

**MEMORANDUM
OF
UNDERSTANDING**

2012 - 13

BETWEEN

MINISTRY OF POWER, GOVERNMENT OF INDIA

AND

POWER FINANCE CORPORATION LIMITED

MEMORANDUM OF UNDERSTANDING (MoU)

BETWEEN

POWER FINANCE CORPORATION LIMITED

&

GOVERNMENT OF INDIA THROUGH MINISTRY OF POWER

FOR THE FINANCIAL YEAR 2012-13

PART I

I.I VISION / MISSION

VISION

To be the leading institution in financing for sustainable development of the Indian Power Sector and its linkages, with an eye on global operations.

MISSION

PFC shall strive to become the most preferred Financial Institution in power and financial sectors, providing best products and services; to promote efficient investments in Power Sector to enable availability of power of the required quality at minimum cost to consumers; to reach out to the global financial system for financing power development; to act as a catalyst for reforming India's Power Sector; and to build human assets and systems for the Power Sector of tomorrow.

I.II OBJECTIVES

1. To provide financial resources and to encourage flow of investments to the power and associated sectors.
2. To work as a catalyst to bring about institutional improvements in streamlining the functions of its borrowers in finance, technology and management areas to ensure optimum utilisation of the available resources.
3. To classify the States into various categories in terms of performance parameters and status of reform process in the States as well as commercial

viability of the utilities, and accordingly to offer differential interest rates to encourage the performing States and Utilities.

4. To mobilise various types of resources, viz. domestic and international, at competitive rates
5. To strive for upgradation of skills in the Power Sector for effective and efficient growth of the sector.
6. To maximise the rate of return through efficient operations and to introduce innovative financial instruments and services for the Power Sector.
7. To facilitate and promote identified schemes/programmes launched by the Govt. of India, such as the establishment of the Ultra Mega Power Projects and the restructured Accelerated Power Development Reform Programme.

PART II

EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS

- To develop ultra-mega power projects, PFC has to play a lead role in setting up the shell companies in the name of the projects. PFC shall require to incur a capital expenditure towards the same.
- Similar dispensation is proposed for implementation for transmission & hydro projects to be developed through competitive bidding route.

PART III

PFC's PERFORMANCE TARGETS FOR 2012-13

In order to achieve the objectives mentioned above, PFC's endeavour would be to achieve the targets as indicated in the enclosed statement and the performance of PFC be judged on the basis of the criteria weights and targets stipulated therein.

PART IV

COMMITMENTS OF GOVERNMENT OF INDIA

Ministry of Power would provide required assistance in getting resolved issues requiring inter-ministerial consultations which may be brought to its notice by PFC from time to time related to mobilisation of cheaper financial resources, which may include Tax Free

Bonds/ SLR Bonds/ Taxable Bonds/ Infrastructure Bonds/ Bonds U/s 54EC of IT Act), loan from Banks/ Institutions and ECB (External Commercial Borrowings)/ Direct WB/ ADB Loans etc. Furthermore, required assistance would be provided to PFC for taking up of the issue related to extending exemptions to PFC from NBFC Guidelines of RBI.

Ministry of Power would provide necessary funds from budgetary allocation for R-APDRP scheme. Targets are based on agreements between State Utilities and supplier/implementing agencies and hence are beyond control of PFC due to procurement of metering equipments, testing and installation which is within scope of utilities. As such, PFC will bring to the knowledge of Ministry of Power, the practical difficulties and factors which turn out to be beyond the control of PFC. Ministry of Power /PFC agree that targets for R-APDRP be reduced to the extent of funds released by MoP.

Due to poor financial health of State Power Utilities, payments of dues to developers and lenders are adversely affected. MoP shall facilitate turnaround of state power utilities. Till then, NPA as proposed by PFC may be accepted as the target.

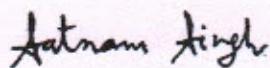
PART V

ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF MOU

Review of performance under each target:

- (i) By CMD and Directors on a monthly basis
- (ii) By BoD and MoP on a quarterly basis

The monitoring of performance vis-à-vis MOU targets would be carried out quarterly during the Performance Review Meetings being held in the Ministry of Power.

