

# Power Finance Corporation Limited

(A Government of India Enterprise)  
A Navratna PSU

## Performance Highlights



**Q4 & Year Ended 31<sup>st</sup> Mar'08**

(Provisional & Un-Audited)

**April 16, 2008**



# Agenda



**1** *Opportunities in Indian Power Sector*

**2** *PFC: Overview & Strategy*

**3** *Key Strengths*

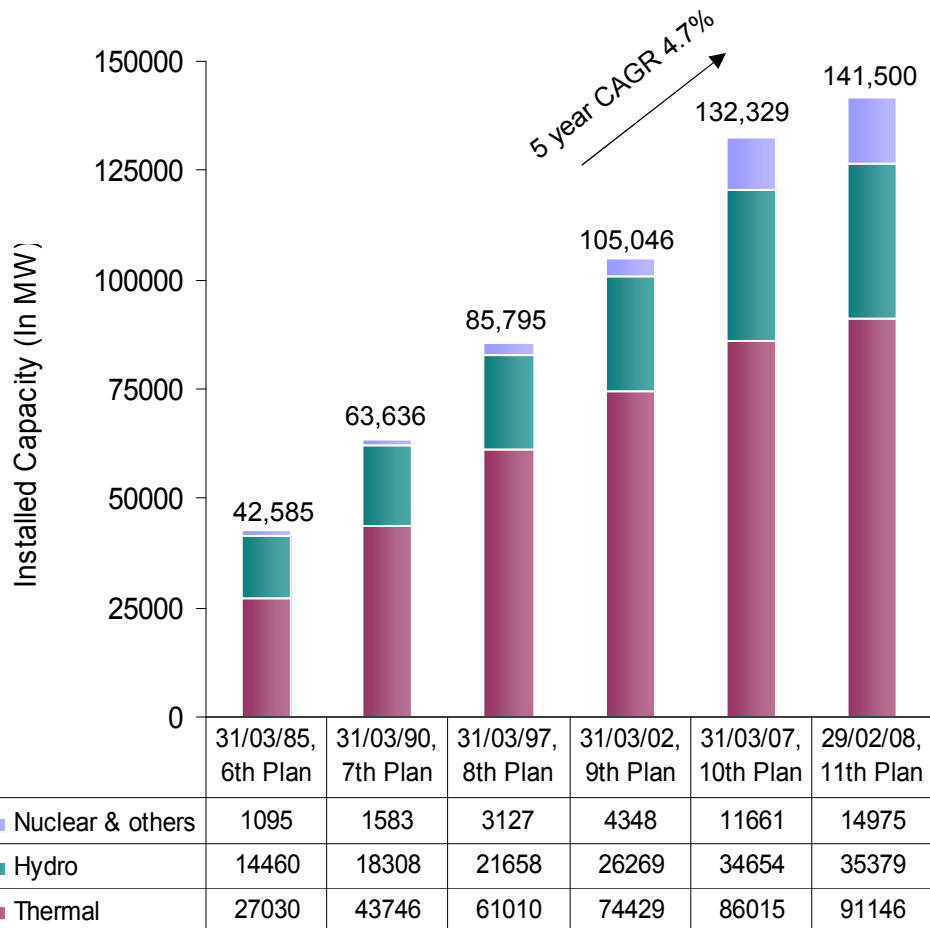
**4** *Operating Highlights: Q4 & FY 2008*



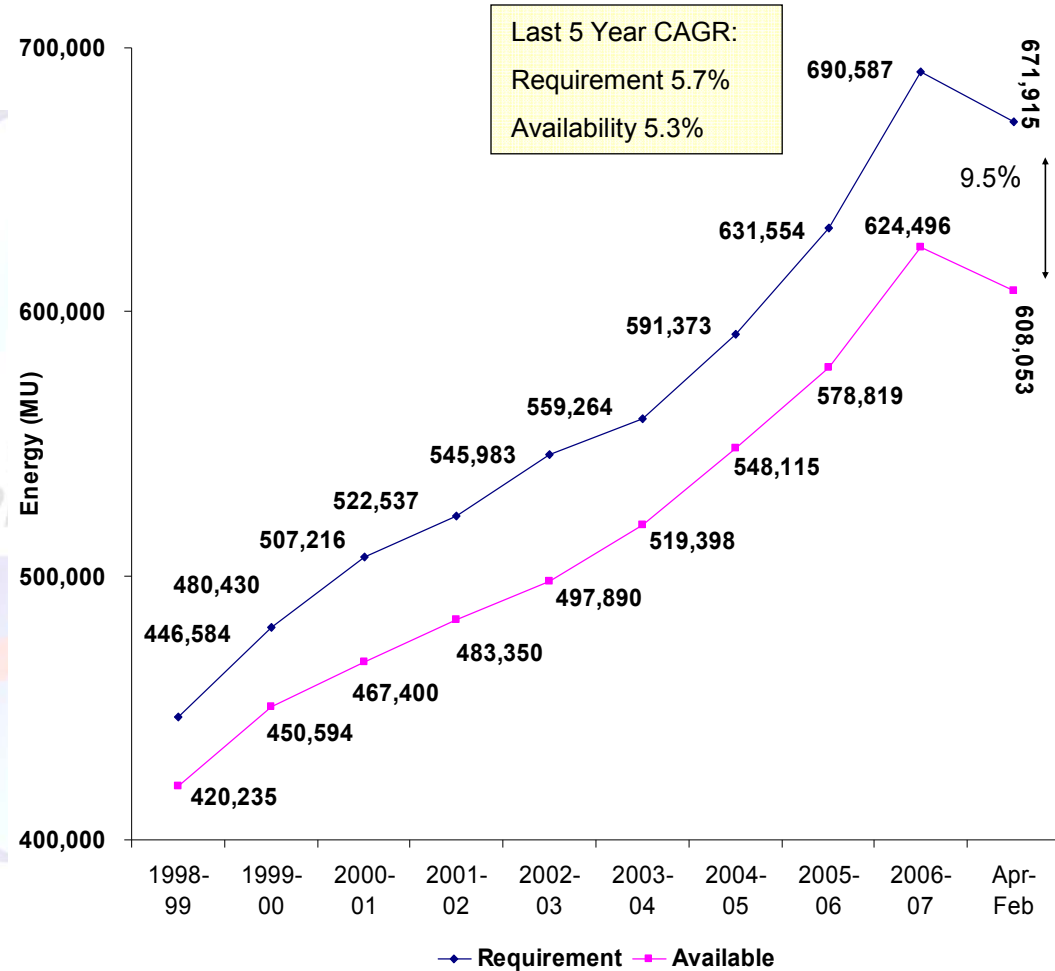
# Opportunities in Indian Power Sector



## Installed Generation Capacities



## Supply Deficit



# XI Plan Capacity Addition Projections (as on 28.02.2008)



(Figures in MW)

