Chapter - IV

Power Finance Corporation and its Management & Organisational Structure

In this chapter, we propose to have overview of Power Finance Corporation and its activities, and also examine the organizational structure and management practices of the ‘Power Finance Corporation’ of India. Organizational structure plays a crucial role in shaping the way organization shall function and the way human relations within organization shall determine optimum productivity. The forms of structural relations in an organization may vary with the type of industry/service sector which they may create for efficient performance. The chapter is divided into four sections. Section 1 discusses the genesis, development and objectives of the PFC. Section 2 discusses the fund and non-fund based financial products offered by PFC. Section 3 discusses the various types of services, consultancy services and advisory services offered by the PFC. Section 4 describes the management and organizational structure of the PFC.

IV.1 Power Finance Corporation:

Power Finance Corporation Ltd.(PFC) was incorporated as an autonomous financial institution under the Companies Act on July 16,1986. It was notified as public financial institution under Section 4 A of the Companies Act on August 31,1990 to finance, facilitate and promote India’s power sector. The corporation has been registered as a Non Banking Financial Company by the Reserve Bank of India in 1998. It has been conferred with the status of Nav Ratna PSU by the Government of India in 2007. It was registered as Infrastructure Finance Corporation with RBI in 2010.

Government of India (GOI) has appointed PFC as a key agency for implementation of its power development programme. PFC is the nodal agency

It has been conferred 26 awards and recognitions by various rating agencies and institutions during 2007 to 2012 for its best performance. Investment and Credit Rating Agency (ICRA) equity research service has assigned the Fundamental grade ‘4’ and the valuation grade ‘A’ to PFC. This implies strong financial position of the corporation. Operational philosophy of PFC (1990) has been worked out in close collaboration with the World Bank and Asian Development Bank.

Its Vision is to be the leading institution in financing for sustainable development of the Indian Power Sector and its linkages, with an eye on global operations. Its Mission is to strive to become the most preferred Financial Institution in providing best products and services; to promote efficient investment in power sector to enable availability of power of the desired quality at minimum cost to the consumers; to reach out to the global financial system for financing of power development; to act as a catalyst for reforming India’s power sector and to build human capital and systems for the Power Sector of tomorrow.

**IV.1.1 The major objectives of PFC are as follows:**

1. To provide financial resources and boost flow of investment to the power and its associated sectors.

2. To act as a catalyst to accomplish institutional improvements in streamlining the functioning of borrowers in the areas of finance, technical knowhow and management to ensure optimal use of available resources.

3. To mobilise different types of resources viz. national and international at competitive rates.
4. To aim at improvement of skills in the power sector for effective and efficient growth of the sector.

5. To optimize rate of return through efficient operations and launching of innovative financial instruments and services for the power sector.

Power Finance Corporation has five major subsidiaries: (1) PFC Capital Advisory Services Ltd. (2) PFC Green Energy Ltd. (3) PFC Consulting Ltd. (4) Power Equity Capital Advisors Pvt. Ltd. and (5) Subsidiaries incorporated under the programmes of Government of India: (i) 13 Subsidiaries incorporated under the Ultra Mega Power Project Programme are known as Special Purpose Vehicles (SPVs), and (ii) Subsidiaries incorporated under the Independent Transmission Projects Programme (ITPP) are nine SPVs. PFC has two joint ventures: National Power Exchange and Energy Efficiency Services Limited.

IV.1.2 Major clients of Power Finance Corporation Limited are given below:
- State Electricity Boards
- State Power Utilities
- State Electricity/Power Departments
- Other State Departments engaged in the development of power projects
- Central Power Utilities
- Joint Sector Power Utilities
- Equipment Manufacturers
- Private Sector Power Utilities

IV.2 Products of Power Finance Corporation

PFC provides three types of services

(1) Financial Services: These services include Term loan to power utilities, Lease financing, Direct Discounting of Bills, Guarantee Services, Loan Syndication, and Short term loan.
(2) **Institutional Development Services:** It provides support to power utilities to improve their technical, financial and managerial skills for which utilities may engage consultants, hold workshops, work out utility development plans and carry out various reform & restructuring related studies.

