AS 109.</p> <p>Evaluation of key internal control over classification of derivative instruments.</p> <p>Company obtains fair value of derivative from the counterparty banks. Our procedure includes evaluation of details of various financial derivative contracts outstanding as on March 31, 2020 and fair value thereon. Additionally, we verified the accounting of gain or loss on mark to market basis of derivative contracts in profit and loss account and other comprehensive income in case of derivatives contracts under cash flow hedge.</p> <p>We did not find any material misstatement in measuring derivative contracts at fair value obtained from counterparty banks.</p>
3.	<p>Alternate audit procedure carried out in light of COVID- 19 outbreaks</p> <p>Due to the outbreak of COVID-19 pandemic, the consequent nationwide lockdown and travel restrictions imposed by the Government/local administration during the period commencing from March 25, 2020 onwards, the audit processes could not be carried out physically at the Company's premises.</p> <p>The statutory audit was conducted via making arrangements to provide requisite documents/ information through electronic medium as an alternative audit procedure.</p> <p>We have identified such alternative audit procedure as a key audit matter.</p>	<p>As a part of alternative audit procedure, the Company has made available the following information/ records/ documents/ explanations to us through e-mail and remote secure network of the Company: -</p> <ol style="list-style-type: none"> a) Scanned copies of necessary records/documents deeds, certificates and the related records made available electronically through e-mail or remote secure network of the Company; and b) By way of enquiries through video conferencing, dialogues and discussions over phone, e-mails and similar communication channels. <p>It has also been represented by the management that the data and information provided electronically for the purpose of our audit are correct, complete, reliable and are directly generated from the accounting system of the Company, extracted from the records and files, without any further manual modifications so as to maintain its integrity, authenticity, readability and completeness. In addition, based on our review of the various internal audit reports/inspection reports, nothing has come to our knowledge that make us believe that such alternate audit procedure would not be adequate.</p>

Other Matters

1. The Company has recognised expected credit loss in respect of loan assets and undisbursed letter of comfort as required under Ind AS 109, on the basis of documents provided by independent expert agency appointed by the Company. Since the calculation parameters require certain technical and professional expertise, we have relied on the expected credit loss calculation as provided by the said independent expert agency.
2. The Standalone Ind AS Financial Statements of the Company for the year ended March 31, 2019 were audited by the then joint auditors of the Company one of whom is the predecessor audit firms, and have expressed an unmodified opinion dated May 29, 2019 on such Ind AS financial statements.

Our opinion on the standalone Ind AS financial statements is not modified in respect of above matters.

Information Other than the Standalone Ind AS Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report including Annexures to Board's Report, Management Discussion and Analysis, Business Responsibility Report and Report on Corporate Governance but does not include the Standalone Ind AS Financial Statements and our auditors' report thereon. The above-referred information is expected to be made available to us after the date of this audit report.

Our opinion on the Standalone Ind AS Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Ind AS Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Standalone Ind AS Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions necessitated by the circumstances and the applicable laws and regulations.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE STANDALONE IND AS FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Standalone Ind AS Financial Statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Ind AS Financial Statements, management and Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE IND AS FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatement in the Standalone Ind AS Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonable knowledgeable user of the Ind AS financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) Planning the scope of our audit work and in evaluating the results of our work: and (ii) to evaluate

the effect of any identified misstatements in the Ind AS financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in "Annexure-A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. The Comptroller and Auditor General of India has issued the directions indicating the areas to be examined in term of sub-section 5 of Section 143 of the Act, the compliance of which is set out in "Annexure B".
3. As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

- c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and Statement of Cash flow, dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Ind AS specified under Section 133 of the Act read with relevant rules;
- e) As per notification number G.S.R. 463(E) dated June 5, 2015 issued by Ministry of Corporate Affairs, Section 164(2) of the Act regarding the disqualifications of Directors is not applicable to the Company, since it is a Government Company;
- f) With respect to the adequacy of the internal financial controls with reference to Standalone Ind AS Financial Statements and the operating effectiveness of such controls, refer to our separate report in "Annexure C";
- g) As per notification number G.S.R. 463 (E) dated June 5, 2015 issued by Ministry of Corporate Affairs, Section 197 of the Act regarding remuneration to director is not applicable to the Company, since it is being a Government Company; and
- h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Ind AS Financial Statements – Refer Note 42 to the Standalone Ind AS Financial Statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

FOR GANDHI MINOCHA & CO.

