

Power Finance Corporation Limited

(A Government of India Enterprise)

A Navratna PSU

Performance Highlights

Q1 Financial Year 2007-08

(Un-Audited & Provisional)

July 16, 2007



Snapshot of PFC's Performance – Q1 FY08



(Rs. Million)

Particulars (Y/E - March)	Q1 FY08*	Q1 FY07*	Growth / Change	FY07
Sanctions	132,682	173,421	-23%	311,457
Disbursements	32,159	28,543	13%	140,550
Loan Assets	452,505	367,308	23%	439,028
Leverage (Avg. Assets/Avg. Networth)	5.79	5.82	(-) 3 bps	5.80
Net Interest Income	4,147	3,015	38%	14,149
Profit Before Tax	4,536	2,587	75%	15,115
Yield on Assets	9.88%	9.01%	87 bps	9.25%
Cost of Funds	7.95%	7.30%	65 bps	7.32%
Net Interest Margin	3.67%	3.31%	36 bps	3.52%
Spread	1.93%	1.71%	22 bps	1.94%
Operating Cost % of Avg. Assets	0.02%	0.03%	(-) 1 bps	0.13%
Gross NPAs % of Loan Assets	0.06%	0.25%	(-) 19 bps	0.10%
Capital Adequacy Ratio	18.59%	18.25%	34 bps	18.34%

* Quarterly Ratios have been Annualised except Operating cost

Agenda



1 *Introduction to PFC*

2 *Performance Analysis – Q1 FY08*

3 *NIM, Spread and Key Indicators – Q1 FY08*

4 *Highlights of PFC's Operations – Q1 FY08*

5 *Power Sector*



Who We Are



Key Highlights

- Leading Public Financial Institution, funding power sector projects in India
- Highest credit rating of “AAA” and “LAAA” from CRISIL and ICRA respectively for domestic borrowings
- Investment grade ratings of “Baa3” from Moody’s & “BBB-” from S&P and Fitch for international borrowings at par with sovereign rating for India
- Professionally managed lean organisation
- Customers include State/Central/Private/Joint sector power utilities involved in all aspects of generation, transmission and distribution
- Nodal agency for development of Ultra Mega Power Projects
- Implementing agency of GOI for Accelerated Generation and Supply Program (“AG&SP”) and Accelerated Power Development and Reform Program (“APDRP”)
- Granted “Navratna” status by the GoI in June 2007

Key Statistics

(Amount in Rs. Million)

30th June 2007

Cumulative Sanctions	1,384,660
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Cumulative Disbursements	790,699
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Total Assets	480,850
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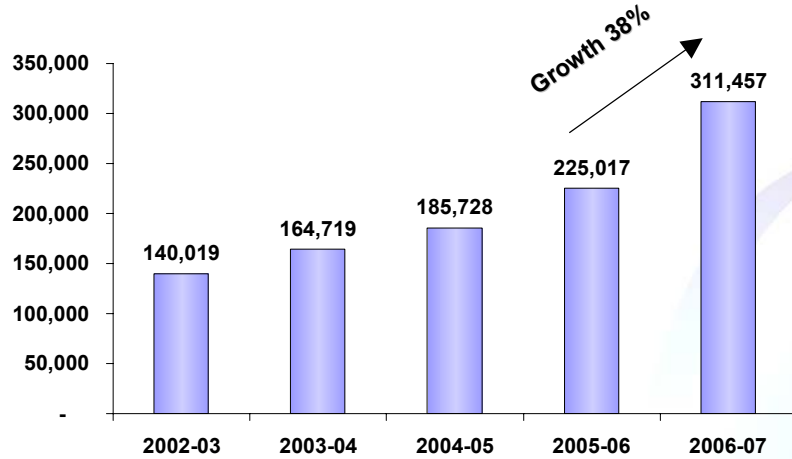
Networth	83,296
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We are the financier of choice in Power Sector Projects

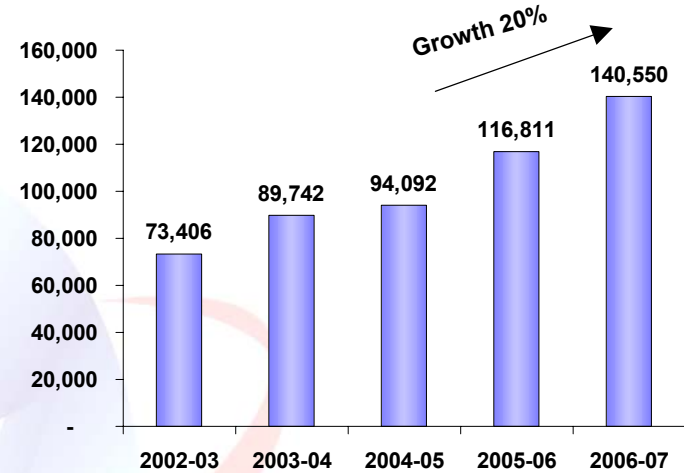


Consistent Financial Performance

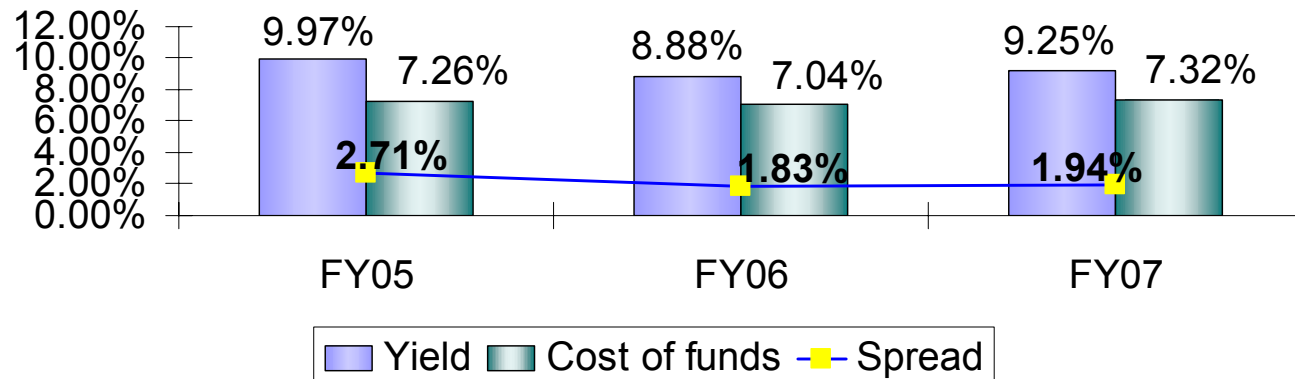
Annual Sanctions (Rs. Million)