(3) **Other Services:** PFC also provides fee based consultancy services to state owned utilities, state regulatory commissions, state governments, etc.

PFC provides a wide range of services including Fund based financial products and various services from conceptualization of project to the post-commissioning services to its clients in the power sector.

**IV.2.1 Fund Based Financial Products**

- **Asset Acquisition:** PFC grants finance to an organisation for purchasing assets of another entity for the expansion of its volume and competitiveness in its operations, expansion of business and upgradation of its present technology.

- **Bridge Loan:** The PFC considers bridge loan proposals from those utilities which have made an attempt to take term loans as financial assistance from the corporation and got sanction letter also but the withdrawal of funds by the borrower cannot be made immediately due to non-fulfillment of some formalities/clearances. Thus bridge loan is an interim loan where PFC has already permitted and approved a project term loan either on standalone basis or in consortium.

- **Buyer's Line of Credit:** The Buyers' Line of Credit Scheme provides for a term loan facility (up to 15 years) by way of non-revolving rupee line of credit to the borrower/utilities for purchases of machinery, equipment and other capital goods especially where
assessment of the benefits accrued may not be directly obtainable
due to causes like scope of work over wide geographical area, no
prompt requirement of installation of equipment/machinery,
breakdown/Force Majeure, spares, etc. The loan under the scheme
will be applicable to all State Sector and Central Sector borrowers
encompassing power departments/SEBs in Generation/
Transmission/Distribution subject to the availability of
categorization of state power utility as per PFC’s policy, which have
not been stated defaulter as per PFC policy. Assistance under the
Scheme will not be extended in the cases where thorough appraisal
is required i.e. grass-root/new projects, major expansion/
diversification etc.; acquisition of second-hand equipment/
machinery; in-house fabrication of equipment/ machinery, etc.;
equipment/machinery or other capital goods which have already
been given finance under any other scheme of PFC or of other
FIs/Banks. Hundred per cent of the cost of the equipment/
machinery/capital goods shall be extended as an assistance which
will be of insurance, freight, taxes and accessories and spares
supplied along with machinery and also allied civil and erection
works done/to be done by the supplier.

- **Corporate Loan**: Term loan/ Guarantee assistance shall be
  sanctioned either for the reason of equity infusion in fresh power
  project or for procurement of an existing power project. The power
  project shall include generation, transmission and distribution
  projects.

- **Credit Facility for Purchase of Power through Power Exchange**: The financial assistance needed for margin/settlement of dues of
  power exchange shall be given to utilities/companies registered with
  the Power Exchange as a member. The facility of margin/funding
shall be given to the utilities/companies for acquisition of power through Power Exchange and the sum paid by PFC shall be treated as loan to the utility / company subject to signing of loan contract with PFC.

- **Debt Refinancing:** Project Term Loan/ Guarantee assistance is extended for refinancing existing debt/guarantee, including forward/backward linkage to power projects.

- **Direct Discounting of Bills - For Buyers:** The credit under the Bill Discounting scheme is available to a buyer (actual user) in power sector for purchases of machinery, equipment and other capital goods (including accessories and spares supplied along with machinery) on deferred payment basis for expansion, modernization and replacement in power projects. The policy shall not cover financing of acquisition of second hand equipment/machinery; grassroot/new projects or major expansion/diversification which would call for detailed appraisal; equipment/machinery/other capital goods already financed under any other scheme of PFC or other Bank/FI.

- **Direct Discounting of Bills - For Sellers:** The credit under the Bills Discounting scheme is available to all equipment manufacturers to enable them to sell their equipment, machinery, turnkey project and capital goods (including accessories and spares supplied along with machinery to the extent deemed reasonable) on deferred payment terms to the purchasers in power sector for expansion, modernization, replacement & diversification in power sector and new power projects.
• **Energy Saving Projects:** PFC extends finance to energy efficiency projects executed by Energy Service Companies (ESCOs) or by the entities taking energy efficiency measures themselves.