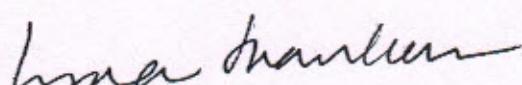


(Satnam Singh)

CHAIRMAN & MANAGING DIRECTOR
POWER FINANCE CORPORATION LIMITED

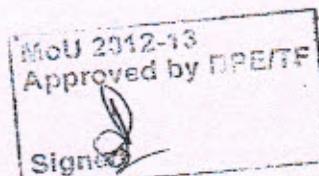
Date : 26th March 2012

Place : New Delhi



(P Uma Shankar)

SECRETARY
MINISTRY OF POWER



PFC - PERFORMANCE PARAMETERS AND THEIR WEIGHTAGES : YEAR 2012-13

Sl. No.	Parameters	Weights	FY 2012-13			BE (Very Good Category)		
			EXCELLENT	V. GOOD	GOOD	FAIR	POOR	
	%	1	2	3	4	5	2011-12	2012-13
PART B								
3	Sector Specific							
i)	Submission of report on Performance of State Power Utilities to MoP (Date)	4	31.01.2013	15.02.2013	28.02.2013	09.03.2013	15.03.2013	28.02.2012
ii)	Organizing workshops/seminars relating to R-APDRP Programme (No.)	2	4	3	2	1	-	2
iii)	Training of personnel under R-APDRP and DRUM (Mandays)	2	8,000	7,200	6,900	6,500	6,200	7,200
iv)	Data Centre (DC)/Disaster Recovery Centre (DR) commissioning (Cumulative as on 31.03.2013)(States - Nos.)	1	16	14	13	12	11	NA
v)	Hardware, Software procurement for Data Centre (DC)/Disaster Recovery Centre (DR) (Chhattisgarh, Haryana, Kerala & NE States) (nos.)	1	4	3	2	1	-	NA
	Sub Total of Sector Specific Parameters	10						
4	Enterprise Specific Parameters							
i)	Part-A Completion (Cumulative as on 31.03.2013)(No. of towns)	3	1,050	950	900	860	820	NA
ii)	Part-B Award (Cumulative as on 31.03.2013)(No. of towns)	1	1,100	1,000	950	900	850	NA
iii)	SCADA Award (Cumulative as on 31.03.2013)(No. of towns)	1	60	54	51	48	46	NA
iv)	Ring Fencing of towns (Cumulative as on 31.03.2013)(No. of towns)	2	1,400	1,270	1,210	1,150	1,090	NA
v)	Verification of base line data by third party (Cumulative as on 31.03.2013)(No. of towns)	3	1,100	1,000	950	900	850	NA
	Sub Total of Enterprise Specific Parameters	10						
	GRAND TOTAL	100						
Definitions:								
i)	Gross Margin		= Profit Before Tax + Depreciation/Amortisation + Interest Expenses excluding other charges+ Prior Period Items					
ii)	Net worth		= Paid up capital + Reserves & Surplus Less Reserve for Bad and Doubtful debt					
iii)	Profit Before Depreciation Interest & Tax (PBDIT)		= Profit Before Tax + Depreciation/Amortisation + Interest Expenses excluding other charges+ Prior Period Items					
iv)	Return on Networth (RoNW)		= Profit After Tax (PAT)/ Networth					
v)	Overheads		= Personnel & Administrative Expenses + Depreciation + Amortisation of intangible assets					
vi)	Net NPA as % of Loan Assets (%)		= (Gross NPAs less Accumulated Provisions)/ Loan Assets					
vii)	Distribution Reforms Upgrades and Management (DRUM)		= A bilateral initiative of the GoI and USAID with PFC as implementation partner.					
viii)	Sanctions excluding R-APDRP		= Sanctions excluding R-APDRP includes projects sanctioned by PFC's subsidiaries					
ix)	R-APDRP		= Restructured Accelerated Power Development & Reform Program (R-APDRP)					