Annual Disbursements (Rs. Million)



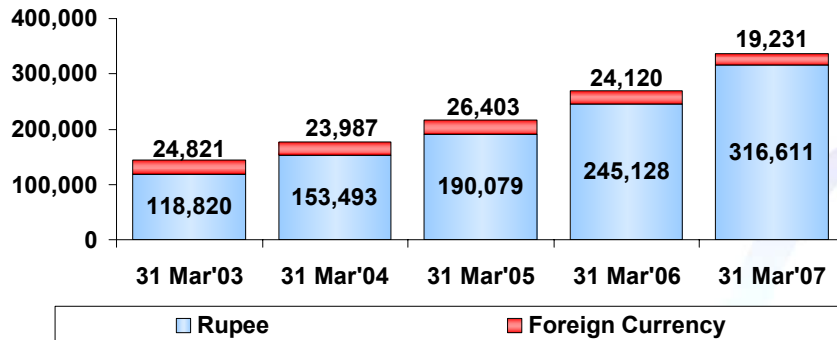
Yield, Cost of Funds and Spread





Cost of Funds

Resources (Rs. Million)

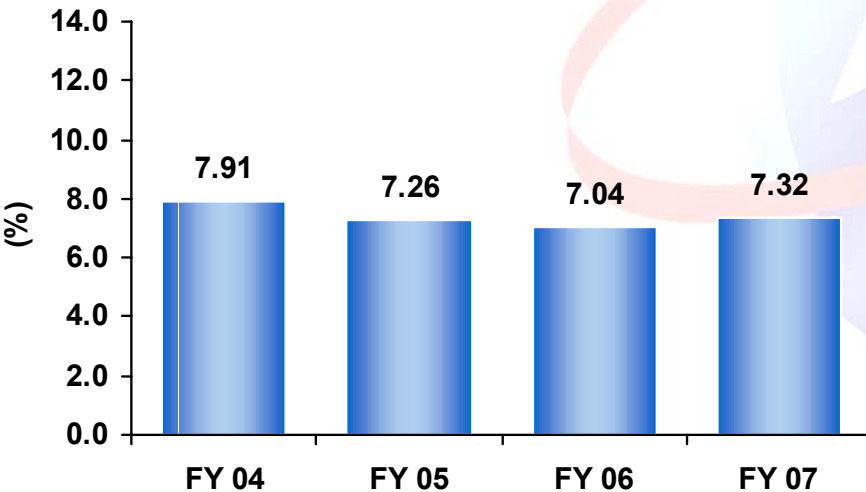


■ We are able to deliver debt financing at competitive rates:

- ◆ We have been consistently rated highest for domestic borrowing
- ◆ We also source funds from multilateral and bilateral agencies like ADB, KfW, EDC etc.
- ◆ Our operating expenses are low at just 0.13% of assets in fiscal 2007
- ◆ We are exempt from holding substantial part of our funds in low yielding government & approved securities and cash reserves

Note: Figure mentioned above bars are outstanding foreign currency borrowings

Cost of Funds*



* Cost of funds includes issue expenses, stamp duty fees, guarantee fees etc.

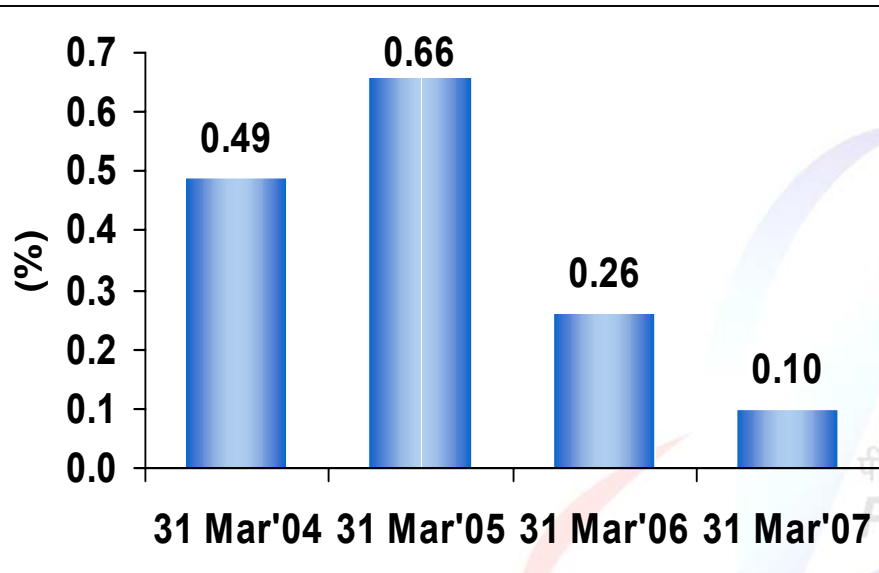
■ We fund our assets with borrowings through

- ◆ Mix of floating and fixed rate
- ◆ Instruments of various maturities including
 - Short-Term Loans & Commercial Papers
 - Medium-Term Loans
 - Long-Term Loans
 - Bonds