• **Financing of Fuel Supply Projects and Equipment Manufacturers:** It provides financial assistance for setting up / expansion of equipment manufacturing for power sector and development of Fuel Supply Sources like coal/oil/gas and its distribution (rail network / gas pipeline, etc.) for Power Sector.

• **Grants/Interest Free Loans for Studies/Consultancies:** PFC provides funds in the form of Grants, interest free loans and concessional loans under this scheme. The Corporation may consider all types of power sector related studies and consultancy needs, including studies related to reform/restructuring. In case of SERCs, the grant may be sanctioned for studies aimed at strengthening their institutional framework, procurement of computer and related accessories including software, and, also for organizing conferences, workshops and seminars. Priority shall be given to reform and restructuring studies and consultancy assignments which are aimed at formulation of schemes / Projects creating opportunities of investment in the State Power Sector.

• **Lease Financing for Purchase of Equipments:** It grants finance for major capital equipment / machinery essential for power and associated infrastructure projects.

• **Lease Financing for Wind Power Projects:** All major capital equipment or a complete package of a project (not for the entire project), new & unused equipment meant for use in the Wind Power Projects (except the items mentioned in specific exclusion list) are considered for lease finance. No financial assistance should have
been secured or proposed to be secured for equipment / machinery from any other sources.

- **Line of Credit for Import of Coal**: It makes Non-revolving rupee short term finance available to all the eligible utilities who are in the business of generation of power to meet their immediate requirement for import of coal.

- **Project Term Loans (Rupee and Foreign Currency)**: PFC provides financing to eligible borrowers in power and allied sectors for a variety of projects viz. Generation, transmission, distribution, renovation and modernization, metering, etc. and also Infrastructure projects having forward and backward linkages with power projects.

- **Short Term Loan**: To meet the immediate requirement of funds, the Rupee Short Term Loan (STL) scheme is available to all the existing government sector borrowers which are in the business of generation / transmission / distribution of power. The rupee loan under the scheme shall be provided for purchase of fuel for power plant, purchase of consumables, essential spares, emergency procurement/works for generating plant and T&D network in the nature of repair & maintenance work, purchase of power and against receivables.

- **Short/Medium Term Loan to Equipment Manufacturers**: The scheme envisages to provide short and medium term loan by way of rupee term loan to meet the short term/medium term fund requirements of an equipment manufacturer for executing contracts awarded by power utilities in power projects in India. Financial assistance shall be utilized to meet the cost of equipment & other expenses covered under the contract.
• **Short Term Loan for SPV in Government Sector**: The Short Term Rupee Loan (STL) scheme provides rupee short-term finance to the SPVs in Government Sector to meet their working capital requirement as per regulatory norms (such as ERC norms, RBI norms) for fuel, maintenance spares, Operation & Maintenance expenses, receivables, etc.

• **Solar PV Policy to Power Generation Projects (Grid Connected)**: With a view to develop and demonstrate technical performance of grid interactive solar power generation, the erstwhile Ministry of Non-Renewable Energy (MNRE) has launched a demonstration programme to encourage grid quality power generation from megawatt size solar power plants through the generation based incentives and accordingly grid connected solar PV projects would be encouraged. Keeping in view the enormous potential of solar generation projects, the corporation has framed the policy for financing solar PV power generation Projects.

• **Solar PV Policy to Private Sector**: PFC may consider providing financial assistance in case of Grid Connected Solar PV Private Sector Power Generation Projects.

• **Rupee Short Term Loan (STL) to Gencos / Transcos against Identified Receivables from Discoms**: The financial assistance under this scheme shall be available to Private Sector generating and transmission companies (Gencos/Transcos) enjoying working capital limits with banks (whether under a consortium or under a multiple banking arrangement), when the banks are not in a position to meet the credit requirements of these Gencos/Transcos, on account of temporary liquidity constraints arising due to non-
payment of their power sale/transmission bill(s) by Distribution Companies.

