



Letter to Shareholders



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- Ravinder Singh Dhillon
Chairman & Managing Director

Ladies and Gentlemen,

It gives me great pleasure to welcome you all to the 34th Annual General Meeting of your Company. The Financial Year 2019-20 was a challenging yet promising year for PFC.

The end to the financial year was marred by the unprecedented global disruptions caused by the coronavirus outbreak and need no reiteration. The pandemic has not only caused severe impact on the manufacturing industries but also caused disruptions in financial markets worldwide, including turbulence in the currency markets as well.

Considering the scale of COVID-19 pandemic, India has not been left untouched. Although, the full extent of its impact on the power industry is yet to be ascertained, but series of reforms unleashed by the Government to tackle COVID-19 and its aftermath is surely going to limit the impact on the power sector.

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I am proud to share that your Company is the largest Central Public Sector Enterprise in terms of the balance sheet size. Your Company is also slated to be the fifth highest profit-making Central Public Sector Enterprise in terms of consolidated PAT for the year 2019-20. Forbes has ranked your Company in the top 250 best employers worldwide in its ranking for 2019, which also makes us among top 20 best employers in India. On a consolidated level, your Company would make it among the top 500 global public companies in terms of the profit and asset size.

On the business front, the year saw some significant landmarks for PFC.



Shri R.K. Singh, Hon'ble Minister of State (IC) Power and Renewable Energy & Minister of State, Skill Development and Entrepreneurship, Shri S.N. Sahay, Secretary (Power), Shri R.S. Dhillon, CMD, PFC along with Shri Rajeev Sharma, former CMD, PFC and Shri P K Singh, Director (Commercial) at the Ceremonial Bell Ringing of Listing ceremony of PFC's USD 750 million Foreign Bonds on NSE.

Your company has recorded its highest ever disbursements for 4th year in a row, with this year's loan disbursements almost touching ₹68,000 crore. The loan assets also crossed the ₹3.5 lakh crore milestone and saw a robust growth of 10% during the year.

There have been significant developments on the stressed assets front. GMR Chhattisgarh and RattanIndia Amravati, two of PFC's large stressed assets were resolved during the year. Also, resolution plan for Suzlon Energy and Essar Power Transmission were approved.

On the borrowing front, your Company's efforts towards diversification of borrowing portfolio has started yielding results. In the last financial year, PFC raised about USD 3 billion from international markets. Now, the share of foreign currency borrowings in the overall borrowing has increased to 16%. Going forward, we expect the foreign currency borrowings to contribute to our portfolio to a

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greater extent. Your Company is also raising funds through 54EC capital gain tax bonds, which are an important source of funds for PFC owing to its low cost. I am happy to share that the mobilization under the 54EC capital gains tax bonds has almost quadrupled since our first issue in financial year 2017-18. Due to the various efforts made by your Company on the borrowing front, the cost of funds has reduced significantly from 7.95% in FY19 to 7.79% in FY20.

There have been significant developments in the global economy front. The disruptions in many supply chains dependent on China amid COVID-19 has come as a jolt to global manufacturing. These been further exacerbated with the geo-political developments in the Indian context. Using the opportunity provided by the pandemic, Honorable Prime Minister Shri Narendra Modi has urged the nation to become self-reliant via his clarion calls for 'Vocal for Local' and 'Aatmanirbhar Bharat'.

India Inc. and the power sector, which is critical for nation's march towards self-reliance, can utilize this push from the Government in promoting more domestic manufacturing, which will help in rebooting India's economy faster. It would also mean that sluggish power demand will witness more pickup in the coming quarters. Going forward, these Government initiatives can provide a huge impetus to the industry.

COVID-19 pandemic worsened the woes of power players across the country, especially the distribution companies. The situation aggravated during the lockdown as power demand from commercial and industrial segment weakened, resulting in lower revenue realization for distribution companies, as these big consumers either remained shut or only operated partially, thereby leading to lower realizations. To ease out stress on cash flows, Government of India had announced reforms-linked allocation of ₹ 90,000 crore for cash-strapped distribution companies under the Aatmanirbhar Bharat Abhiyan. This financial package has been a welcome news for power producers and has given a significant boost to power sector reforms. I am happy to share that your Company and its subsidiary REC shall be the only lenders to provide the financial support under the Aatmanirbhar Bharat liquidity package of ₹ 90,000 crores.

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Furthermore, in line with the notification of Reserve Bank of India, to ease the liquidity crunch amid COVID-19, your Company has provided moratorium on both principal and interest to its borrowers due from 1st March 2020 to 31st August 2020. This shall help the power utilities, both state and private owned, to improve their cash flows for sustaining business operations.

Your Company has been publishing Performance Report on state power utilities on annual basis and is also involved in publishing the annual integrated rating of power distribution companies.



Shri S.N. Sahay, Secretary (Power), Govt. of India, Shri R.S. Dhillon, CMD, PFC, Shri Rajeev Sharma, former CMD, PFC along with Shri Mangu Singh, MD, DMRC and other senior officials of PFC and DMRC at the inauguration of "Women's Convenience Lounge" set up by PFC at Barakhambha Road Metro Station



Shri R.K. Singh, Hon'ble Minister of State (IC) Power and Renewable Energy & Minister of State, Skill Development and Entrepreneurship along with Shri S.N Sahay, Secretary (Power) and Shri R.S. Dhillion, CMD releasing PFC's Report on 'Performance of State Power Utilities' for FY 2018-19

These reports are widely used by stakeholders, including policy makers, developers, lenders, equity analysts, regulators, public at large etc. and helps in decision making. To promote transparency and accountability at the distribution companies, Ministry of Power has advised to periodically publish performance of the distribution companies on key parameters to enable people to know how their power distributor fares vis-à-vis its peers.