Healthy Asset Quality

Gross NPA as % of Loan Assets



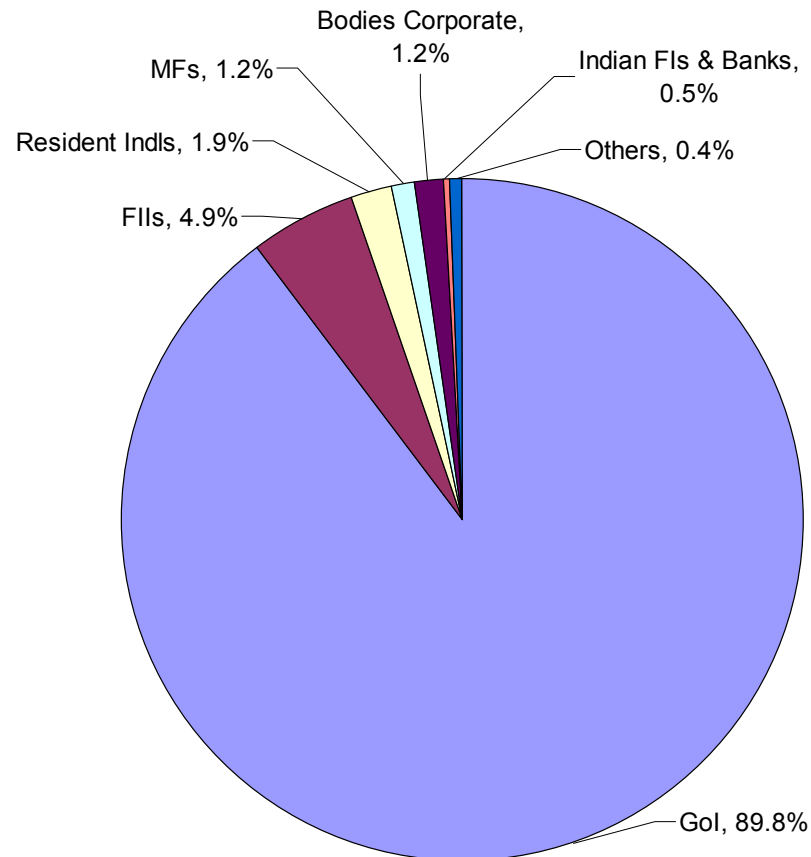
**Gross NPAs further reduced to
0.06%**

Key Controllers of NPA's

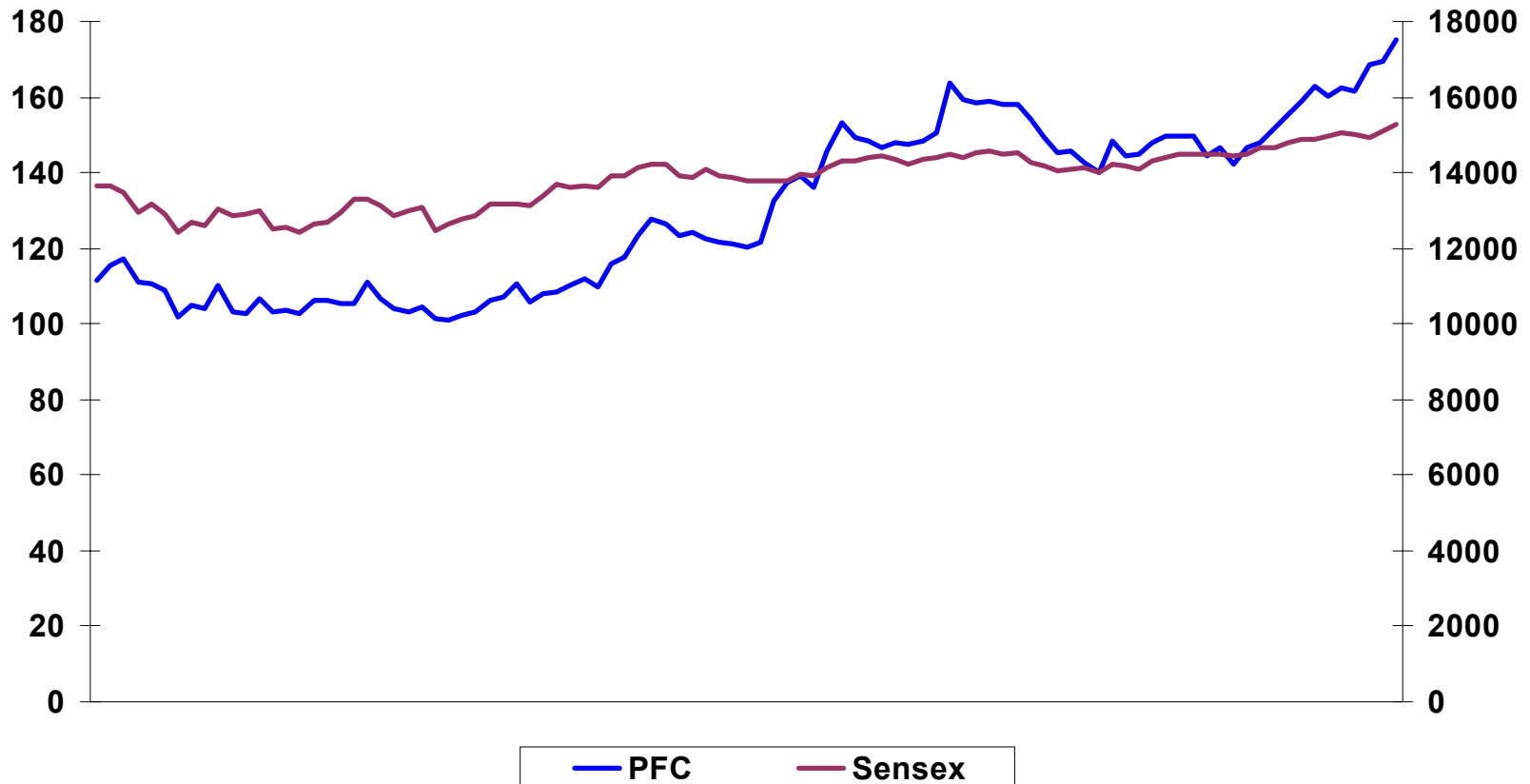
- Robust project and credit appraisal methodology
- Rebate for timely repayment as an effective incentive tool
- Escrow mechanism for State sector borrowers acts as a deterrent to default
 - TRA for private sector borrowers
- Direct payment to suppliers ensures asset creation by borrowers
- Quarterly monitoring of SPUs health to ensure timely repayment
- Immediate and stringent actions on default
- Invoking State government guarantee as a last resort on default