Chartered Accountants
Firm's Registration No.: 000458N

Sd/-

CA Manoj Bhardwaj

Partner

Membership No.: 098606

UDIN: 20098606AAAABY6975

Dated: June 24, 2020

Place: New Delhi

FOR DASS GUPTA & ASSOCIATES

Chartered Accountants
Firm's Registration No.: 000112N

Sd/-

CA Ashok Kumar Jain

Partner

Membership No.: 090563

UDIN: 20090563AAAAAR7259

Annexure A

to Independent Auditors' Report on the Audit of the Standalone Ind AS Financial Statements (Referred to in Para 1 under the heading 'Report on other Legal and Regulatory Requirements' of our report of even date to The Members of Power Finance Corporation Limited on the standalone Ind AS financial statements for the year ended March 31, 2020)

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the management carries out the physical verification of fixed assets once in a year. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. As explained to us, no material discrepancies were noticed by the management on such physical verification necessitating any adjustment.
- (c) According to information and explanations given to us, the records examined by us and based on the examination of conveyance deeds/registered sale deed provided to us, we report that, the title deeds, comprising all immovable properties of land and buildings which are free hold, are held in the name of the Company as at the balance sheet date. Further, in respect of immovable properties of land and building that have been taken on lease, the lease agreements are in the name of the Company.
- ii. The Company is a Non-Banking Finance Company and does not have any inventory. Thus, clause 3(ii) of the Companies (Auditor's Report) Order, 2016 is not applicable.
- iii. As explained to us and verified from books and records, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, clauses 3(iii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.
- iv. As per the information and explanations provided to us the Company has not given any loans, investment, guarantees and securities which may be covered under Section 185 and 186 of the Companies Act, 2013.
- v. According to the information and explanations given to us, the Company has not accepted any deposit from public during the year within the meaning of section 73 to 76 or any other relevant provision of the companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.
- vi. The Central Government has not prescribed the maintenance of cost records under sub-section 1 of Section 148 of the Act, for any of the services rendered by the Company. Accordingly, clause 3(vi) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- vii. In respect of statutory dues, on the basis of information and explanations given to us and on the basis of our examination of the records of the Company, we report that:
- (a) The Company is regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Goods & Service Tax and other material statutory dues as applicable to it and there is no undisputed amount payable in respect of aforesaid dues outstanding for a period of more than six months from the date they become payable as on March 31, 2020, as per the accounts of the Company.
- (b) According to the information and explanations given to us and as certified by the management on which we have relied upon, the disputed statutory dues aggregating to ₹ 21.84 crore have not been deposited on account of matters pending before appropriate authorities as detailed below:

Name of the Statute	Nature of the Dues	Total Disputed Amount (₹)	Amount paid under protest (₹)	Pending Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Chapter V of Finance Act, 1994	Service Tax and Penalty	86,55,830.00	5,90,170.00	80,65,660.00	April 1, 2011 to December 31, 2015	CESTAT Delhi
		16,91,418.00	Nil	16,91,418.00	January 1, 2016 to November 30, 2016	Commissioner CE & ST LTU New Delhi
		13,56,179.00	Nil	13,56,179.00	December 1, 2016 to June 30, 2017	Principal Commissioner CE & ST LTU New Delhi

Name of the Statute	Nature of the Dues	Total Disputed Amount (₹)	Amount paid under protest (₹)	Pending Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	17,64,18,418	11,60,08,439	6,04,09,979.00	AY 2016-17	CIT (Appeal)-22 Delhi
Income Tax Act, 1961	Income Tax Penalty	25,91,23,160	11,22,44,267	1,46,878,893.00	AY 2104-15	CIT (Appeal)-22 Delhi

- viii. According to information and explanations given to us and on the basis of our examination of the records of the Company the Company has not defaulted in repayment of loans or borrowing to a financial institution bank Government or dues to debenture holders as at the Balance Sheet date.
- ix. The Company did not raise any money by way of initial public offer or further public offer. Money raised by the Company by way of all types of debt instruments and term loans during the year was applied for the purposes for which it was raised.
- x. To the best of our knowledge and according to the information and explanations given to us no fraud by the Company or any fraud on the Company by its officers and employees has been noticed or reported during the year nor have been we informed of any such case by the management.
- xi. According to information and explanations given to us being a Government Company Section 197 of Companies Act, 2013 does not apply to the Company. Accordingly, clause 3(xi) of the Companies (Auditor's Report) Order 2016 is not applicable.
- xii. According to information and explanations given to us the Company is not a Nidhi Company. Hence the Nidhi Rules 2014 are not applicable to the Company. Accordingly, clause 3(xii) of the
- Companies (Auditor's Report) Order 2016 is not applicable to the Company.
- xiii. According to information and explanations given to us and on the basis of our examination of the records of the Company all transactions with the related parties are in compliance with Sections 177 and 188 of the Companies Act, 2013 where applicable. The details have been disclosed in the Ind AS Financial Statements as per the requirement of the applicable accounting standard.
- xiv. According to information and explanations given to us and on the basis of our examination of the records of the Company the Company has not made any preferential allotment or private placement of shares or fully/partly convertible debentures during the year.
- xv. According to information and explanations given to us and on the basis of our examination of the records of the Company the Company has not entered into any non-cash transactions with directors or persons connected with them which are covered under Section 192 of Companies Act, 2013.
- xvi. The Company is a Non-Banking Finance Company and has obtained registration under Section 45-IA of the Reserve Bank of India Act, 1934.