Category	State	Central	Private	Total
Projects Commissioned	4,783	2,400	500	<b>7,683</b>
Projects under Construction	15,298	30,564	19,263	<b>65,125</b>
LOA yet to be placed	4,302	5,570	1,090	<b>10,962</b>
<b>Total Generation</b>	<b>24,383</b>	<b>38,534</b>	<b>20,853</b>	<b>83,770</b>

Note: In addition, capacity addition of 16,000 MW is expected through Decentralised Distribution Generation (DDG) and New & Renewable Energy Sources, and 12,000 MW through Captive Power Plants during XI Plan Period

Projected Investment	(Amount in Rs. Crores)
<b>Generation</b>	<b>466,234</b>
<b>DDG, Renewable, Captive, R&amp;M etc.</b>	<b>143,704</b>
<b>Transmission</b>	<b>140,000</b>
<b>Distribution and Rural Electrification</b>	<b>309,177</b>
<b>Total Projected Investment</b>	<b>1,059,115</b>

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# PFC Overview



## Key Highlights

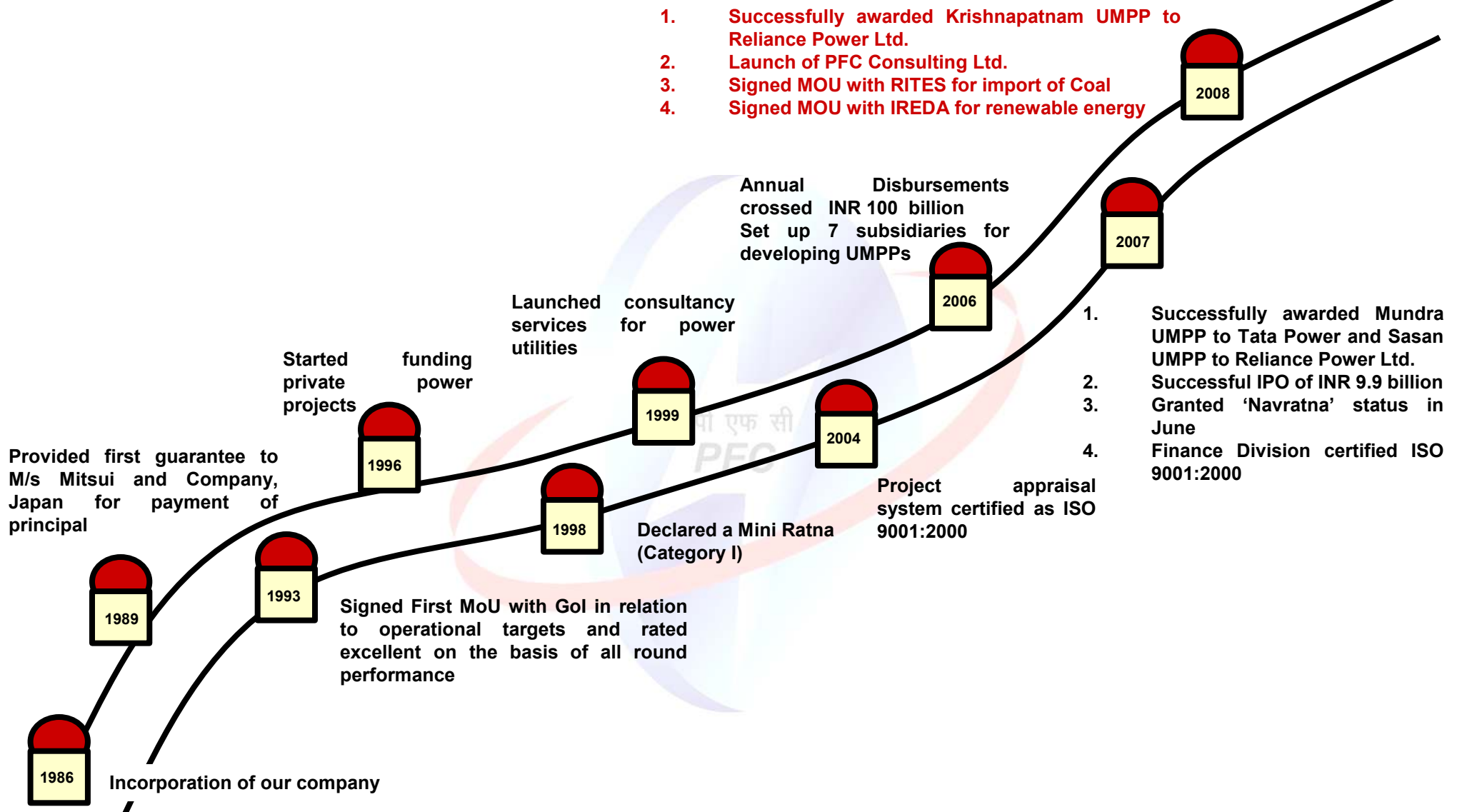
- PFC occupies a key niche as a provider of finance exclusively focused on the Indian power sector
- Rated Baa3/BBB-/BBB- (stable) by Moody's, S&P and Fitch; Ratings are at par with Indian sovereign rating
- Highest credit rating of "AAA" and "LAAA" from CRISIL and ICRA, respectively for domestic borrowings
- Strong growth prospects driven by sustained increase in power sector spending
- Healthy asset quality driven by robust credit appraisal methodology (ISO9001:2000 certified)
  - ▶ Virtually non-existent non-performing assets
- Consistent financial performance driven by low cost of funds, tight management of operating costs and low default rate
- Viewed as one of the most successfully managed public enterprises
  - ▶ Lean cost structure with a highly efficient workforce
  - ▶ Granted "Navratna" status by the Government of India in June, 2007
  - ▶ Performance consistently rated "Excellent" by Government of India

## Key Operating & Financial Statistics

As on 31 <sup>st</sup> March 2008	INR Crores
Cumulative Sanctions	186,418
Cumulative Disbursements	92,065
Total Assets	54,684
Networth	8,824

**PFC – A Leader in Funding the Power sector**

# Key Milestones (Calendar year)





Decide with Confidence

# India's Top 500 Companies – DUN & BRADSTREET's (2007 Edition)



## India's Top 500 Companies

	Networth	Net Profit	Market Capitalization	Total Income
<b>Overall</b>	<b>23rd out of 500</b>	<b>42nd out of 500</b>	<b>46th out of 500</b>	<b>84th out of 500</b>
<b>FIs/ NBFCs/ Financial Services Peers</b>	<b>1<sup>st</sup> out of 9</b>	<b>2<sup>nd</sup> out of 9</b>  (1 <sup>st</sup> HDFC)	<b>3<sup>rd</sup> out of 9</b>  (1 <sup>st</sup> HDFC) (2 <sup>nd</sup> Reliance Capital)	<b>2<sup>nd</sup> out of 9</b>  (1 <sup>st</sup> HDFC)



# Shareholding Pattern (As on March 31, 2008)



## Shareholding Pattern

Category	Holding (%)
President of India	89.8%
FII's	5.5%
Resident Individuals	1.9%
Mutual Funds	0.7 %
Bodies Corporate	0.9 %
Indian FIs & Banks	0.9 %
Others	0.3 %
<b>Total</b>	<b>100.0%</b>

## Top 10 Shareholders

S. No.	Name	Holding (%)	Category
1	President of India	89.78%	POI
2	Lloyd George Investment Management (Bermuda) Ltd	0.73%	FII
3	The India Fund Inc	0.51%	FII
4	Life Insurance Corporation of India Market Plus	0.38%	IFI
5	JF India Fund	0.35%	FII
6	Life Insurance Corporation of India	0.31%	IFI
7	India Capital Fund Ltd	0.26%	FII
8	India Capital Opportunities Ltd	0.26%	FII
9	Bajaj Allianz Life Insurance Co.	0.25%	LTD
10	CAAM Funds India	0.23%	FII

# Our Business Strategy



Continue to grow in existing business

Continue to encourage and promote reform in the power sector

Diversify our borrower portfolio (Coal, lignite, gas etc.)