The renewable segment has also seen its share of positive news where the tariffs have stabilized and this provide huge opportunities to invest in clean sources of energy. This also gives strong tailwinds to India's ambitious green energy target.

Government is also pursuing innovative models in distributed solar power generation in line with its goal of transitioning towards clean fuels. Since a one-size-fits-all approach may not be beneficial, Government is also making

efforts to find specific solutions to incentivize every state for improving performance. Government is also focusing on indigenous production in various sectors and it is critical that share of power sector equipment manufactured in India should increase going forward. We believe that various Government initiatives like 'Make In India' & 'Digital India' will go a long way towards building an ecosystem for manufacturing wafers, ingots, cells and modules within the country. This will not only help the Indian Power Sector being self-reliant and self-sustainable but will also help in generating employment and providing entrepreneurial opportunities. Being a leading lender in the country, your Company is well positioned to wholeheartedly support creation of more assets for production of renewable power.

To strengthen the sector, Government is focusing on many reform initiatives in the power sector. The proposed amendment in the Electricity Act is aimed at

addressing issues that are adversely impacting the financial viability and therefore the investments in the sector. We believe that Establishment of Electricity Contract Enforcement Authority to enforce the performance of contracts like PPAs/ FSAs/ TSAs related to generation and transmission of power will help in addressing the issue of renegotiation of PPAs by DISCOMs, which is leading to lot of uncertainties in the sector. Proposed amendments in the National Tariff Policy such as capping of losses at 15% for determination of tariff, higher penalties for non-compliance to RPOs, restrictions on creation of new regulatory assets etc. will also help in making the sector more efficient. Recently, Ministry of Power has

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Shri R.S. Dhillon, CMD along with Shri P.K. Singh, Director (Commercial) receiving "Governance Now PSU Award" in the category of "Resilient Growth" from Shri Arjun Ram Meghwal, Hon'ble Minister of State for HI&PE, Govt. of India

also issued guidelines to procure Round the Clock renewable power complemented with power from coal based thermal projects, which is aimed at enhancing grid stability keeping in view the intermittency of power, limited hours of generation, low CUFs etc. of renewable projects. Also, Phase II of the Pilot PPA for stressed thermal projects was launched, wherein tariff of ₹3.26 per unit was discovered for procurement of 2500 MW power. This will help the projects to sell power on sustainable basis and resolve the stress going forward.

Your Company has always believed in the philosophy of good Corporate Governance by maintaining highest standards of transparency, accountability and adequate disclosures.

Your Company has been firm on being a socially responsible corporate entity committed towards contributing to the society at large. Your company has always focused on the Sustainable Development and implementing projects of national as well as local

importance. PFC has continued its efforts towards funding of projects to uplift the economically and socially backward citizens through their skill development, providing for medical facilities to the backward regions, installation of solar street light and high mast lights etc. We have especially focused on the aspirational districts notified by NITI Aayog for implementing many of the schemes. Your Company aims to touch the maximum number of lives to improve the quality of living and benefit the society as a whole. Your company has disbursed ₹97 crore under the CSR activities in FY20.

Your Company has taken proactive steps to contribute towards the society amid COVID-19 by contributing ₹200 crore to PM-CARES fund, sponsoring meals for underprivileged section. At this critical time, when our nation's corona warriors have been fighting the battle at the forefront, your Company has contributed towards providing lunch facilities for the medical staff at the Dr. Ram Manohar Lohia Hospital, New

Delhi. Your Company has also provided medical equipment, PPE kits, sanitizers, face masks etc. to various district administrations for fighting this pandemic.

I am extremely thankful to the shareholders, who have reposed faith in us. My sincere and heartfelt thanks go out to the Hon'ble Union Minister of State (I/c) for Power, New and Renewable Energy & Skill Development and Entrepreneurship, Secretary (Power) and officials of the Ministry

"Meals, PPE Kits, Sanitizers donated towards fighting the pandemic"

₹97 Crs
CSR spend

₹200 Crs
Contribution towards PM-CARES Fund

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Shri R.S. Dhillon, CMD along with Shri P.K. Singh, Director (Commercial) receiving the Dun & Bradstreet's prestigious "Best Infrastructure Finance Company" Award from General (Retd.) Dr. V.K. Singh, Hon'ble Minister of State for Road Transport & Highway, Govt. of India

of Power for their continued support and guidance. I am also truly grateful to Board of Directors, investors and valued clients for their support.

I also convey my gratitude to Ministry of Finance, Reserve Bank of India, Department of Public Enterprises, Securities and Exchange Board of India, National Stock Exchange of India Limited, Bombay Stock Exchange Ltd., NITI Aayog, Central Electricity Authority, Comptroller & Auditor General of India, Statutory Auditors, Internal

Auditors, Registrars, various Commercial Banks, Financial Institutions, Credit Rating Agencies and other concerned Government Department/ Agencies at the Central and State level for their continued support. I also appreciate the continuous and unwavering support by our partners in the print and electronic media.

The success your Company has witnessed and the feats that it has achieved over the years would not have been possible without the hard work and zeal with which

employees have given their heart and soul to your company.

We hope that with continued commitment of all stakeholders, PFC will continue to deliver stellar performance year on year.

(R. S. Dhillon)
Chairman & Managing Director



(From left to right) Shri P.K Singh, Director (Commercial), PFC, Dr. Rajiv Sood, Dean, Ram Manohar Lohia Hospital, Shri R.S. Dhillon, CMD, Dr. Poonam Kapoor and Smt. Parminder Chopra, Director (Finance) at RML Hospital, New Delhi - PFC has been providing 'TajSats' lunch boxes to doctors & other medical staff engaged in treatment of COVID-19