IV.2.1.1 **Policy for Investment in equity of Power Projects:**

- **Policy for Solar Power Generation:** Considering risk perception in the solar power generation projects, PFC may consider providing financial assistance in case of Grid Connected Solar Thermal Private Sector Power Generation.

- **Policy for Underwriting of Debt:** To facilitate the early financial closure, implementation and commissioning of the project, PFC will underwrite the total debt requirement of project.

- **Refinancing of Debt of Commissioned Projects along with Additional Corporate Loan for New-Expansion-Acquisition of projects:** The objective of the scheme is to provide financial assistance to companies in power sector having commissioned power projects, and are intending to refinance the existing debt along with availing additional debt for equity infusion. Request for financial assistance will be considered for commissioned projects only after 6 (six) months from COD of the entire project.

- **Financial Assistance to Distribution Franchisees:** The scheme shall provide financial assistance to Distribution Franchisee to make the required investment to bring efficiency in the distribution system/network of the designated area in accordance with the Distribution Franchisee Agreement.

IV.2.2 **Non-Fund Based Financial Products**

- **Guarantee:** A. **DEFFERED PAYMENT GUARANTEE** PFC may issue guarantees on behalf of projects to guarantee their payment obligations. Such guarantees may enable projects to secure
financing from a wider spectrum of sources at more competitive rates, including borrowings from commercial banks, foreign lenders and the debt capital markets.

- **B. GUARANTEE FOR PERFORMANCE OF CONTRACT / OBLIGATIONS FUEL SUPPLY AGREEMENT (FSA)**-- To provide non-fund based assistance by way of guarantees for performance of activities/contractual obligations under Fuel Supply Agreement (FSA) for facilitating procurement of raw material like gas, oil, coal or any other form of fuel. Performance guarantee is restricted to COD of the project and related to milestones during construction.

- **Letter of Comfort**: Letter of Comfort (LoC) can be issued to all sanctions of term loan where L/C opening is a requirement under EPC/Equipment Supply contract to enable the borrower to open L/C with its bankers.

- **Policy for Guarantee for Credit Enhancement**: The facility will provide credit enhancement of debentures issued in the domestic market by a power project SPV/holding company. This will help in channelizing funds (other than for working capital and short term loan) for power projects from long term institutional investors, such as insurance and pension funds, through bond markets for financing the power projects at competitive interest rate.

**IV.3 Services provided by PFC:**

**IV.3.1 Consultancy Services**

*Overview of Consultancy Services being provided by PFC Consulting Limited*: PFC Consulting Limited (PFCL) was incorporated on 25th March 2008 as a wholly owned subsidiary of Power Finance Corporation Limited to provide
consultancy services to the Power Sector. PFCCL commenced its business on 25th April 2008. MISSION: To become the leading ‘End to End’ consulting solution provider in Power Sector for its sustainable development VISION: To be the leading consulting organization in the Country for Power and associated Infrastructure Sectors SERVICES OFFERED: The services offered by PFCCL are broadly classified as under: / Procurement of Power by Distribution Licensees through Tariff Based Competitive Bidding / Govt. of India initiatives like UMPPs, ITPs, Renewable and Non-Conventional Energy Schemes, Coal Block JVs and selection of developers for Coal blocks and linked Power Projects, Project Advisory including Selection of EPC Contractor, /Reform Restructuring, and Regulatory aspects, Capacity Building and Human Resource Development OPERATIONS: PFCCL’s operations are spread over: Consulting Assignments from State Power Utilities, Licensees/IPPs, State Govt., PSUs & SERC’s, Ultra Mega Power Projects (UMPPs), Independent Transmission Projects (ITPs)