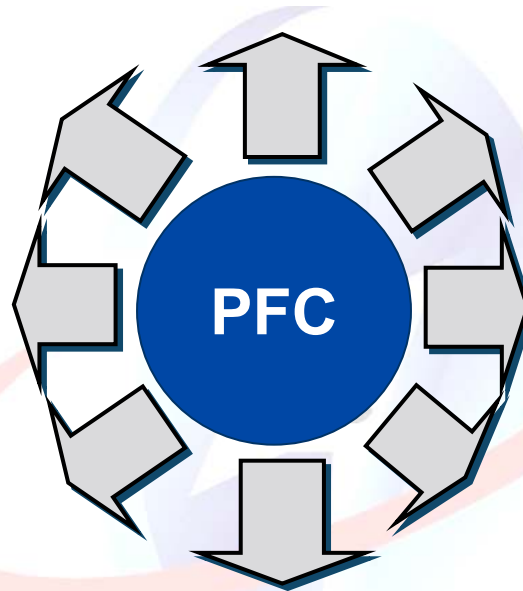
Explore new opportunities and expand services to customers

Facilitate development and funding of large power projects

Promote private equity investment in power projects

Increase Non - Fund based services

Promote and develop our consulting and advisory services



# Agenda



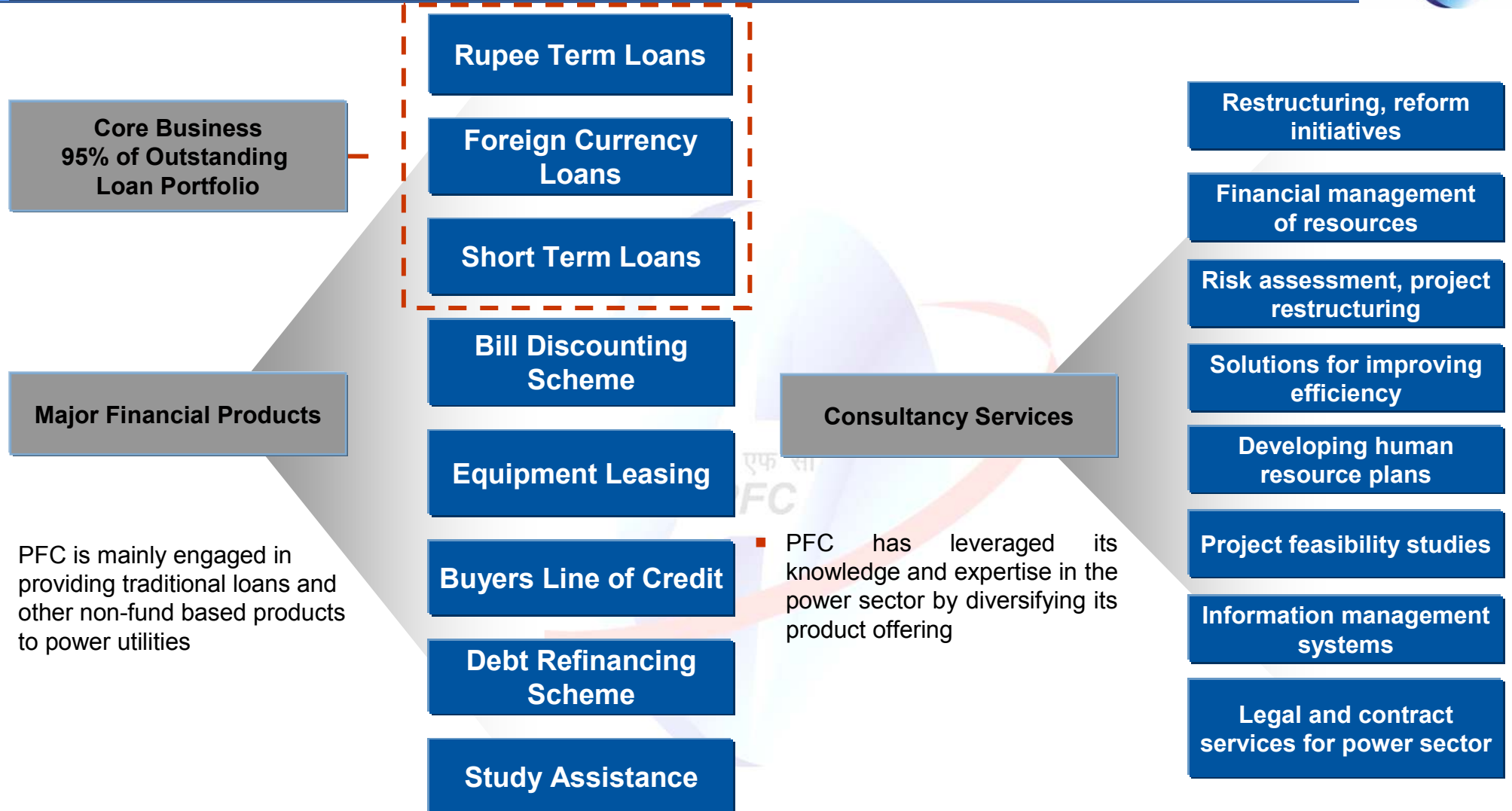
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# Exclusive Focus on Financing the Power Sector