NPA Norms: As per our prudential norms, any asset (other than lease asset) in respect of which any loan installment, interest and/ or other charges remain due and unpaid for 6 months or more are NPAs

Shareholding Pattern (June 30, 2007)



Stock Price Movement* (Feb 23, 2007 to July 13, 2007)



* Based on Closing Price & Index

Agenda



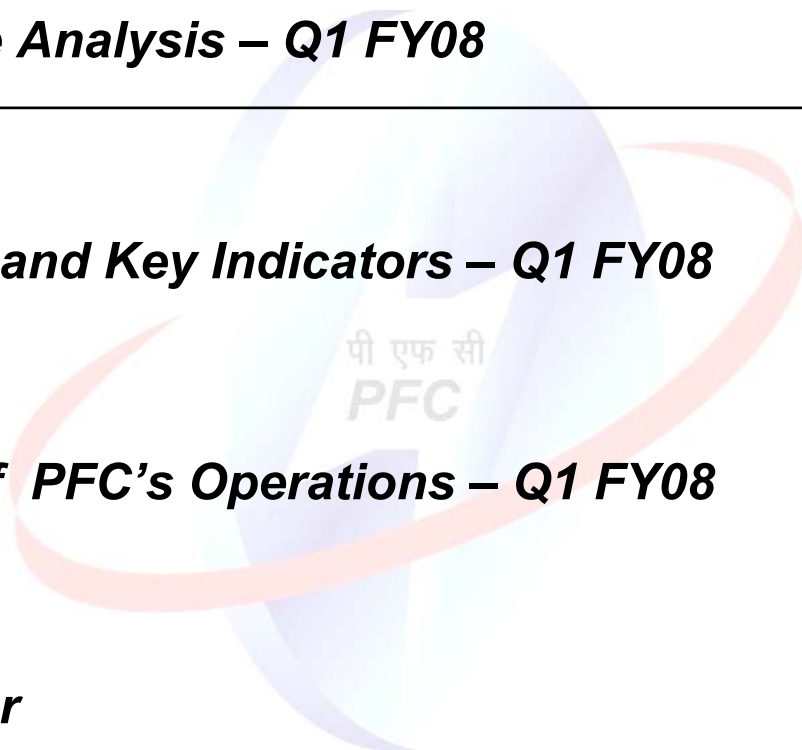
1 *Introduction to PFC*

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Profit and Loss Account (Q1 FY08 Vs. Q1 FY07)



(Y/E – March, Rs. Million)

Profit & Loss Account#	Q1 FY08	Q1 FY07	FY07
Interest Income	11,170	8,219	37,172
Interest Expense	(7,023)	(5,204)	(23,022)
Net Interest Income	4,147	3,015	14,149
Other Income*	137	55	358
Extraordinary Items^	409	(305)	1,089
Operating Costs	(116)	(112)	(530)
Provisions	(41)	(65)	49
Profit Before Tax	4,536	2,587	15,115
Tax Provisions	(1,134)	(789)	(3,533)
Provision for DTL	(316)	(279)	(1,720)
Profit After Tax	3,086	1,519	9,861
PAT + Provision for DTL	3,402	1,798	11,582

* Other Income includes Consultancy income, lease income and other income given in P&L account

^ Extraordinary Items includes translation gains and prior period adjustments

#All items of P&L account have been regrouped for analysis

Balance Sheet (Q1 FY08 Vs. Q1 FY07)



(Y/E – March, Rs. Million)

Liabilities	Q1 FY08	Q1 FY07	FY07
Shareholders' Funds	89,017	70,901	85,931
Borrowings	345,236	277,864	335,842
Deferred Tax Liability	11,742	9,984	11,426
Interest Subsidy Fund	11,624	11,020	12,316
Current Liabilities & Provisions	23,232	16,512	21,119
Advances received from Subsidiaries (included in Current Liabilities)	1,837	-	2,122
Total Liabilities	480,850	386,281	466,634
Assets	Q1 FY08	Q1 FY07	FY07
Loan Assets	452,505	367,308	439,028
Investments	607	169	589
Fixed Assets	804	842	815
Current Assets	26,934	17,962	26,202
Advances to Subsidiaries (included in Current assets)	377	36	444
Total Assets	480,850	386,281	466,634

Balance Sheet size increased by 24% from Rs. 386,281 Million to Rs. 480,850 Million over 12 months

Performance Highlights (Q1 FY08 Vs. Q1 FY07)



- **Disbursements** have increased by **13%** to Rs. 32,159 million from Rs. 28,543 million
- **Loan Assets** has grown by **23%** to Rs. 452,505 million from Rs. 367,308 million
- **Gross NPAs % of Loan assets** has decreased to **0.06%** from 0.25%
- **Total Income** has increased by **36%** to 11,458 million from Rs. 8,451 million
- **Net interest income** has increased by **38%** to Rs. 4,147 million from Rs. 3,015 million
- **Operating costs** as a % of average assets **have declined** to 0.02% from 0.03%

Performance Highlights (Q1 FY08 Vs. Q1 FY07)



Profit Before Tax increased by 75% to Rs. 4,536 million from Rs. 2,587 million

Net Profit before provision for deferred tax liability has increased by 89% to Rs. 3,402 million from Rs. 1,798 million