MoU 2012-13
Approved by DPL
S. Sharad

Annexure-A

TEMPLATES FOR CSR REVIEW TABLE I									
DETAILS OF 5 CHOSEN PROJECT									
SL No	Name of the Project	Starting Date	Completion Date	Amount Allotted with Year-wise Breakup (2012-13)	Date of Completion of Need Assessment / Baseline Survey & Name of Agency	Name of Implementing Agency and Date of Appointment	Amount spent on Documentation and Dissemination and Name of Agency Appointed	Name of Monitoring Agency	Brief Details of Evaluation Report (Separate Sheet to be Attached)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Area : Energy Efficiency(Environment Friendly Technologies) Solar Applications in Kargil	Q1	Q4	To be finalised	To be finalised	To be finalised	To be finalised	To be finalised	To be submitted after completion of the project
2	Area : Relief to Victims of Natural calamity Toilet cum Bathroom facilities for dwelling units constructed for the victims of cloudburst in Leh-Ladakh	Q1	Q4	To be finalised	To be finalised	To be finalised	To be finalised To be finalised	To be finalised	-do-
3	Area : Solar Lighting System Installing Solar Lighting System at ASI Sites / Heritage Buildings	Q2	Q4	To be finalised	To be finalised	To be finalised	To be finalised To be finalised	To be finalised	-do-
4	Skill Development Programme for SC / ST / OBC / Women & EWS of society (1000 persons)	Q3	Q4	To be finalised	To be finalised	To be finalised	To be finalised	To be finalised	-do-
5	Adoption of a Village for providing Energy Needs (The details would be provided by 31 May 2012)	Q2	Q4	To be finalised	To be finalised	To be finalised	To be finalised	To be finalised	-do-
TOTAL									
N.B. Copy of Board Minutes in which specific budget of CSR has been passed is to be enclosed. If this is not available, no marks will be awarded. (Clause 5.1 of CSR Guidelines).									
ENCLOSURES									
1. 5 samples of detailed documentation/publicity material/dissemination material to be attached, one for each of the Five projects listed.									
2. Evaluation reports for Five selected projects to be attached.									
3. Details of CSR Training imparted to be attached. (To be treated as CSR expenditure)									

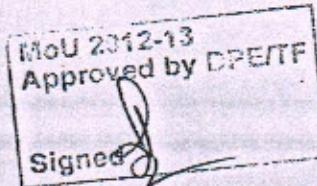


TABLE 2

Format for List of All Projects/ Activities Reported to TISS HUB

Sl. No.	Name of the CSR Project/ Activity	Date of Reporting of Details to TISS Database	Date of Acceptance conveyed by TISS
(1)	(2)	(3)	(4)
1.	Solar Applications in Kargil	Q 3	Would be submitted after the acceptance by TISS
2.	Toilet cum Bathroom facilities for dwelling units constructed for the victims of cloudburst in Leh-Ladakh	Q 3	Would be submitted after the acceptance by TISS
3.	Installing Solar Lighting System at ASI Sites / Heritage Buildings	Q 3	Would be submitted after the acceptance by TISS
4.	Skill Development Programme for SC / ST/ OBC / Women & EWS of society (1000 persons)	Q 3	Would be submitted after the acceptance by TISS
5.	Adoption of a Village for providing Energy Needs	Q 3	Would be submitted after the acceptance by TISS

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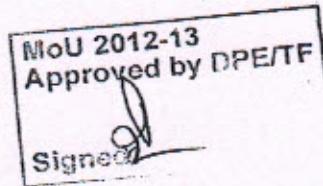


TABLE 3
Details of CSR Expenditure

Sl. No.	Item	Amount in crores or percentage
(1)	(2)	(3)
1.	PAT for the year under review	Would be submitted after the finalization of Annual Accounts
2.	CSR expenditure	0.5% of PAT
3.	CSR expenditure as percentage of PAT	0.5%
4.	CSR expenditure as percentage of minimum prescribed	100%
5.	Training expenditure on CSR (to be treated as CSR expenditure)	2 lakhs
6.	Unspent Balance amount of CSR Budget rolled over to the following year	Nil
7.	Contribution to CSR HUB as percentage of CSR Budget	



Draft MOU SD Target Setting for the year 2012-13

S.No	Activity		
1	Whether Specific SD Plan and Budget passed by Board or its Designated Committee	The formation of the Committee is under consideration. Approval of the Board for SD Plan & Budget shall be obtained in due course time.	

Table 1. SD Committee details (Formation of the Committee is under consideration.)