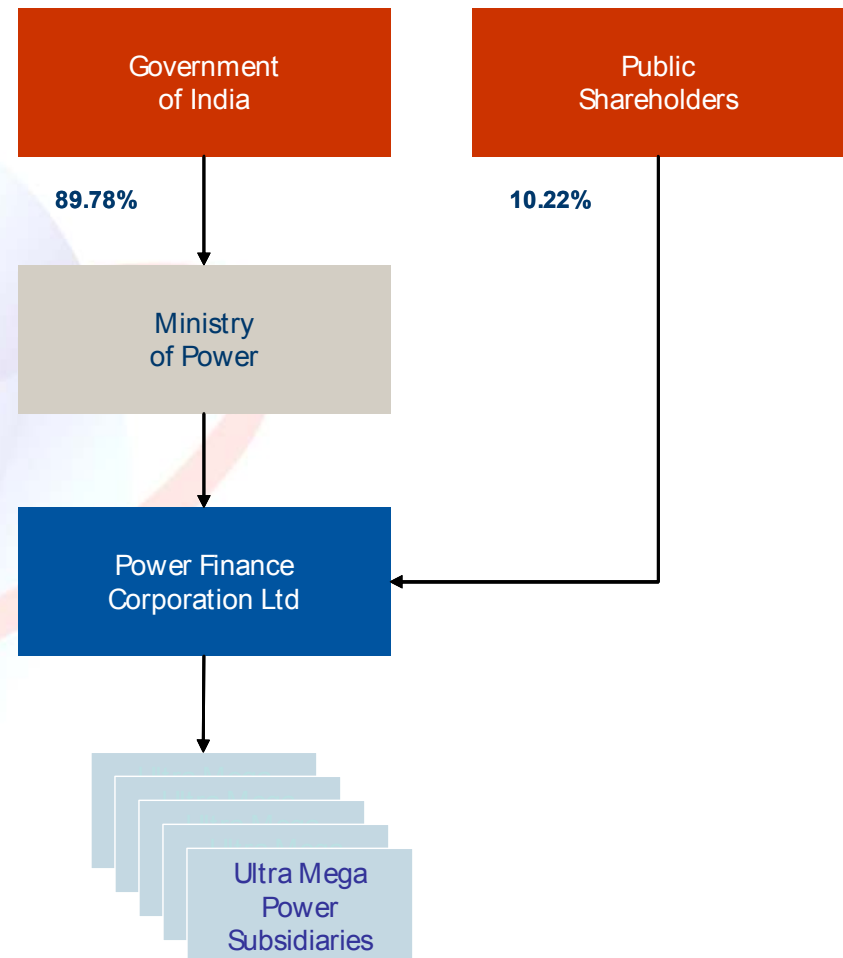
# Relationship with Government of India



## Relationship with Government of India

- PFC plays a strategic role in the Government's plans for growth, channelling investments for the development of the power sector
  - ▶ Accelerated Power Development and Reform Program
  - ▶ Accelerated Generation and Supply Program
  - ▶ Delivery through Decentralised Management
  - ▶ Distribution, Reform, Upgrades and Management Training
- PFC works closely with state governments and state power sector utilities
- Until January 2007, the Government held 100% of the issued and paid-up equity capital of PFC
- The rapid expansion of PFC's business has allowed it to broaden its capital base through an IPO (Feb 2007)
  - ▶ Robust demand from major domestic and international institutional investors; oversubscribed by more than 77 times
- Post IPO, the Government holds 89.78%

## Administrative Structure

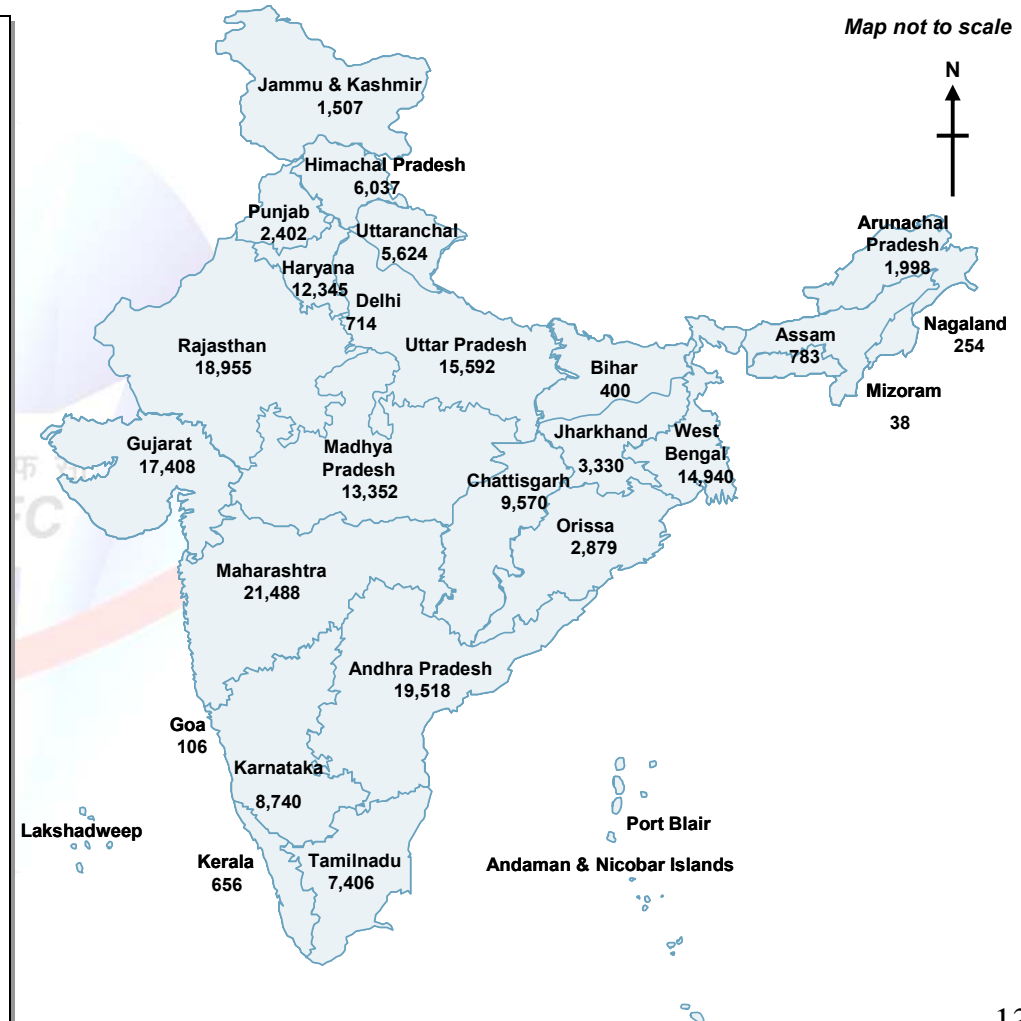
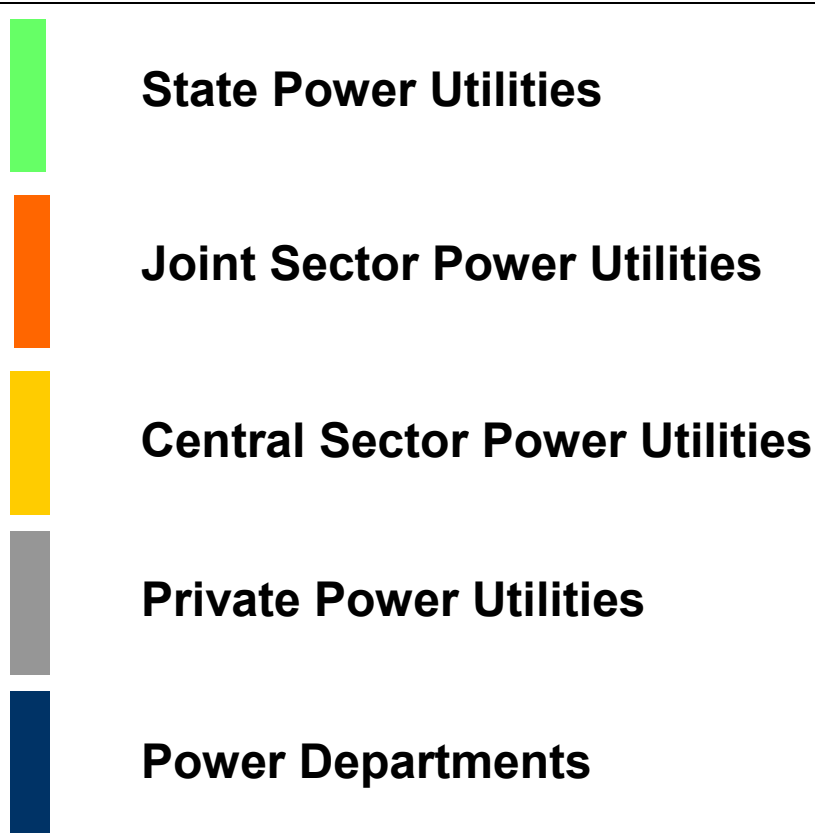