PAT has increased by 103% to Rs. 3,086 million from Rs. 1,519 million

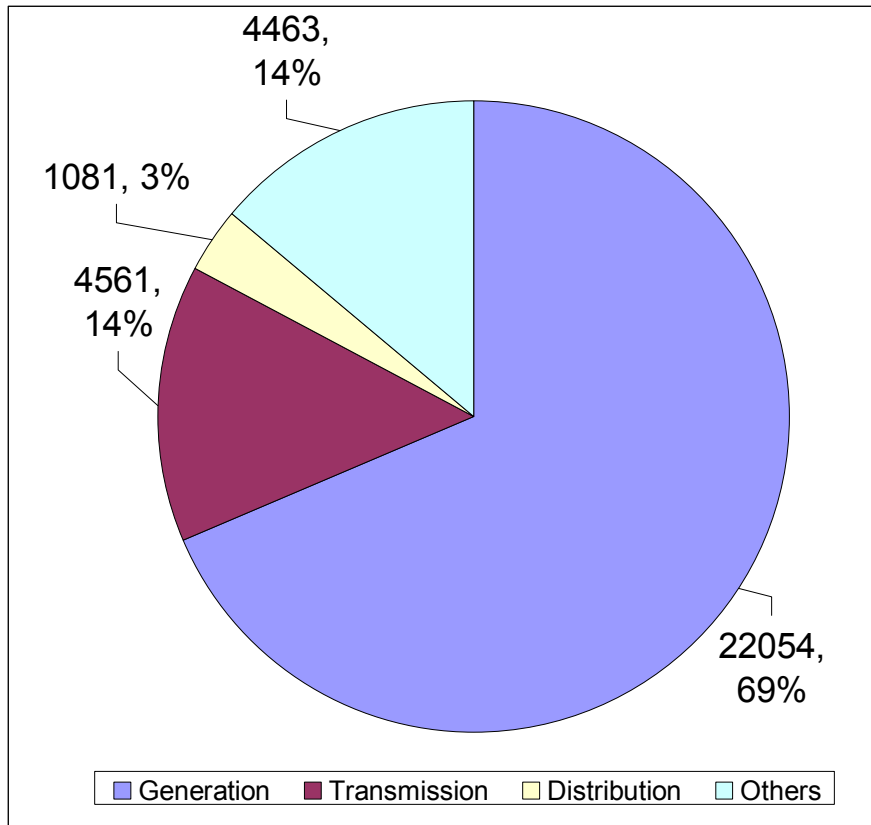
Return on Average Assets increased to 2.61% from 1.60% (Annualised)

Return on Average Networth increased to 15.08% from 9.30% (Annualised)

Disbursement - Composition

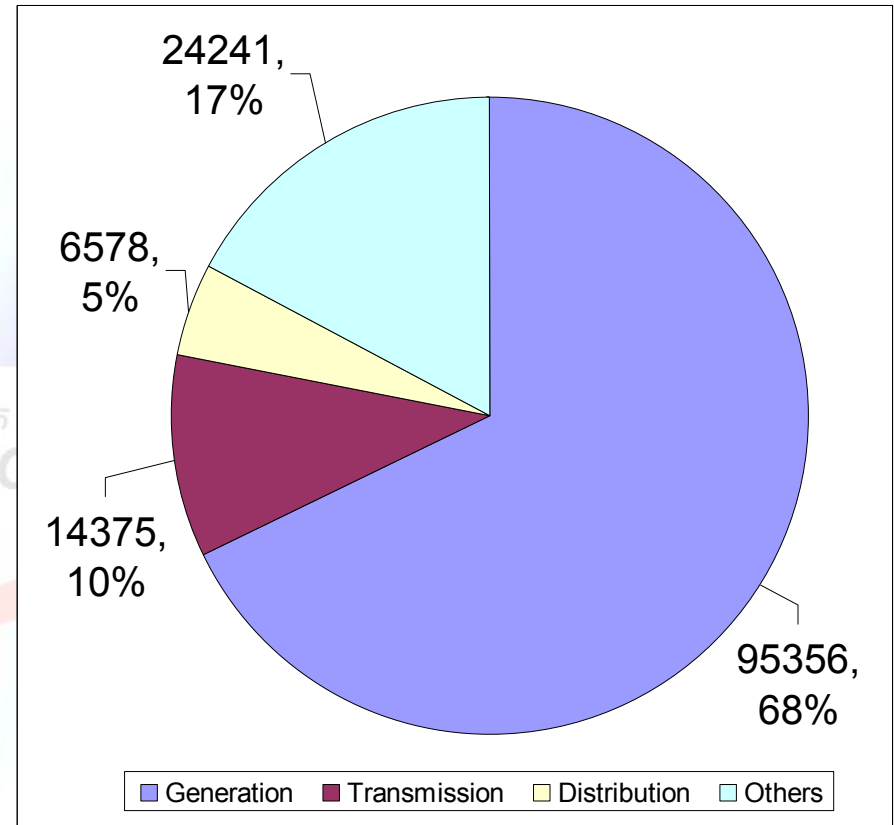


Disbursement – Q1 FY08 (Rs. Million)



Total Disbursements: Rs. 32,159 million

Disbursement – FY07 (Rs. Million)