IV.3.2 Capital Advisory Services being provided by PFC CAS Limited

PFC CAPITAL ADVISORY SERVICES LTD. PFC Capital Advisory Services Ltd. (PFC CAS) was incorporated as a wholly owned subsidiary of Power Finance Corporation Ltd.(PFC) on July 18, 2011 to cater to the sectoral requirements for financial advisory services, including syndication services. The company obtained the Certificate of Commencement of Business on September 02, 2011 & started operations with an authorized share capital of Rs.1 Crore. CREDENTIALS The Company is backed by the experience of PFC a PFI & CPSU, which has a presence in debt syndication business since August 2008 and is well known for its strong appraisal capabilities. The Company is also managing the Power Lenders' Club, an exclusive set of Banks & FIs financing power projects under a consortium arrangement. SERVICES OFFERED The Company is presently focusing on debt syndication services for power sector. The various activities/ services under debt syndication are as follows: (1) Identification of Lenders (2) Preparation of IM/ Term Sheets (3) Approach Lenders and facilitate
Due Diligence by Lenders (4) Assistance in Documentation. Presently, the company is handling syndication proposals in various types of power generation projects, such as thermal, hydro, wind and solar. Other than the above, the company is looking at business opportunities in advisory in line with its area of competence such as: (1) Preparation of project profiles, project reports, pre-investment studies, etc. (2) Act as lead manager on behalf of banks, institutions etc in respect of project assignments and to act as an adviser in the management of undertakings, businesses, etc. (3) Consultancy in investment and capital markets (4) Advice on restructuring, business strategy, financial policies and long term planning in the areas of power, energy and infrastructure. (5) Fund raising, Currency Risk Management, Project Appraisal and modeling FUTURISTIC APPROACH PFC CAS envisions to evolve as a preferred institution offering financing advisory solutions to State Utilities/ Central Utilities/ Private Utilities/ PPPs, etc. in the infrastructure area with primary focus on energy. It proposes to offer advisory solutions to decision makers in State/ Central/ Private / PPPs including DISCOMs so as to enhance the financial position and thereby PFC CAS shall act as a catalyst to reform the Power Sector.

IV.4 New Business Initiatives

1. **Acquisition Advisory Services**: The broad scope of services offered by PFC through this unit would include the following:- Identification of target project/company for acquisition/mergers
   - Preliminary due diligence on the projects
   - Detailed techno-commercial appraisal of projects Finding out the partners for merger and acquisition, etc.

2. **Financing of Equipment Manufacturing Facilities and Fuel Sources Development & Distribution Projects for Power Sector**: PFC had established a separate business unit i.e. Facilitation Group, to explore the opportunities of expanding PFC business in the following areas; a. Fuel
Sources Development & Distribution: Development/ expansion of Fuel supply sources like Coal blocks/ mines/ oil/ gas transportation facilities etc.
c. Financing of Nuclear power projects in India; hydro projects in Bhutan and Nepal.

3. **Consortium Lending:** Like the other infrastructure projects, power projects are also highly capital intensive and have long gestation periods and a sizeable part of the investment is required to be made by the private sector. However, in the absence of uniformly acceptable approach, private sector projects are bound to face numerous hazards in obtaining finance like multiplicity of appraisal by participating institution, stipulation of different types of terms and conditions, different procedures/methodologies for disbursement and monitoring leading to delays in achieving financial closure and expeditious project implementation. Realising the above, PFC, in association with LIC and other Indian Banks had established a Power Lenders’ Club (PLC) in August 2005 to provide single window financing solutions for clients in the private power sector and to achieve expeditious financial closure.

4. **Financing of Projects in the Renewable Energy Sector:** The potential of Renewable Energy to provide clean and sustainable energy is universally accepted. Government of India is giving high focus for promotion of Renewable Energy through Electricity Act 2003 and National Electricity Policy and by launching Jawaharlal Nehru National Solar Mission. Renewable Energy has been given a central place in Government of India’s National Action Plan on climate change. PFC has recently incorporated PFC Green Energy Limited (PFC-GEL) as its wholly owned subsidiary to focus and accelerate the development of business in Renewable Energy Generation Projects such as Wind, Biomass, Small Hydro, Solar, etc. PFC-GEL has targeted financing such projects during the current financial year.
PFC-GEL offers special interest rates for Renewable Energy Generation Projects and will be keen to fund all Renewable Energy Projects.