Board level Designated Committee Name	Chairman of Board level Designated Committee	Number of regular meetings held	Key decisions during the year
1	2	3	4
Total Score for this Table			0.5
Score allotted by the Task Force			

Table 2 Total SD Expenditure as a percentage of PAT

*Target Value as % of PAT (on a five-point scale: Para 6.5.2 of Guidelines)	Total expenditure (Current FY) (Rs lakhs)	Profit after tax (Previous FY) (Rs. lakhs.)	Actual Expenditure as % of PAT
1	2	3	4
Excellent	Rs. 50 lakh + 0.10% of PAT exceeding Rs. 100 crore.		
V. Good	Rs. 50 lakh + 0.09% of PAT exceeding Rs. 100 crore.		
Good	Rs. 50 lakh + 0.08% of PAT exceeding Rs. 100 crore.		
Fair	Rs. 50 lakh + 0.07% of PAT exceeding Rs. 100 crore.		
Poor	Rs. 50 lakh + 0.06% of PAT exceeding Rs. 100 crore.		
Total Score for this Table			1
Score allotted by the Task Force			

* Note: - The projected annual expenditure as % of the PAT for the performance year will be considered as target for the year.

Table 3 Projects Chosen by CPSE

Sr. No.	Schedule A / B	*Project / activity (Please refer Annex-I)	Performance Indicator (Please Refer Annex-II and Para 6.5.3 of Guidelines)	Total expenditure on Project / Activity (Rs lakhs)	Proposed Duration S / M / L	Target Set (on a five-point scale: Para 6.5.3 of Guidelines)	Target Achieved
1	2	3	4	5	6	7	8
1	A	Project related to Waste management	Environmental Condition Indicator (ECI)		S	Excellent	
2	A	Project related to Energy Management	Operational Performance Indicator (OPI)		S	Excellent	
3	B	Training to Employees / Partners	Management I Performance Indicator (OPI)		S	Excellent	
3	A/B	Project related to Afforestation	Environmental Condition Indicator (ECI)		S	Excellent	
4	A/B	Project related to Waste/ Energy/ water/SD reporting management	MP//OPI//ECI		M	Excellent	
*Specific Project/ Activity in table 3 will be submitted after approval of				Total Score for this Table	2.5		
BOD.				Score allotted by the Task Force			

MoU 2012-13
Approved by DPE/TF
Signed _____

Table 4- Evaluation of Projects

No. of projects evaluated by an Independent External Agency/ Expert/ Consultant, etc.

Details shall be submitted on finalization of Projects.
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Total Score for this Table	0.5
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Score allotted by the Task Force	
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Table 5 - Publication of SD Performance Report

Activity	Yes / No	Mode of SD Report (If reported, whether a stand-alone SD Report or a part of Annual Report, etc.)
1	2	3
SD performance Report	Yes	SD performance report shall be published in the Annual Report of 2011-12.

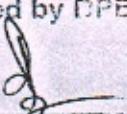
Total Score for this Table	0.5
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Score allotted by the Task Force	
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Total Score of all Tables	5
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Total allotted Score for all Tables	
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MoU 2012-13 Approved by DPE/TF


Signed

Annexure C

Template for HRM Performance Evaluation under Memorandum of Understanding

Sl. No.	PERFORMANCE INDICATORS	PROPOSED TARGETS					
		Measurement Unit	Weight	OS	VG	G	Fair
A 1	Compulsory						
	Competency & Leadership Development						
1	Actual Achievement of Executive Training Mandays	Mandays	5	1017	904	791	678
2	Developing leaders through systemized intervention for development	Achievement of mandays for leadership development programs	5	85	80	75	70
3	Training budget as % of employee cost	% of employee cost	5	0.90 %	0.80 %	0.70 %	0.60%
4	Actual achievement of training mandays for Multi-skilling/Skill Upgradation of non executives	Mandays	5	200	177	155	133
	Optional						
5	Number of executives covered in 360 degree feedback system	Number	5	35	28	21	14
	Total			25			
B	Performance Management						
6	Implementation of a transparent PMS rating based on KRAs	% of executives	4	50%	40%	30%	30%
7	Linkage of Developmental Plan of Executives with Performance Management System	% of executives	4	50%	40%	30%	30%
8	Implementation of PRP linked to Bell curve approach laid down by DPE	Yes/No; details	2			1	

