

## Monsoon Watch

**Parts of Punjab and Rajasthan** saw heavy rainfall

**Gujarat and Kerala** experienced over 4 times its normal rainfall for the day

**Parts of Uttarakhand and coastal Andhra Pradesh** saw heavy showers

**Parts of Tamil Nadu and coastal Karnataka** experienced heavy rainfall

The south peninsula received over twice its normal rainfall for September

### CURRENT WEATHER AND FORECAST

Heavy rainfall is expected over coastal Andhra Pradesh and Telangana

Parts of Odisha and West Bengal are likely to receive heavy rainfall

Parts of Madhya Pradesh saw temperatures rise 5°C above normal

Parts of Uttarakhand and Uttar Pradesh are expected to receive heavy showers

# Core Sector Growth Slows to 2.1% in July

**DEMAND SLUMP** Production of coal, crude oil, natural gas, refinery products decline; 4.4% recorded in July 2018

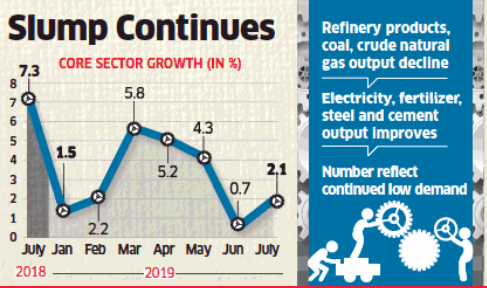
Our Bureau

New Delhi: India's core sector output remained weak in July, with growth slowing to 2.1% from a year earlier, as production of coal, crude oil, natural gas and refinery products declined, the government said on Monday.

While growth as recorded by the Index of Eight Core Industries was higher than an over four-year low of 0.2% in June, it was lower than 4.4% recorded in July 2018.

The eight core industries of coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity which have a 40.27% weight in the Index of Industrial Production, grew 3% in the April-July period compared with 5.9% in the year-ago period.

Last week, official data showed India's GDP expanded at 5% in the first quarter, the slowest pace in over six years.



"There seems to be a slowdown which appears to be deep-rooted, particularly on the demand side. Coal, crude oil and petroleum are all linked to the demand side, particularly for automobiles and anything related to manufacturing," said NR Bhanumurthy, professor

at the National Institute of Public Finance and Policy. He added that the data indicated that the budget had not helped much in improving sentiment in July.

Coal and crude oil output declined by 1.4% and 4.4%, respectively, in July from a year earlier, while natural

gas and refinery product output fell by 0.5% and 0.9%, respectively. Cement output increased by 7.9% and steel production increased by 6.6%, the commerce and industry ministry said.

"The core sector growth shows a continuous weakness in the month of July and factoring in the consumption demand in the first quarter, it is likely that the July IIP growth will be sluggish and continue to remain sluggish for the next few months," said DK Pant, chief economist at India Ratings and Research.

He said experts would now watch out for improvement in demand in the festive season and that the Reserve Bank of India may cut interest rates further.

"Looking at the inflation trajectory, collapse of consumption demand, monetary policy is likely to do the heavy lifting," said Pant.

"The RBI has already cut interest rates by 110 basis points this year. One basis point is one-hundredth of a percentage point.

Bhanumurthy was sceptical about the impact of an interest rate cut. "When there is no demand, interest cuts would not help much. Fiscal policy should have been more active when the economy is slowing down and then monetary policy should have followed fiscal measures," said Bhanumurthy.

He said the government should focus on identifying stalled infrastructure projects and front-load capital expenditure on them and others that would have a multiplier effect on the economy.

"The government should provide resources for capital expenditure even at the cost of slipping on the fiscal deficit target," he said.

# No Tax Demand from Startups Without Appellate Tribunal Nod

Our Bureau

New Delhi: Taxmen will not approach startups for any outstanding income tax demand unless it has been confirmed by the appellate tribunal. The Central Board of Direct Taxes (CBDT) has issued a consolidated circular reiterating clarifications issued so far on taxation issues hurting startups, including the so-called angel tax.

"It has been reiterated time and again by CBDT that outstanding income-tax demand relating to additions made under section 56(2)(viiB) would not be pursued and no communication in respect of outstanding demand would be made with the start-up entity," said the CBDT.

It further said that any other income tax demand would not be pursued against startups unless the demand is confirmed by the Income Tax Appellate Tribunal.