# Client Relationship



## Client Profile

## State-wise Cumulative Sanctions (Rs. Crores as at 31.03.2008)



# Competent and Committed Workforce



Profit per Employee (FY 2008)  
Rs. 3.9 Crores

Disbursement per Employee (FY 2008)  
Rs. 52.8 Crores

- Workforce of 307 employees as of 31<sup>st</sup> March 2008.
  - ◆ 184 executive employees and 123 non-executive employees
- More than half of our employees have been with us for over 10 years
- Our executives have domain knowledge in different fields:
  - ◆ Power sector
  - ◆ Project and Entity appraisal
  - ◆ Project Financing
  - ◆ International Finance &
  - ◆ Domestic Resource Mobilization

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# Performance Highlights – FY08 vs FY07



Sanctions have increased by 123% to Rs. 69,498 crores from Rs. 31,146 crores

Loan Assets has grown by 17% to Rs. 51,566 crores from Rs. 43,903 crores

Total Income has increased by 28% to Rs. 5,040 crores from Rs. 3,928 crores

Net interest income has increased by 28% to Rs. 1,811 crores from Rs. 1,415 crores

Operating Profit has increased by 28% to Rs. 1,795 crores from Rs. 1,398 crores

Profit Before Tax & Extra-ordinary items increased by 29% to Rs. 1,805 crores from Rs. 1,403 crores

Net Profit before provision for deferred tax liability has increased by 13% to Rs. 1,306 crores from Rs. 1,158 crores

# Performance Highlights – FY08 vs FY07



**PAT has increased by 23% to Rs. 1,209 crores from Rs. 986 crores**

**EPS increased by 11% to Rs. 10.53 from Rs. 9.46**

**Gross NPAs as a % of Loan assets has decreased to 0.03% from 0.10%**

**Operating Profit to Average Assets increased by 22 bps to 3.54% from 3.32%**

**Return on Average Networth increased to 14.33% from 13.59%**

# Profit and Loss Account



(Y/E – March, Rs. Crores)

Profit & Loss Account#	Q4 FY08	Q4 FY07	FY08	FY07
Interest Income	1,313	1,101	4,889	3,717
Interest Expense	(828)	(637)	(3,078)	(2,302)
Net Interest Income	486	463	1,811	1,415
Other Income*	32	18	70	36
Operating Costs	(36)	(18)	(85)	(53)
Provisions	(0.02)	10	10	5
Profit Before Tax & Extra-ordinary items	482	473	1,805	1,403
Extra-ordinary Items <sup>^</sup>	(38)	105	(17)	109
Tax Provisions	(129)	(145)	(482)	(353)
Provision for DTL	(18)	(62)	(97)	(172)
Profit After Tax	297	371	1,209	986
PAT + Provision for DTL	315	433	1,306	1,158

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

<sup>^</sup> Extraordinary Items includes translation/actual gains/losses, prior period adjustments etc.

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

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



Dupont Analysis	Q4 FY08	Q4 FY07	FY08	FY07
Net Interest Income	0.91%	1.04%	3.57%	3.36%
Other Income	0.06%	0.04%	0.14%	0.09%
Operating Expenses	-0.07%	-0.04%	-0.17%	-0.13%
Operating Profit	0.90%	1.04%	3.54%	3.32%
Provisions	0.00%	0.02%	0.02%	0.01%
Profit Before Tax & Extra-ordinary items	0.90%	1.06%	3.56%	3.33%
Extraordinary Items	-0.07%	0.24%	-0.03%	0.26%
Tax Provision	-0.24%	-0.32%	-0.95%	-0.84%
Provision for DTL	-0.03%	-0.14%	-0.19%	-0.41%
Profit after Tax (ROA)	0.56%	0.83%	2.39%	2.34%

22 bps increase in Operating Profit over 12 months

# Balance Sheet



(Y/E – March, Rs. Crores)

<b>Liabilities</b>	<b>FY08</b>	<b>% of Total</b>	<b>FY07</b>	<b>% of Total</b>
<b>Shareholders' Funds</b>	<b>9,466</b>	<b>17.3%</b>	<b>8,593</b>	<b>18.4%</b>
<b>Borrowings</b>	<b>40,648</b>	<b>74.3%</b>	<b>33,584</b>	<b>72.0%</b>
<b>Deferred Tax Liability</b>	<b>1,240</b>	<b>2.3%</b>	<b>1,143</b>	<b>2.4%</b>
<b>Interest Subsidy Fund</b>	<b>1,067</b>	<b>2.0%</b>	<b>1,232</b>	<b>2.6%</b>
<b>Current Liabilities &amp; Provisions</b>	<b>2,263</b>	<b>4.1%</b>	<b>2,112</b>	<b>4.6%</b>
Advances received from Subsidiaries (included in Current Liabilities)	125	-	212	-
<b>Total Liabilities</b>	<b>54,684</b>	<b>100%</b>	<b>46,663</b>	<b>100%</b>
<b>Assets</b>	<b>FY08</b>	<b>% of Total</b>	<b>FY07</b>	<b>% of Total</b>
<b>Loan Assets</b>	<b>51,566</b>	<b>94.3%</b>	<b>43,903</b>	<b>94.1%</b>
<b>Investments</b>	<b>66</b>	<b>0.1%</b>	<b>59</b>	<b>0.1%</b>
<b>Fixed Assets</b>	<b>77</b>	<b>0.1%</b>	<b>81</b>	<b>0.2%</b>
<b>Current Assets</b>	<b>2,975</b>	<b>5.5%</b>	<b>2,620</b>	<b>5.6%</b>
Advances to Subsidiaries (included in Current assets)	32	-	44	-
<b>Total Assets</b>	<b>54,684</b>	<b>100%</b>	<b>46,663</b>	<b>100%</b>