Template for HRM Performance Evaluation under Memorandum of Understanding

Sl. No.	PERFORMANCE INDICATORS	PROPOSED TARGETS					
		Measurement Unit	Weight	OS	VG	G	Fair
	Total		10				
C	Recruitment, Retention & Talent Management						
9	Development of Online process for recruitment	Date of operationalization	7	31-01-2013	15-02-2013	28-02-2013	15-03-2013
10	Introduction of Mentoring Programme	Number of mentors/ mentees	8	5 mentors / 10 mentees	4 mentors / 8 mentees	3 mentors / 6 mentees	2 mentors / 4 mentees
11	Introducing a reward system for talent management	Date of implementation	5	31-01-2013	15-02-2013	28-02-2013	15-03-2013
	Total		20				
D	Enabling Creativity & Innovation						
12	Introduction of the Suggestion Scheme	Suggestion / employee ratio	8	1:10	1: 15	1: 20	1: 25
13	Number of nominations / entries submitted for national awards (PM Shram awards / Vishwakarma Rashtriya Puraskar not applicable to PFC)	No of nominations / entries submitted for national awards	7	4	3	2	1
	Total		15				
E	Employee Relations & Welfare						
14	Effectiveness of Grievance Redressal System - % of grievances settled vis-à-vis received during the year	% settlement	4	90%	80%	70%	60%
15	Introduction of a Reading Room / Gymnasium / (2 marks for each activity)	Date of operationalization	4	31-01-2013	15-02-2013	28-02-2013	15-03-2013
16	Instruction sessions on Yoga /	Number of	4	4	3	2	1

Template for HRM Performance Evaluation under Memorandum of Understanding

Sl. No.	PERFORMANCE INDICATORS	PROPOSED TARGETS					
		Measurement Unit	Weight	OS	VG	G	Fair
	Meditation (5 days duration)	sessions per year					Satisfactory
17	Number of structured meeting with employees' representatives	No. of meetings held	4	4	3	2	1
18	Organizing health check ups for employees	Number of check ups	4	4	3	2	1
	Total		20				
F	HR Branding & Excellence - Indicate achievement in this field for initiatives such as :						
19	Review/Revisit/Re-engineer HR Policy for meeting changing business priorities.	No. of policies reviewed	4	5	4	3	2
20	Organization culture building initiatives (recognition of children/ women's day programs / organization of a get together)	No. of initiatives	3	4	3	2	1
21	Implementation of computerized Employee portal for self service of employees	Date of operationalization	3	31-01-2013	15-02-2013	28-02-2013	15-03-2013
	Total			10			
	Grand Total		100				
	NB:Total score out of 100 awarded on HRM to CPSE will be converted into score out of 5 in MOU on pro-rata basis						

MOU 2012-13
 Approved by DPE/TF

 Signed: 