**CBDT also constituted a Startup Cell to redress grievances and to address various tax issues**

The board had specified a deadline for completion of pending assessments. It had said that all cases involving "limited scrutiny" would have to be completed preferably by September 30 and other cases disposed of on priority, preferably by October 31.

The CBDT had also issued a circular dealing with cases under "limited scrutiny", where multiple issues including issue of section 56(2)(viiB) were involved. This section deals with the angel tax.

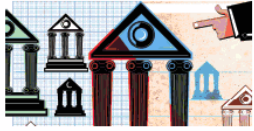
# PSB Heads Told to Reform Boards

Shashwat Mohanty @timesgroup.com

New Delhi: The Department of Financial Services has asked heads of all state-run banks to initiate the process of reforming their boards in line with governance changes announced by finance minister Nirmala Sitharaman on Friday as part of the mega banking reform package.

"With a view to institutionalise accountability for observance of approved risk appetite, the bank may give the risk committee of its board a mandate to periodically review adherence to the risk appetite framework of the bank and to fix accountability in the event of breach of approved risk appetite," the Financial Services Department said in a letter sent to state-run banks, seen by ET.

The letter asked the banks to form a risk management committee, and to combine the nomination and remuneration committees.



### THE DIRECTION

**Banks asked to form a risk management committee, and to combine the nomination and remuneration committees**

Sitharaman had on Friday announced a slew of measures including consolidation of 10 state-owned lenders into four that seek to change the banking landscape. Consolidation will be accompanied with significant

governance reforms. She said the management will decide on the appraisal of top officials, instead of a single person. The management will be accountable towards the board of the PSBs, by way of the board appraising the general manager and above ranks, including the managing director.

As part of the reforms, she also said banks will be allowed to hire chief risk operators at market-linked compensation, and were not bound to the government-allocated salaries. The government also allowed bank boards to decide individual development plans for senior executive positions to ensure a smooth transition when the senior executive leaves or retires.

The risk management committee will be governed as per a Risk Appetite Framework. The framework will consist of risk limits for the respective banks, policies and procedures for material as well as reputational risks, and clearly defining the committee members' roles.

**Shri Rajeev Sharma**  
Chairman & Managing Director

**PFC - INDIA'S LARGEST INFRA FINANCE COMPANY & LARGEST GOVERNMENT NBFC**

Chairman's Speech at the  
**33<sup>rd</sup> AGM of Power Finance Corporation**  
held on 27<sup>th</sup> August, 2019

28<sup>th</sup> March 2019 was a Red Letter Day in the history of PFC, when your Company acquired Government of India's 52.63% equity stake in REC Limited (formerly Rural Electrification Corporation Limited), for a total consideration of ₹14,500 Crs. With this landmark deal, PFC is now a promoter and the holding company of REC Limited.

diversification of assets of the group as well as better management of portfolio risk and would also help in resolution of stressed power sector assets of the group in a better and coordinated manner.

I am pleased to share that post the acquisition transaction, PFC's credit rating has been retained and your company has also kept the Capital Adequacy Ratio at comfortable levels to reassure shareholders, investors & credit rating agencies about the business growth going forward.

On the business front, the year also saw some significant landmarks for PFC on a standalone basis. We achieved our highest ever annual profit of about ₹7,000 Crs. Your Company has recorded its highest ever disbursements for three years in a row and with this year's loan disbursements crossing ₹67,600 Crs mark. The loan assets also crossed the ₹3 lakh milestone and saw a robust growth of 13% during the year.

On the borrowing front, the share of foreign currency borrowings in the overall borrowing increased to 10% on the back of fresh foreign currency mobilization of USD 1.5 billion during the year. In June 2019, PFC raised USD 1 billion under its MTN programme with 5 years and 10 year tenors, which was the first dual and largest USD bonds transaction for Government owned Indian NBFC and also the first 5 year issuance by PFC. Going forward, we expect the foreign currency borrowings to contribute to our portfolio to a greater extent. As indicated earlier, 54EC Capital Gain Tax bonds are an important source of funds for PFC owing to its low cost. I am happy to share that the mobilization under the capital gains tax bonds has witnessed a 2.7 times jump from the previous financial year. Due to the various efforts made by your Company on the borrowing front, the cost of funds has reduced significantly from 8.21% in FY18 to 7.95% in FY19.