In the initial phase of electrification in India, central and state governments depended on their own budgetary resources, various other sources of financing the plans and borrowings from commercial banks, development financial institutions, LIC and foreign development financing institutions like World Bank, etc. All these sources proved inadequate; therefore, it was decided to establish a development financial institution dedicated exclusively to the power sector. Power Finance Corporation (PFC) was established in 1986 as a Financial Institution (FI) dedicated to power sector financing. Over time the Power Finance Corporation has emerged as the major financial institution for funding generation, transmission and distribution projects in India.

The major finances provided by it are targeted towards State Electricity Boards (SEBs), State Generating Companies (SGCs) and Independent Power Producers (IPPs); and to develop 16 Ultra Mega Power Projects (UMPPs) for which PFC is the nodal agency. Generation Projects constituted around 83% of PFC’s loan book as on March 31, 2012, Distribution being 4%, Transmission 8% and others 6%. Typically tenure of loans for generation projects is around 15 years including 3-4 years of implementation and 6 months of moratorium. Government of India has nearly 74% equity shareholding in the company. Investment and Credit Rating Agency (ICRA) equity research service has assigned the Fundamental grade ‘4’ and the valuation grade ‘A’ to PFC. This implies strong financial position of the corporation.

Financial health of such a development finance company is of great national significance. Therefore, we propose to examine its financial health and its contribution to the development of power sector in India.
IV.5 Management and Organisational Structure

In the public sector enterprises which are highly modeled by bureaucratic functioning and the rules & regulations imposed by the government, the scope of innovation in management practices as well as regulations may be is limited. The organizational structure is broadly divided into three-tier hierarchy termed as level-I, level-II and level-III. The decision making is also consistent with these levels depending upon the type of decision being taken and the level of authority to be exercised at the level of decision making.

If the organizational structure of any organization is poorly defined, it results in inefficient functioning of the organization. The corporation follows Corporate Governance model which essentially means the application of the best management practices, compliance with law in the letter and spirit, adherence to ethical standards for effective management and the discharge of social responsibility for sustainable development of all stakeholders. Corporate governance involves balancing of the interests of all the stakeholders in the company i.e. shareholders, management, customers, suppliers, financers, government and the society at large. Corporate governance also provides framework for achieving objectives of the company. Therefore, it includes practically all the areas of management from action plan and internal control to performance measurement and corporate disclosure.

A company is expected to follow highest standards of Transparency, Accountability and Performance following ethical business practices. PFC has adopted Guidelines on Corporate governance for Central Public Sector Enterprises issued by the Department of Public Enterprises (DPE), Government of India.

The President of India makes appointment of all the members of the Board of Directors of Power Finance Corporation on the recommendation of the Ministry of Power which is the administrative ministry for the Corporation.
Operational procedure is that requirement for appointment is sent by the administrative ministry to the Public Enterprises Selection Board (PESB) which forwards its recommendations to the concerned ministry. Government of India fixes remuneration of whole time Directors. The appointments on various positions in the corporation are made by open advertisements by the corporation through its selection committees/procedures. The Board of Directors of PFC consists of ten members: 4 Functional Executive Directors including the Chairman, 5 independent Directors, and one Government of India nominee. As on March 31, 2014, it had seven directors which included 3 whole time directors, 3 non-official part time (independent) directors and one government nominee.