# Key Indicators



Particulars	FY08	FY07
Yield on Assets	10.12%	9.25%
Cost of Funds	8.03%	7.32%
Interest Spread	2.09%	1.94%
Net Interest Margin	3.75%	3.52%
Return on Avg. Network	14.33%	13.59%
Debt Equity Ratio (Avg. Total Borrowings / Avg. Network)	4.54	4.34
Leverage (Avg. Assets / Avg. Network)	6.01	5.80
Capital Adequacy Ratio	17.42%	18.34%

# Per Share Information



Particulars	FY08	FY07
EPS (weighted average) (Rs.)	10.53	9.46
Book Value Per Share (Rs.) (Networth / Year end no. of shares)	76.88	70.07

10% increase in Book Value over 12 months

# Disbursement - Composition



(Y/E – March, Rs. Crores)

Discipline	Q4 FY08		Q4 FY07		FY08		FY07	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Generation</b>	<b>4,127</b>	<b>64%</b>	<b>2,860</b>	<b>63%</b>	<b>10,591</b>	<b>66%</b>	<b>9,536</b>	<b>68%</b>
<b>Transmission</b>	<b>671</b>	<b>10%</b>	<b>611</b>	<b>14%</b>	<b>1,976</b>	<b>12%</b>	<b>1,438</b>	<b>10%</b>
<b>Distribution</b>	<b>895</b>	<b>14%</b>	<b>310</b>	<b>7%</b>	<b>1,161</b>	<b>7%</b>	<b>658</b>	<b>5%</b>
<b>Others*</b>	<b>792</b>	<b>12%</b>	<b>742</b>	<b>16%</b>	<b>2,483</b>	<b>15%</b>	<b>2,424</b>	<b>17%</b>
<b>Total</b>	<b>6,485</b>	<b>100%</b>	<b>4,523</b>	<b>100%</b>	<b>16,211</b>	<b>100%</b>	<b>14,055</b>	<b>100%</b>

\* Includes Computerisation, Studies, Short Term Loans, Buyer Line of Credit and Decentralised Management



# Sanctions - Composition

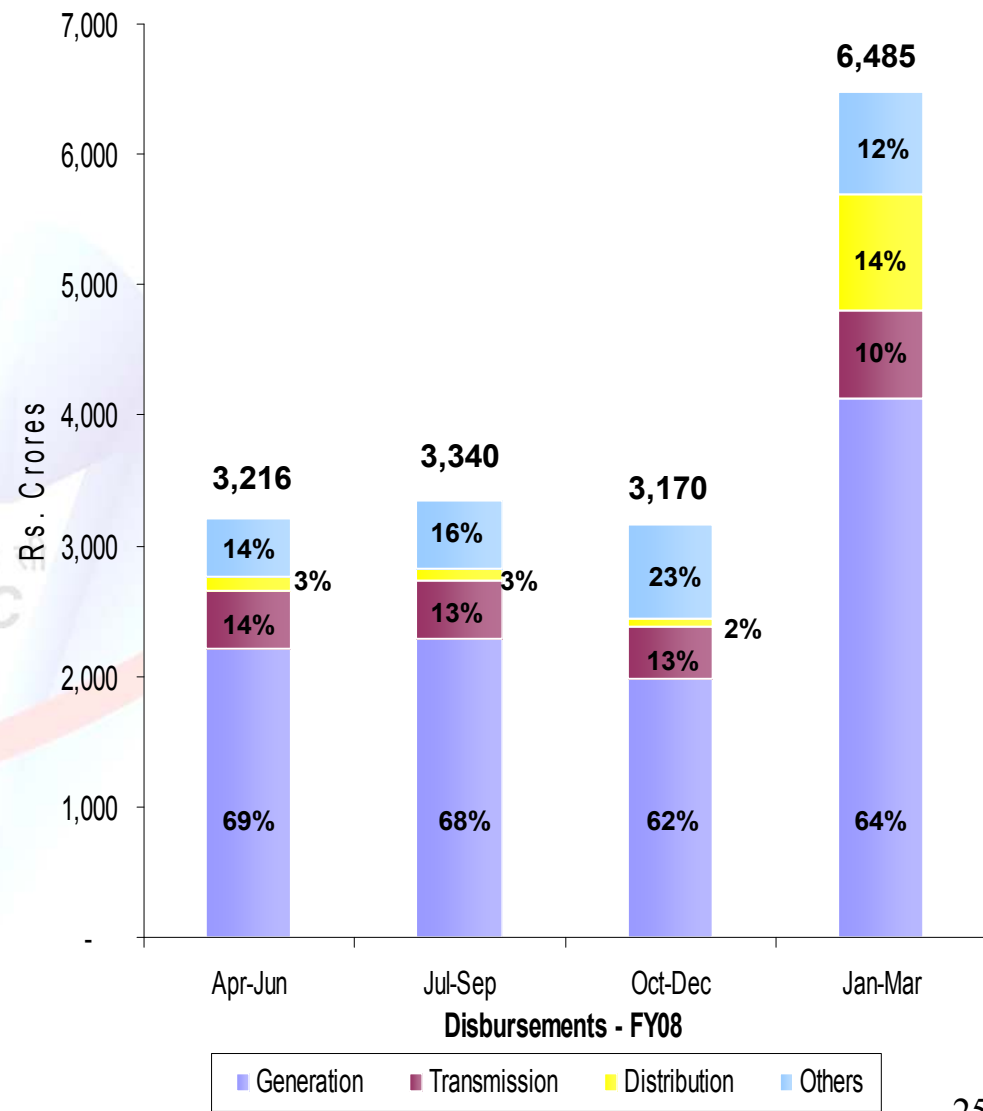
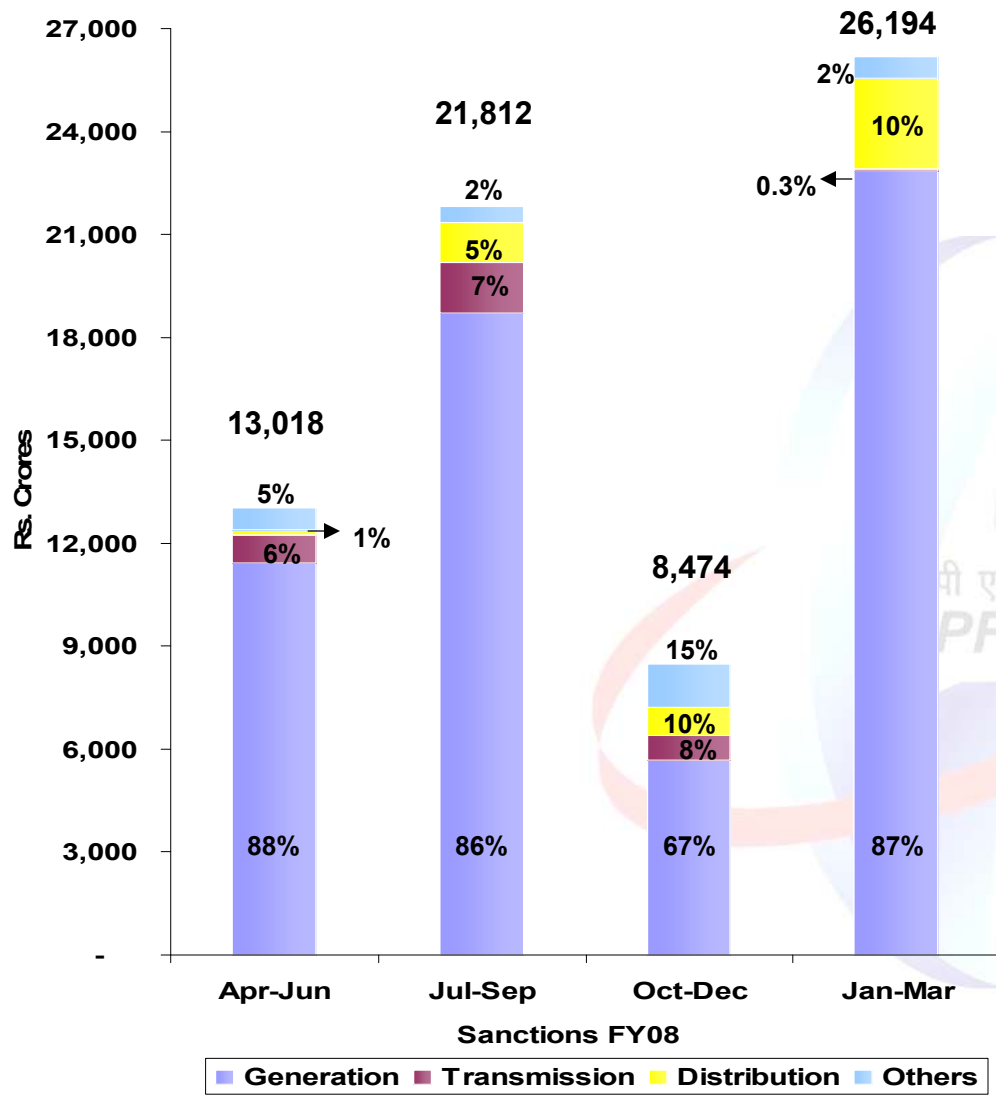