A decisive majority for NDA 2.0 under the leadership of Prime Minister Shri Narendra Modi would only add to India's political and economic muscle in the comity of nations. The Government's commitment to an 'all inclusive economic and socially harmonious' order would further the cause of spreading prosperity and a spirited campaign against poverty in line with United Nation's millennium development goals. Taking the economic growth story to rural India would be natural extension of the country's journey thus far.

With a healthy GDP of around 7% in the last five years, India's economic profile has never been better globally. Liberal policies adopted by the Central Government have only lent an edge to India as an attractive investment destination amongst emerging markets.

energy resources have provided a great business opportunity to your Company. Under Saubhagya, a flagship scheme of Government of India, almost 100% household electrification has been achieved. More than ₹34,000 Crore interest cost has been saved by DISCOMS under UDAY within two years. Providing electricity to all, round the clock, 365 days a year has become the next big challenge that's being tackled head on.

Various steps have been taken by Government of India to tackle the issue of stressed assets in Power Sector. Scheme for Harnessing and Allocating Koyala Transparently in India (SHAKTI) was launched to provide coal to the stressed power projects. SHAKTI covers projects which have PPAs but do not have Fuel Supply Agreements in place and also those which do not have Power Purchase Agreements (PPAs). The objective of this scheme is to eliminate the stress in generation utilities. Some of these stressed projects have already started to receive coal under the scheme. Also, a Pilot Scheme for mid-term PPA for stressed projects was launched by the Ministry of Power for which PFCL, our subsidiary company is the Nodal Agency and PFC is the aggregator to purchase power for three years from commissioned projects with no PPA. Under the scheme, beneficiary states have signed PPAs for 1900 MW with eligible bidders at a tariff of ₹4.24 per unit. Now Phase II of the Pilot PPA scheme has been launched with PFCL as the Nodal Agency and NHPCC as the aggregator. Bids from 15 companies have been finalized with a tariff of ₹4.41 per unit. Ministry of Power has also issued significantly important guidelines with respect to timelines for approving the petitions for tariff increase due to change in law and also the directions mandating the power distribution licensee to open and maintain adequate Letter of Credit as a payment security mechanism under Power Purchase Agreements. These initiatives will help the projects to sell power on sustainable basis and resolve the stress going forward.

I am pleased to share that under these schemes some of the projects financed by PFC have received coal linkages and also mid-term PPAs, which will help in resolution of stress.

In order to encourage Renewable Generation, Ministry of Power extended the waiver of ISTS Transmission

Assets Up from ₹3,00,000 Crores to ₹6,00,000 Crores

**13% Loan Assets (Gross)**

**2x jump in 54EC Capital Gain Tax Bonds**

**Cost of Funds 26bps**

**58% Profit After Tax**

**Maiden US \$ 1 Billion Issue**

charges and losses for Solar & Wind based Projects upto March 2022. Further, in order to achieve the Renewable target of 1,75,000 MW of Renewable Capacity by 2022, MOP issued Long Term Growth trajectory Renewable Purchase Obligation (RPO) for Solar as well as Non-Solar till the year 2022.

India's rank improved to 24 in 2018 from 137 in 2014 on World Bank's Ease of doing business - "Getting Electricity" Ranking. Several measures have been initiated to reform and strengthen the power sector as a whole including power generation, transmission and distribution. These also include achievements in capacity addition and also important reforms being undertaken for increasing energy efficiency and increasing accountability and transparency by launching Mobile applications like PRAAPTI, Ash Track etc.

Your Company's philosophy of Corporate Governance stems from its belief that the spirit of good governance lies in adherence to highest standards of transparency, accountability, ethical business practices, compliance of law in true letter and spirit, adequate disclosures, corporate fairness, social responsiveness and commitment to the organization to meet stakeholders aspirations and societal expectations.

I am extremely thankful to the shareholders, who have reposed faith in us. My sincere and heartfelt thanks go to the Hon'ble Union Minister of State (I/c) for Power & New and Renewable Energy and officials of the Ministry of Power for their continued support and guidance. I am also truly grateful to Board of Directors, Investors and Valued Clients for their support.

Rajeev Sharma  
Chairman & Managing Director

Place : New Delhi Date : 27.08.2019  
DIN No.: 00973413

(This does not purport to be a record of the proceedings of the Annual General Meeting held on 27 August, 2019. For full text, please visit : [www.pfcindia.com](http://www.pfcindia.com))

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