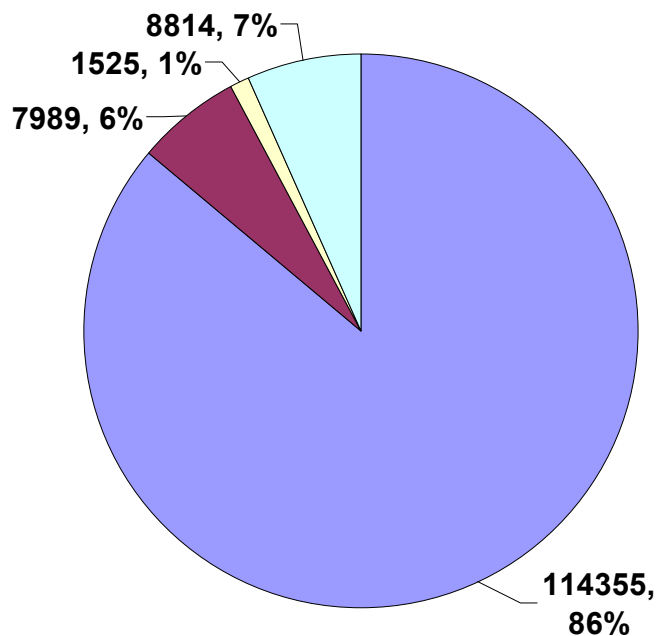


Total Disbursements: Rs. 140,550 million

Sanctions - Composition



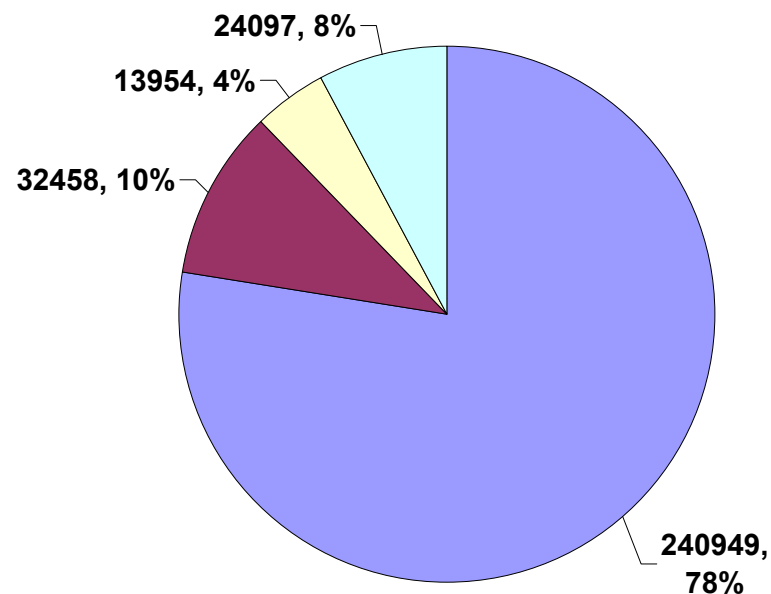
Sanctions – Q1 FY08 (Rs. Million)



■ Generation ■ Transmission ■ Distribution ■ Others

Total Sanctions: Rs. 132,682 million

Sanctions – FY07 (Rs. Million)



■ Generation ■ Transmission ■ Distribution ■ Others

Total Sanctions: Rs. 311,457 million

Loan Assets – Sector wise



Sector wise (Rs. Million)	Q1 FY08		FY07	
	Amount	%	Amount	%
Government Sector	414,085	91.6	402,773	91.8
Private Sector	38,119	8.4	36,080	8.2
Total Gross Loans*	452,204		438,853	

* Gross Loans = Loan Outstanding + Provision for NPAs - Translation loss recoverable - Net Interest accrued and due

Loan Quality



(Rs. Million)

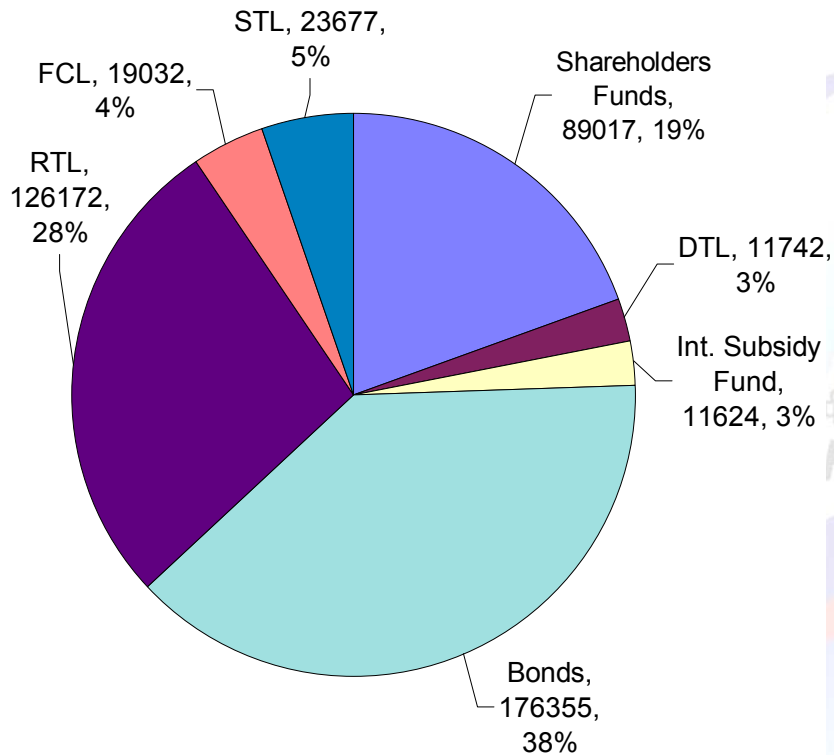
	Q1 FY08		FY07	
	Amount	%	Amount	%
Gross NPAs	292	0.06%	423	0.10%
Less: Provisions and write-offs	205		164	
Net NPAs	87	0.02%	259	0.06%

Net NPA is just 0.02% of the Loan Assets as on 30th June 2007

Resource Profile

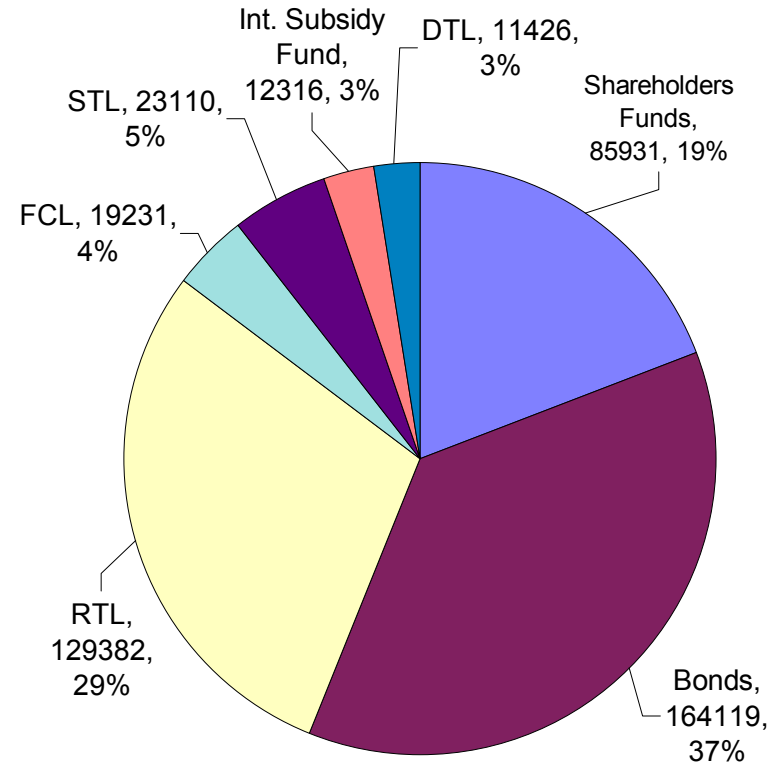


Q1 FY08 (Rs. Million)