(Y/E – March, Rs. Crores)

Discipline	Q4 FY08		Q4 FY07		FY08		FY07	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Generation</b>	<b>22,847</b>	<b>87%</b>	<b>2,447</b>	<b>68%</b>	<b>58,700</b>	<b>85%</b>	<b>24,095</b>	<b>77%</b>
<b>Transmission</b>	<b>81</b>	<b>0.3%</b>	<b>284</b>	<b>8%</b>	<b>3,045</b>	<b>4%</b>	<b>3,246</b>	<b>10%</b>
<b>Distribution</b>	<b>2,612</b>	<b>10%</b>	<b>275</b>	<b>8%</b>	<b>4,754</b>	<b>7%</b>	<b>1,395</b>	<b>4%</b>
<b>Others*</b>	<b>654</b>	<b>2%</b>	<b>564</b>	<b>16%</b>	<b>2,999</b>	<b>4%</b>	<b>2,410</b>	<b>8%</b>
<b>Total</b>	<b>26,194</b>	<b>100%</b>	<b>3,570</b>	<b>100%</b>	<b>69,498</b>	<b>100%</b>	<b>31,146</b>	<b>100%</b>

\* Includes Computerisation, Studies, Short Term Loans, Buyer Line of Credit and Decentralised Management

# Business in FY08



Note: Others include Computerisation, Studies, Short Term Loans, Buyer Line of Credit and Decentralised Management

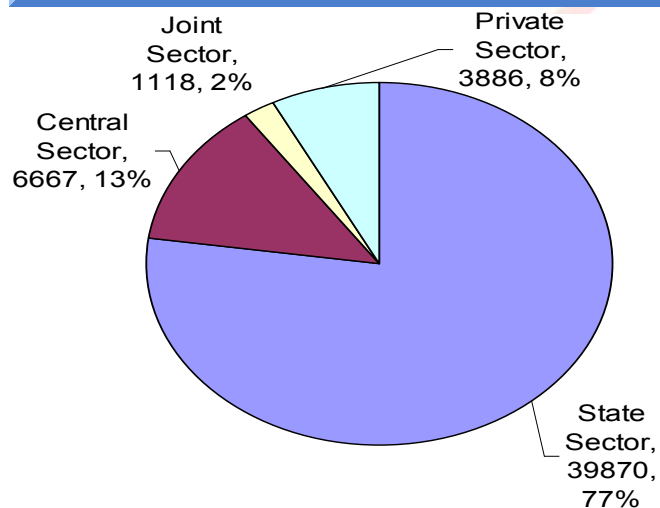
# Loan Assets – Composition



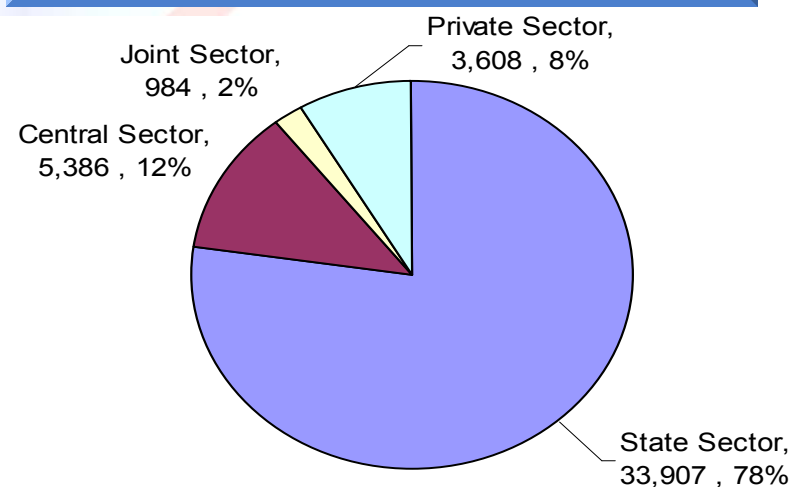
(As on 31<sup>st</sup> March, Rs. Crores)

Discipline	FY08	%	FY07	%
Generation	39,716	77%	33,043	75%
Transmission	6,069	12%	4,927	11%
Distribution	3,262	6%	2,505	6%
Others	2,494	5%	3,411	8%
<b>Total</b>	<b>51,540</b>	<b>100%</b>	<b>43,885</b>	<b>100%</b>

As on 31<sup>st</sup> March 2008 (Rs. Crs)



As on 31<sup>st</sup> March 2007 (Rs. Crs)



Note: Others include Computerisation, Studies, Short Term Loans, Buyer Line of Credit, Decentralised Management etc.

