



## Power Finance Corporation Ltd.

### A Brief Update on Key Developments in PFC

We are sharing a brief write up on some of the major developments relating to PFC.

#### **A. Change in PFC's Board Composition**

1. On 29<sup>th</sup> August, 2022, Mr. Manoj Sharma took over the role of Director (Commercial). He will be spearheading the Commercial Division in PFC. He is a chartered accountant with a degree in law (LLB) and has more than 30 years of experience in the power sector. Before assuming charge as Director (Commercial), he was working as Executive Director (In charge) of Commercial Division.
2. Mr. Ajay Tewari, Additional Secretary (Ministry of Power) has been appointed as the Govt. Nominee Director on Board of PFC w.e.f. 09.06.2022. Further, Shri R.C. Mishra on completion of his tenure, ceases to be an Independent Director on PFC's Board w.e.f. 11.07.2022.

#### **B. PFC can now lend to other Infrastructure sectors**

On 25<sup>th</sup> August 2022, Ministry of Power has accorded approval to include the following object clause in the Memorandum of Association (MoA) of PFC:

*"To lend to Logistics and Infrastructure sectors to the extent permitted by the Government of India."*

The above amendment in MoA is subject to approval of shareholders in the ensuing AGM. Further, to start with, Ministry of Power has currently allowed lending to logistics and Infrastructure sectors to an extent of 30% of standalone net worth of PFC.

Presently, PFC could finance only the Power Sector and its forward/backward linkage. Now after the amendment, PFC would be able to diversify its business & explore lending opportunities in other infrastructure areas. Under the National Infrastructure Pipeline (NIP), a total of Rs.111 lakh crore of infrastructure investment has been projected during the period FY 20 - FY 25. The huge investment potential under NIP would enable PFC to achieve higher growth and consequently greater profitability. Also, PFC will build its internal capabilities to explore the new lending area(s).

Thus, with this amendment, PFC will be able to contribute towards the development of Infrastructure sector, which is a key growth driver for Indian economy.

#### **C. PFC adopts RBI's Credit Concentration Norms for lending to Government Borrowers**

Currently, for taking exposure towards Government sector borrowers, PFC was applying its Ministry of Power approved Credit Concentration Norms, in view of the exemption available from RBI. PFC is already applying RBI Credit Concentration Norms on its private sector borrowers.



RBI has been in discussions with PFC & the Ministry of Power on the way forward for applying RBI's Credit Concentration Norms on PFC's Government portfolio. After due deliberations and thorough review of the matter, RBI vide letter dated 24.08.2022 requires PFC to align with RBI Credit Concentration Norms for Government borrowers. Further, to ensure PFC's business continuity and considering the needs of power sector, it has allowed PFC to continue lending against existing sanctions upto 24.08.2022. As PFC can continue to retain its existing exposure, therefore, business continues as usual and disbursements can be made as planned.

Going forward, PFC would need to apply RBI Credit Concentration Norms for new sanctions w.e.f. 25.08.2022. Compared to past, where PFC's loan asset book was conventional generation heavy, now PFC's lending is more in T&D and renewable projects in view of GoI's focus on the same. Considering the changed business focus, we feel that sufficient headroom for lending would be available under RBI norms. Further, the reform measures being undertaken by Ministry of Power is expected to bring in structural changes in Govt. utilities over period of time including privatisation, which will help in better management of PFC's exposure. Moreover, now, with PFC foraying into infrastructure lending, PFC would be able to diversify its exposure to companies other than in power sector.

#### **D. Final Dividend for FY 22 to be paid after approval in AGM**

Board of Directors in its meeting held on 25<sup>th</sup> May,2022 had recommended a final dividend of Rs 1.25 per equity share for FY 21-22, subject to approval of shareholders in the ensuing Annual General Meeting. Accordingly, after the final dividend is approved in AGM to be held on 21<sup>st</sup> September,2022, it will be paid on or before 20<sup>th</sup> October, 2022 to the shareholders whose names appear on the Company's Register of Members on 10<sup>th</sup> June, 2022. With this, PFC has given a total dividend of Rs. 12 per share for FY 21-22.

#### **Disclaimer**

*The information stated above reflects Management's current views and could be construed as forward looking statements. The future involves uncertainties and risks that could cause actual results to differ materially from the current views being expressed. Potential uncertainties and risks include factors such as general economic conditions, currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments. Therefore, any action taken by you on the basis of the information contained above is your responsibility alone and PFC or its directors or employees will not be liable in any manner for the consequence of such actions taken by you.*

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