Total Sources of Funds: Rs. 457,618 million

FY07 (Rs. Million)



Total Sources of Funds: Rs. 445,515 million



Asset Liability Mix: Fixed Vs. Floating

Floating Vs Fixed – Assets	Assets			
	As on 30th Jun 2007		As on 31st March 2007	
	Amount (Rs. Mn)	%	Amount (Rs. Mn)	%
Floating	5903	1.3%	6,418	1.5%
With Reset Clause (3/10 Year)	277,009	61.2%	243,889	55.5%
Fixed	154,041	34.0%	169,560	38.6%
Short Term Loans	15,757	3.5%	19,325	4.4%
Total	452,710		439,192	

Floating Vs Fixed - Liabilities	Liabilities			
	As on 30th Jun 2007		As on 31st March 2007	
	Amount (Rs. Mn)	%	Amount (Rs. Mn)	%
Floating	52,657	15.2%	42,635	12.7%
Fixed	292,578	84.8%	293,207	87.3%
Total	345,235		335,842	

Weighted Average Maturity of Assets : 4.94 Years

Weighted Average Maturity of Liabilities : 4.19 Years

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PFC

NIM and Spread



(Y/E – March, Rs. Million)

Particulars	Q1 FY08	Q1 FY07	FY07
Interest Income	11,170	8,219	37,172
Interest Expense	7,023	5,204	23,022
Average Earning Assets	452,141	364,852	401,660
Average Borrowings	353,427	285,068	314,705
Net Interest Income	4,147	3,015	14,149
Yield on Assets	9.88%	9.01%	9.25%
Cost of Funds	7.95%	7.30%	7.32%
Net Interest Margin	3.67%	3.31%	3.52%
Spread	1.93%	1.71%	1.94%

36 bps increase in NIM and 22 bps increase in Spread over 12 months

Key Indicators



Key Indicators	Definitions	Q1 FY08	Q1 FY07	FY07
NIM*	Net Interest Income / Avg. Earning Assets	3.67%	3.31%	3.52%
Spread*	Yield - Cost of Funds	1.93%	1.71%	1.94%
Leverage (x)	Average Assets / Average Network	5.79	5.82	5.80
Return on Assets*	PAT / Average Assets	2.61%	1.60%	2.34%
Return on Avg. Network *	PAT / Average Network	15.08%	9.30%	13.59%
Operating Costs % of Avg. Assets	Personnel, Admin., Depreciation, Amortisation Expenses / Avg. Assets	0.02%	0.03%	0.13%
Debt Equity Ratio	Total Borrowings / Network	4.32	4.36	4.34

* Quarterly Ratios have been Annualised

Dupont Analysis (P&L Analysis as a % of Average Assets)



Dupont Analysis	Q1 FY08	Q1 FY07	FY07
Net Interest Income	0.88%	0.79%	3.36%
Other Income	0.03%	0.01%	0.09%
Operating Expenses	-0.02%	-0.03%	-0.13%
Operating Profit	0.88%	0.78%	3.32%
Extraordinary Items	0.09%	-0.08%	0.26%
Provisions	-0.01%	-0.02%	0.01%
Profit Before Tax	0.96%	0.68%	3.59%
Tax Provision	-0.24%	-0.21%	-0.84%
Provision for DTL	-0.07%	-0.07%	-0.41%
Profit after Tax (ROA)	0.65%	0.40%	2.34%
Operating Profit (Annualised)	3.52%	3.11%	-
Profit after Tax (ROA) (Annualised)	2.61%	1.60%	-

101 bps increase in Return on Assets over 12 months

Per Share Information



Particulars	Q1 FY08	FY07
EPS (weighted average) (Rs.)	2.69 *	9.46
Book Value (Rs.) - (Networth / Year end No. of Shares)	72.57	70.07

* Annualised EPS Rs. 10.76

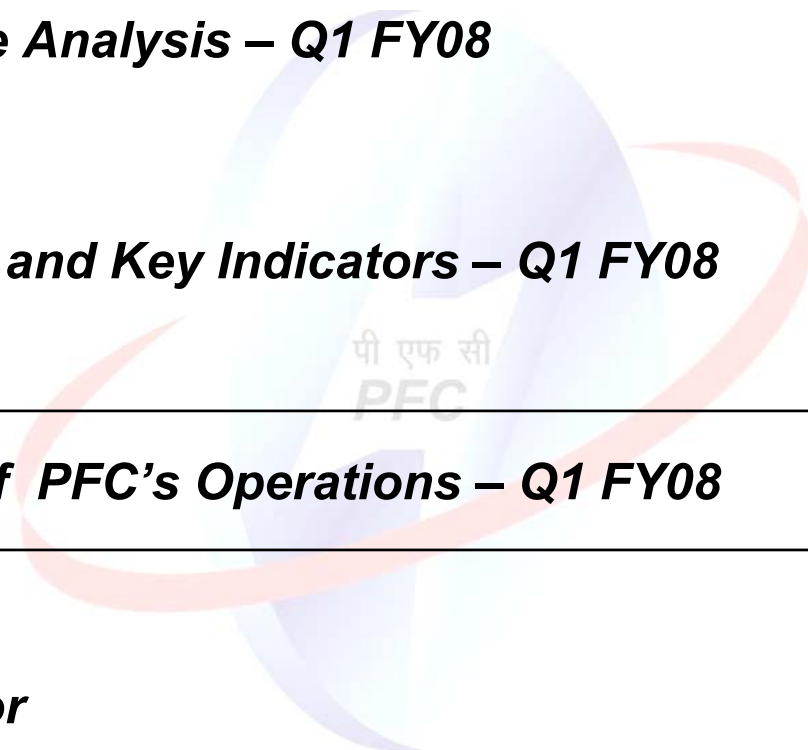
Highlights of PFC's IPO (Feb 2007):