POWER FINANCE CORPORATION LIMITED

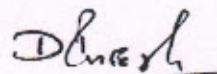
Particulars	2007-08		2008-09		2009-10		2010-11		2011-12		2012-13	
	Excellent Targets	Actual	Excellent Targets	Actual	Excellent Targets	Actual	Excellent Targets	Actual	Excellent Targets	Actual	MOU Proposed Excellent Targets	
Gross Sales (Total Income)	5,040	5,465	6,584	6,118	8,077	9,350	10,161	12,360	12,650	15,625		
Gross Margin (as per PFC Definition)	1,385	1,777	1,720	1,998	3,015	NA	NA	NA	NA	NA		
Gross Margin (as per DPE Definition)	4,866	6,083	7,935	9,120	9,862	12,000	11,337	15,129				
Profit before tax	1,787		1,990		3,013	3,544			3,164	4,483		
Net block	77	75	75	75	75	77			82	84		
Share Capital of CPSE	1,148	1,148	1,148	1,148	1,148	1,148	1,148	1,148	1,320	1,320		
Reserves & surplus of CPSE	8,182	10,360	12,113	14,035	14,035	18,816	21,030					
Net worth of CPSE	8,688	10,790	12,419	14,198	14,198	18,993	21,207					
Investment	66	36	31	54	54	54	54	54	54	54		
Total Current Assets	2,990	3,669	4,815	4,933	4,933	3,333	3,499					
Total current Liabilities & provision	2,416	3,576	3,698	3,318	3,318	1,335	1,402					
Net current assets	574	92	1,118	1,614	1,614	1,998	2,098					
Capital employed (Net block + net current assets + loan assets+ investments)	52,285	64,632	81,080	101,316	101,316	127,397	158,819					
Total debt (loan funds)	41,715	53,069	67,772	86,050	86,050	107,178	136,386					
Total assets	52,285	64,632	81,080	101,316	101,316	127,397	158,819					
No of employees of CPSE	307	316	324	373	373	425	451					
Dividend paid (incl. CDT) #	470	537	604	699	699	847	923					
Add value (gross margin less capital recovery factor 4% of capital employed for social sector and 10% for other CPSE)	(363)	(380)	(173)	(269)	(269)	(1,402)	(753)					
Ratios												
Debt/equity												
Return on Net worth (% age)	12.50%	13.89%	13.00%	18.26%	13.51%	18.98%	15.96%	18.45%	12.46%	14.80%		
PBDIT / Total employment of CPSE	15.85	19.25	24.49	23.69	26.44	28.24	26.68					
Net Profit / Net Worth (% age)	12.50%	13.89%	13.00%	18.26%	13.51%	18.98%	15.96%	18.45%	12.46%	14.80%		
Working of gross margin (as per DPE Definition)												
Net profit	1,207	1,970	2,357	2,620	2,620	2,366	3,138					
Tax	580	20	656	925	925	798	1,345					
Net profit before tax	1,787	1,990	3,013	3,544	3,544	3,164	4,483					
add Prior period	(5)	(0)	(0)	0	0	-	-					
add extra ordinary items	-	-	-	-	-	-	-					
Profit before prior period	1,782	1,990	3,013	3,544	3,544	3,164	4,483					
Add: Interest Expenses excluding other charges	3,080	4,089	4,918	6,313	6,313	8,169	10,640					
Gross profit	4,861	6,079	7,931	9,857	9,857	11,332	15,123					
add depreciation, amortisation	5	4	4	5	5	5	6					
Misc. expenditure written off	-	-	-	-	-	-	-					
Gross Margin before Interest, depreciation & misc. expenditure written off	4,866	6,083	7,935	9,862	9,862	11,337	15,129					
Additional for Financial Sector												
Financial Indicator-profit related	14,440	16,211	20,729	21,160	24,487	27,000	34,121	35,500	35,500	40,000		
Disbursement Other than R-APDRP	NA	-	325	1,321	2,500	2,257	NA	NA	NA	NA		
Disbursement Under R-APDRP	NA	16,903	17,475	21,488	19,200	22,283	28,310	30,300	32,110	40,520		
Resource Mobilisation	NA	69,498	50,600	55,082	58,100	59,228	60,000	61,532	45,000	45,150		
Sanctions Other than R-APDRP	27,720	-	-	1,948	1,900	6,237	9,000	13,665	NA	NA		
Sanctions under R-APDRP	-	NA	NA	NA	NA	NA	NA	NA	NA	NA		
Project Commissioned in value terms	-	-	-	-	-	-	-	-	-	-		
Financial return (difference of cost of borrowing & disbursement)	-	-	-	-	-	-	-	-	-	-		

Gross Margin (as per DPE Definition) = Profit Before Tax + Depreciation/Amortisation + Interest Expenses excluding other charges + Prior Period Items
Gross Margin (as per PFC Definition) = Total Income - Interest Expense - P&A Expenses
Gross Margin (as per PFC Definition) = Total Income - Issue Expense - P&A Expenses

ANNEXURE-X

Self declaration/certification by CPSE

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2012-13 **subject to the deviations**. In case, any other deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. CPSE has no right of claim in this regard.



Authorised Signatory

दिनेश विज / **DINESH VIJ**
कार्यपालक नियंत्रक (निम्न आयोजना)
Executive Director (Corporate Planning)
पावर फाइंग्स कॉर्पोरेशन लिमिटेड / P.F.C. Limited
(भारत सरकार का उपकरण) / (A Govt. of India Undertaking)
"उर्जानिधि" 1, बाराखम्बा लेन, कनौट प्लॉस,
"URJANIDHI" 1, Barakhamba Lane, Connaught Place,
नई दिल्ली-110001 / New Delhi- 110001