**Organisational Structure:** Power Finance Corporation has total of 441 employees as on March 31, 2014. All the employees of the corporation are divided into three grades namely Level I, Level II and Level III. The employees of the rank of Assistant Officer to Senior Manager are included in Level I. The total number of such employees in the corporation is 233. The employees of the rank of Deputy General Manager, Assistant General Manager and General Manager are included in Level II. The total number of such employees is 76. The employees of the rank of executive director are included in Level III, which is the highest grade/level of employment. The total number of executive directors is 11 at present. There are 88 supervisors and 29 workmen apart from the above.
Organizational Structure of Power Finance Corporation

Chairman/ and Managing Director

Directors

Executive Directors

General Managers

Deputy General Managers

Assistant General Managers

Senior Managers

Managers

Assistant Officers

Clérical/Peon/Security staff

Level III

Level II

Level I
Classification of Organizational Functions

Chairman & Managing Director

Vigilance

Public Relations

Corporate Planning

Commercial Division

Projects Division

Finance Division

Entity Appraisal & Legal

Technical Pool

EIG & FP

Taxation

R-APDRP

Facilitation Group

Corp. Accts.

MS, HR, SSA & RR

Project Monitoring & Knowledge Centre

Fund Mgmt.

Corp. Risk

CSR, Admin. & SS, EBM, Library & Rajbhasha

State In-charges

(Source: Draft Red Herring Prospectus, 2013)
PFC is an ISO 9001(2008) certified company. It has adopted stringent internal control processes to ensure efficient and transparent functioning of the corporation. The company has put in place a robust system of internal control which includes proper monitoring procedures which ensure accurate reporting and timely financial reporting of transactions, efficiency of operations and compliance with statutory laws, regulations and company policies. Appropriate guidelines and delegation of powers for accounting have been issued for uniform compliance.

The Board functions through various committees constituted to oversee specific operational areas. The Board of Directors and its committees meet at regular intervals. The Board has constituted the following committees:

(i) **Committee of Functional Directors:** Committee of Functional Directors has power to sanction financial assistance up to Rs. 100 crores to individual schemes or projects including enhancement of financial and lease assistance and relaxation of eligibility conditions, subject to overall ceiling of Rs. 4,000 crores in a financial year.

(ii) **Loans Committee of Directors:** Loans Committee of the Directors has been constituted for sanction of financial assistance up to Rs.500 crores to individual schemes or projects including enhancement of financial assistance and relaxation of eligibility conditions, subject to overall ceiling of Rs.10,000 crores in a financial year.

(iii) **Risk Management Committee:** Main function of Risk Management Committee is to monitor various risks which are likely to arise and to examine the various risk management policies and practices adopted by the company, and to initiate action for mitigation of risk arising in the operational and other areas of the company. For this, company has evolved and put in place an Integrated Enterprise –Wide Risk Management Policy (IRM Policy).

(iv) **Committee for Investment in IPO of Central Sector Undertakings:** The Committee of Directors for investment in IPO of Central Power Sector Undertakings and also other related matters like exit/sale decisions, the
number of shares to be applied through IPO and individual investment limit in each company on case to case basis etc.

(v) **Audit Committee**: Audit Committee consists of one functional director and two independent part time directors. The Committee regularly reviews critical observations of the auditors and ensures compliance with accounting standards and concurring financial statements before submission to the Board. To ensure efficient operationalisation of internal control system, regular and exhaustive internal audits are carried out by expert Chartered Accountants in close co-ordination with Company’s own internal audit department.

(vi) **Nomination, Remuneration and HR Committee**: Nomination, Remuneration and HR Committee consists of three independent Directors and is mandated to prepare draft proposals on various HR policies as per Companies Act and as per Department of Public Enterprises (DPE) Guidelines for the consideration and approval of the Board of Directors.

(vii) **Stakeholder Relationship and Shareholders/Investors’ Grievance Committee**: Stakeholder Relationship and Shareholders/Investors’ Grievance Committee of Directors is constituted to look into the grievances of the investors. It oversees performance of the Registrar and Transfer Agent of the Company and recommends measures for overall improvement in the quality of investor services.

(viii) **Ethics Committee**: Ethics Committee consists of three Directors and is expected to act as a conscience keeper for the company and to ensure that ethical business practices are being followed in managing the affairs of the Company.