FOR GANDHI MINOCHA & CO.

Chartered Accountants
Firm's Registration No.: 000458N

Sd/-

CA Manoj Bhardwaj

Partner

Membership No.: 098606

UDIN: 20098606AAAABY6975

Dated: June 24, 2020

Place: New Delhi

FOR DASS GUPTA & ASSOCIATES.

Chartered Accountants
Firm's Registration No.: 000112N

Sd/-

CA Ashok Kumar Jain

Partner

Membership No.: 090563

UDIN: 20090563AAAAAR7259

Annexure B

to the Independent Auditors' Report on the Audit of the Standalone Ind AS Financial Statements (Referred to in Para 2 under the heading 'Report on other Legal and Regulatory Requirements' of our report of even date to The Members of Power Finance Corporation Limited on the standalone Ind AS financial statements for the year ended March 31, 2020)

As required under Section 143(5) of the Companies Act, 2013 with respect to the directions issued by The Comptroller & Auditor General of India, we report that:

Directions	Replies
Whether the Company has system in place to process all the accounting transactions through IT system? If yes the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications if any may be stated.	Yes, the Company has system in place to process all the accounting transactions through IT system. Based on the verification carried out by us during the course of our audit and based on the information and explanations given to us we have not come across any instance having significant implications on the integrity of accounts.
Whether there is any restructuring of an existing loan or cases of waiver/ write-off of debts/ loans/ interest etc. made by a lender to the Company due to the Company's inability to repay the loan? If yes the financial impact may be stated;	There are no such cases and company is regular in servicing its debts and borrowing obligations.
Whether funds received/ receivable for specific schemes from Central/ State agencies were properly accounted for/ utilised as per its term and conditions? List the cases of deviation.	Funds released by Ministry of Power for the projects/schemes sanctioned under Integrated Power Development Scheme (R-APDRDP subsumed) have been properly accounted for and released onward to the beneficiaries as per guidelines and terms & conditions of sanction.

FOR GANDHI MINOCHA & CO.

Chartered Accountants
Firm's Registration No.: 000458N

Sd/-

CA Manoj Bhardwaj

Partner

Membership No.: 098606

UDIN: 20098606AAAABY6975

Dated: June 24, 2020

Place: New Delhi

FOR DASS GUPTA & ASSOCIATES.

Chartered Accountants
Firm's Registration No.: 000112N

Sd/-

CA Ashok Kumar Jain

Partner

Membership No.: 090563

UDIN: 20090563AAAAAR7259

Annexure C

to the Independent Auditors' Report on the Audit of the Standalone Ind AS Financial Statements (Referred to in Para 3(f) under the heading 'Report on other Legal and Regulatory Requirements' of our report of even date to The Members of Power Finance Corporation Limited on the standalone Ind AS financial statements for the year ended March 31, 2020)

Report on the Internal Financial Controls with reference to standalone Ind AS Financial Statements under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to the Ind AS financial statements of Power Finance Corporation Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the Standalone Ind AS Financial Statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design implementation and maintenance of adequate internal financial controls with reference to Ind AS financial statements that were operating effectively for ensuring the orderly and efficient conduct of its business including adherence to company's policies the safeguarding of its assets the prevention and detection of frauds and errors the accuracy and completeness of the accounting records and the timely preparation of reliable financial information as required under the Act.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls with reference to Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI prescribed under sub-section 10 of Section 143 of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls

over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of the Management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the Ind AS financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over



financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Company has, in all material respects, an internal financial controls system over financial reporting and such internal financial controls

over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

FOR GANDHI MINOCHA & CO.

Chartered Accountants
Firm's Registration No.: 000458N

Sd/-

CA Manoj Bhardwaj

Partner
Membership No.: 098606
UDIN: 20098606AAAABY6975

Dated: June 24, 2020

Place: New Delhi

FOR DASS GUPTA & ASSOCIATES.

Chartered Accountants
Firm's Registration No.: 000112N

Sd/-

CA Ashok Kumar Jain

Partner
Membership No.: 090563
UDIN: 20090563AAAAAR7259