- 1. IPO Proceeds of Rs. 9,972 million (Issue Price Rs. 85/- per Equity share)**
- 2. Issue oversubscribed by more than 77 times, which is highest amongst all PSUs and Financial Institutions issues**
- 3. Foreign Institutional investors oversubscribed their portion by 137 times**

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Highlights of PFC's Operations

Q1 FY08

Major Projects Sanctioned in Q1 FY08

- State Sector



DVC
Raghunathpur
TPS
(Unit 1&2)
(2x500 + 20%
MW)

Rs. 20,000 Mn

GSECL
Sikka TPS
Unit 3&4
(Gujarat)

(2x250 MW)

Rs. 18,630 Mn

HPGCL
Hissar TPP
(Haryana)

(2x600 MW)

Rs. 14,530 Mn

GSECL
Utran based
CCPP
Expansion Unit
(370 MW)

Rs. 10,350 Mn

DPL
DPSS Extn.
Unit 7A

(1x300 MW)

Rs. 8,516 Mn

NEEPCO
Kameng HEP
(Arunachal Pradesh)

(4x150 MW)

Rs. 3,296 Mn

Private Sector Projects & Consultancy Assignments (Q1 FY08)



Private Sector Projects

Key Projects

**Konaseema
Ph.- II**

(820 MW)

Rs. 7,500 Mn

- Total Sanctions in Private Sector: Rs. 11,550 million

**KVK
Nilanchal
TPP**

(300 MW)

Rs. 4,050 Mn

- Total Disbursements in Private Sector: Rs. 3,028 million

Consultancy Assignments

- Total No. of Assignment:

- ◆ Completed: 28

- ◆ In Hand: 20

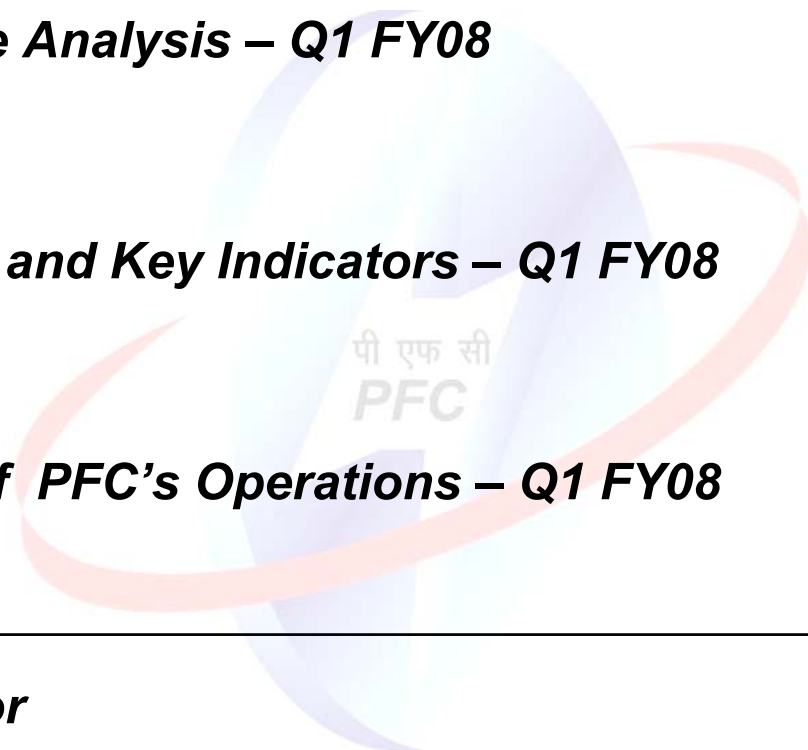
- ◆ In Pipeline: 8

- Income from States based on UMPP pattern & Others: Rs. 76 million

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Power Sector



XI Plan (2007-12) – Targets (in MW)

XI Plan Generation - Target	Thermal	Hydro	Nuclear	Total
<i>Central</i>	23,810	9,685	3,160	36,655
<i>State</i>	20,352	2,637	-	22,989
<i>Private</i>	5,962	3,263	-	9,225
Total				68,869
Captive Power Plants				12,000
NCES				13,500
Merchant Power Plants				10,000
Decentralized Distribution Generation				5,000
Total Capacity Addition				109,369

Details of Projects Under Construction for XI Plan

	Thermal	Hydro	Nuclear	Total
Projects Under Construction	11,931	16,254	3,160	31,345
Committed Projects	3,654	33,870	-	37,524

(Source: "Report of The Working Group on Power for Eleventh Plan (2007-12)", MoP, GoI, Feb'07)

Fund Requirement – XI Plan



Total Fund Requirement (Rs. Billion)	State	Central	Private	Total
Generation	1,238	2,021	850	4,109
Transmission	650	750	-	1,400
Distribution	2,870	-	-	2,870
NCES and Captive	225	-	930	1,155
Merchant Power Plants	-	-	400	400
Others	159	223	-	382
Total Fund Requirement	5,142	2,994	2,180	10,316 *

(Source: "Report of The Working Group on Power for Eleventh Plan (2007-12)", MoP, Gol, Feb'07)

* Of the Rs. 10,316 bn fund requirement in XI plan, PFC may not be able to take exposure in rural electrification, decentralized distributed generation and NCES schemes aggregating to around Rs, 4,000 bn

PFC's Observations on XI Plan Fund Requirement:

- For the 31,345 MW of projects which are under execution funding has already been tied up
- The remaining 37,524 MW of projects would require financial tie up of about Rs. 1,450 billion by October 2007
 - ◆ 10% of this costs needs to be incurred as advance at the time placing orders for equipment
- Further, a fund tie up of Rs. 1,400 billion required for transmission and Rs. 2,870 billion required for distribution projects to support the integrated capacity proposed during 11th Plan
- PFC proposes to fund about 20-25% of the above mentioned funding requirement



Thank You