# Loan Quality



(Y/E – March, Rs. Crores)

Particulars	FY08	% of Loan Assets	FY07	% of Loan Assets
Gross NPAs	13	0.03%	42	0.10%
Less: Provisions & write-offs	(6)	0.01%	(16)	0.04%
Net NPAs	7	0.01%	26	0.06%

**Net NPA just 0.01% of Loan Assets as on 31<sup>st</sup> March 2008**

# Borrowing Profile



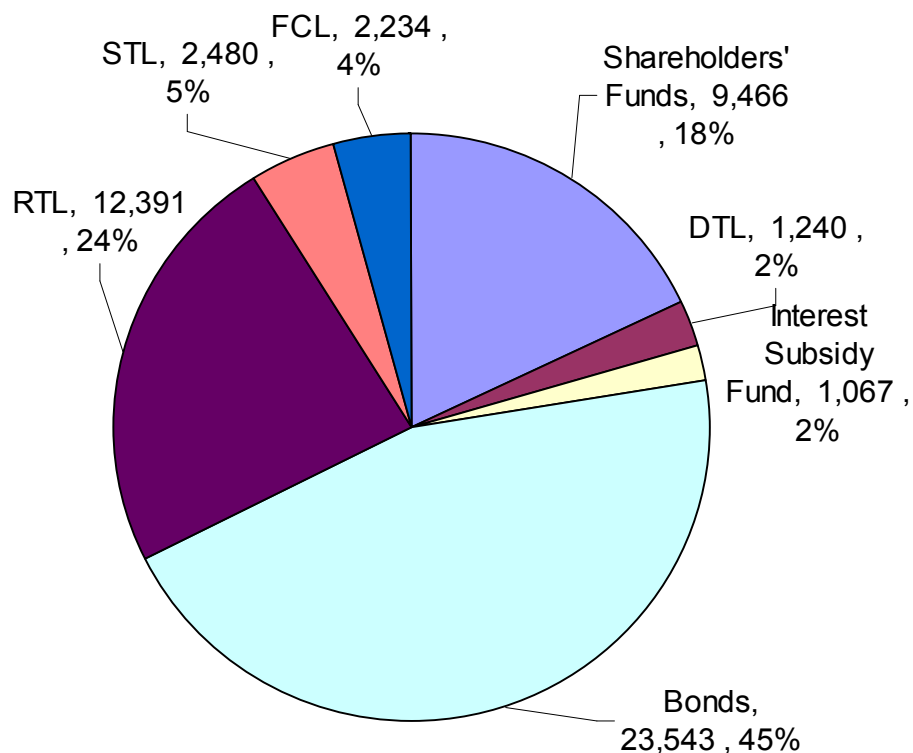
(Y/E – March, Rs. Crores)

Discipline	FY08		FY07	
	Amount	%	Amount	%
<b>Bonds</b>	<b>24,730</b>	<b>61%</b>	<b>16,881</b>	<b>50%</b>
<i>Domestic</i>	23,543	-	16,412	-
<i>Foreign</i>	1,187	-	469	-
<b>Term Loans</b>	<b>13,438</b>	<b>33%</b>	<b>14,393</b>	<b>43%</b>
<b>Short Term Loans</b>	<b>2,480</b>	<b>6%</b>	<b>2,311</b>	<b>7%</b>
<b>Borrowings O/s</b>	<b>40,648</b>	<b>100%</b>	<b>33,584</b>	<b>100%</b>
<i>Of which:</i>				
<i>Rupee Denominated</i>	38,414	95%	31,661	94%
<i>Foreign Currency Loans</i>	2,234	5%	1,923	6%

# Resource Profile

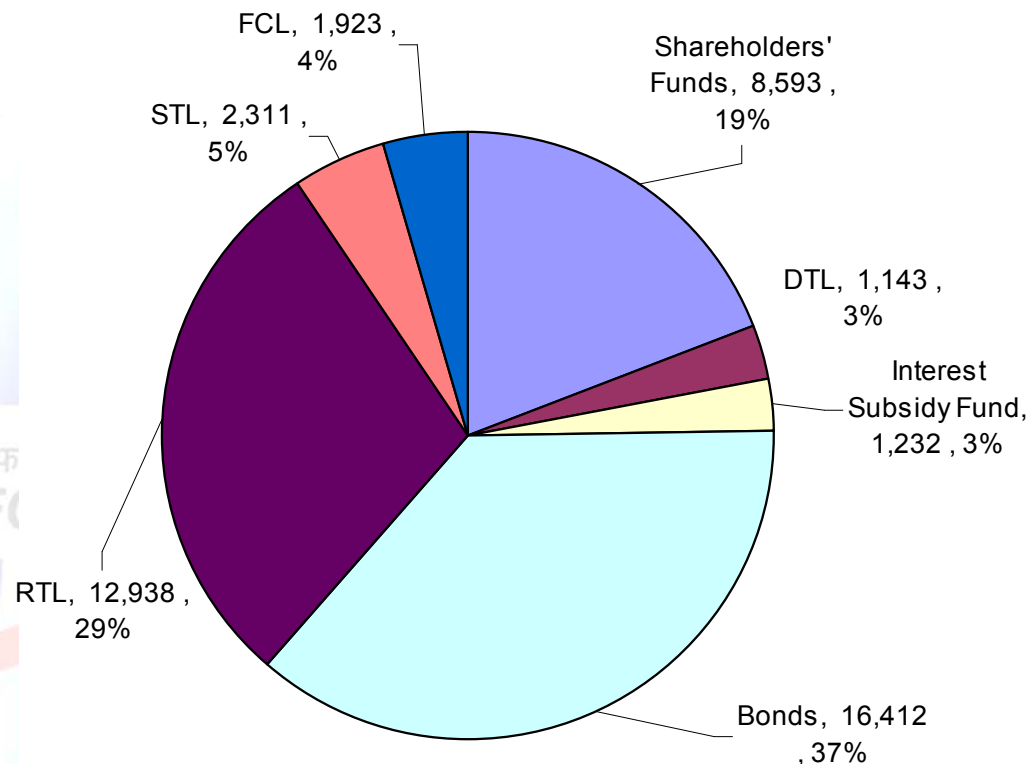


**31st March 2008 (Rs. Crores)**



**Total Sources of Funds: Rs. 52,421 Crores**

**31st March 2007 (Rs. Crores)**



**Total Sources of Funds: Rs. 44,551 Crores**

# Major Projects Sanctioned in FY08



- **Mahan TPP (1200 MW) of EPMPPL in Sidhi Distt., Madhya Pradesh**
- **Coal based TPP (1320 MW) of Adani Power at Mundra (Kutch), Gujarat**
- **Katwa TPS (2x500 MW+20%) of West Bengal Power Development Corporation**
- **Kalisindh TPP (2x500 MW+20%) of Rajasthan Rajya Vidyut Utpadan Nigam**
- **Marwa TPS (2x500 MW) of CSEB in Chhattisgarh**
- **Mettur TPS (1x500 MW) of Tamil Nadu Electricity Board**
- **Kameng HEP (4x150 MW) of NEEPCO in Arunachal Pradesh**
- **Teesta-V HEP (3x170 MW) of NHPC**
- **Wind Power Project (99.45 MW) of RS India in Maharashtra**
- **Solar PV Power Plant (2 MW) of West Bengal Green Energy Development Corporation at Asansol, West Bengal (India's largest Solar PV Power plant so far)**



Thank You