(ix) **Corporate Social Responsibility and Sustainable Development (CSR & SD) Committee**: PFC has constituted a Board level committee ‘Corporate Social Responsibility and Sustainable Development (CSR&SD) Committee’ of Directors headed by an Independent Director. The company claims to have made corporate social responsibility obligation as
a part of its growth philosophy. Under CSR company is involved in programmes for the welfare of the people like empowerment of the communities through skill development, environment protection through promotion of renewable energy, development of underprivileged sections through hygiene and sanitation programmes. The organization also undertakes impact assessment studies to assess the impact of its CSR initiative wherever necessary, through external agency.

On business responsibility criterion, the corporation has policies on the following dimensions:

1. Business Ethics
2. Product Responsibility (not relevant on account of PFC being NBFC)
3. Well being of Employees
4. Stakeholder Engagement & CSR
5. Human Rights
6. Environment
7. Public Policy
8. CSR
9. Customer Relations

For better organizational effectiveness, the company undertakes to have customer complaints/feedback through structured meetings held periodically with power utilities, periodic visits to customer offices and project sites, written/telephonic correspondence during appraisal, loan documentation and disbursement, customers’ visits to PFC offices.

The salary structures followed by the corporation are generally in line with those followed by other PSUs, namely IDA pattern. The total salary expense of the corporation year wise is provided below:
The above Table IV.1 shows a steep rise in the amount of compensation to employees in the past five years from the year 2008-09, which is reflective of the rising floor operations, increase in number of workmen & work expansion, and is also coherent with the amount of business that corporation has expanded. To deal with increased business of the corporation there was definitive need for larger staff.

The detail of efficiency ratios are given in Table IV.2. They indicate increasing employee productivity over time.

### Table IV.2 Total Income/Compensation to Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Income/Compensation to Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>211.755</td>
</tr>
<tr>
<td>2012</td>
<td>179.916</td>
</tr>
<tr>
<td>2011</td>
<td>152.624</td>
</tr>
<tr>
<td>2010</td>
<td>113.468</td>
</tr>
<tr>
<td>2009</td>
<td>145.436</td>
</tr>
<tr>
<td>2008</td>
<td>96.211</td>
</tr>
</tbody>
</table>

(Source: Prowess, CMIE)

### IV.6 Initiatives for Human Resource Development

Learning and Development: Company has made a number of provisions for development of skills and competence of its employees. The company regularly reviews the need for skill development of various employees and provides opportunity to its employees to keep abreast with latest developments in their functional areas. Senior executives are also provided facilities for participating in advanced management practices in India and abroad to ensure
their competitiveness at the national and international levels. The company works out annual plan for training of its employees as per assessment of required skills of its employees. During the year 2013-14, Power Finance Corporation organized 18 in-house programmes.

It was noted that PFC has initiated a number of measures for the welfare of its employees. It has provided for good medical facilities and post retirement benefits. It has provided for regular interaction with the employees representatives to ensure congenial employee-employer relations. The company has a positive work culture and environment and no tension was observed in the employer-employee relationship. Women were also given fair representation in the jobs. Women constitute about 20% of the total employees. There has been no case of women harassment in the last many years (PFC Annual Report 2013-14).

**Human Resource Development:**

The corporation has an impressive record of the highest per employee profitability in the country. Of all the employees of the corporation, more than 320 are executives. On account of the employee productivity, the company has been conferred with the Dalal Street’s “First DSJ Award 2009” in the category of “Highest Profit per Employee”. The corporation has also been conferred ICC PSE Excellence Award 2012 in the category of Best Human Resource Management by Indian Chamber of Commerce in Association with DPE, Govt. of India.

The corporation strives to enhance and upgrade the skills and competencies of its employees through customized training interventions at all levels with assessment of training needs and requirements of professional skills. The present staff capacity is equipped with a thorough and critical understanding of different facets of power sector including project appraisal, project financing, international finance and domestic resource mobilization.

The corporation complies with the different labour laws applicable to it, including the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952, Payment of Gratuity Act, 1972, the Minimum Wages Act, 1948 and the Industrial Disputes Act, 1947.