

# Power Finance Corporation Ltd.

## Performance Review – Quarter Ended 31<sup>st</sup> December 2022

PFC announced its financial results for the quarter ended 31<sup>st</sup> December 2022 on 13<sup>th</sup> February 2023. The performance highlights for Q3'23 and 9M'23 are detailed under.

### Consolidated Highlights

#### A. Financial Performance

- 1) PFC Group delivers highest ever consolidated Profit After Tax (PAT) of Rs.5,241 cr. in Q3'23, an increase of 7% from Q3'22.
- 2) The consolidated loan asset book crossed Rs.8 lakh cr. The loan asset book as on 31.12.2022 stands at Rs.8,04,526 cr.
- 3) The consolidated disbursements crossed Rs.1 lakh cr. at Rs.1,06,875 cr. for 9M'23 and registered an increase of 28% versus 9M'22. This reflects PFC group robust business performance.
- 4) The synergies in resolution of stressed assets has led to Gross NPA ratio to fall below 4% , from 5.55% in 9M'22 to 3.91% in 9M'23.
- 5) The consolidated Net NPA ratio saw a 71 bps reduction from 1.86% in 9M'22 to 1.15% in 9M'23. This is the lowest ever Net NPA ratio on consolidated basis.
- 6) On the distribution side, till date, PFC group has collectively sanctioned Rs.1,02,831 cr. and disbursed Rs.28,179 cr. under Late Payment Surcharge Rules. The sanctioned amount will be disbursed in a phased manner through Equated Monthly Installments (EMIs) ranging from 12 to 48 months.

### Stand Alone Highlights

#### A. Financial and Business Performance

##### ➤ Financial Performance

- 1) In Q3'23, PFC clocked the highest quarterly PAT of Rs.3,005 cr. and registered a 26% increase viz-a-viz Q3'22.
- 2) For 9M'23, PFC registered a PAT of Rs.8,113 cr., as compared to the previous fiscal year's nine-month PAT of Rs.7,412 cr.
- 3) In Q3'23, PFC declared an interim dividend of Rs. 3.50 per share, bringing the cumulative interim dividend for the financial year to Rs. 8.75 per share.
- 4) CRAR as on 31.12.2022 is at 24.41%, with Tier I capital at 21.34% & Tier II capital at 3.07%. PFC continues to maintain a comfortable capital adequacy levels.
- 5) The yield on earning assets and cost of funds for 9M'23 are within the expected range, with a yield of 10.07% and a cost of 7.53% respectively. The spread for the 9M'23 also remains within the guided levels, standing at 2.54%.

##### ➤ Business Performance

- 1) **36% increase registered in disbursements for 9M'23** – Rs.46,968 cr. disbursed in 9M'23 as compared to Rs.34,590 cr. in 9M'22.

## 2) PFC's standalone loan book registered a growth of 6%

- The loan asset book as on 31.12.2022 stands at Rs.3,93,387 cr. compared to Rs.3,71,649 cr. as on 31.12.2021.
- The uptick in the pace of disbursements due to resumption of the economic activities, easing of pre-payment pressure on PFC and government initiatives for DISCOMs, have led to increase in PFC's loan asset book.

## B. Asset Synopsis

### 1) NPA levels for 9M'23 dropped drastically compared to 9M'22

- PFC's Gross NPA ratio for 9M'23 saw a significant reduction of 185 bps from 9M'22 – The Gross NPA levels for 9M'23 is at 4.21% compared to 6.06% in 9M'22.
- The Net NPA levels for 9M'23 also decreased by 81 bps from 2% in 9M'22 to 1.19% in 9M'23.
- The reduction in NPA levels is the result of our dedicated efforts to resolve stressed assets. Since 9M'22, PFC has resolved five stressed assets, amounting to Rs.5,964 cr. These five assets are Essar Power MP Ltd. (Rs.1,345 cr.), RS India Wind Energy (Rs.224 cr.), South East UP Power Transmission (Rs.2,263 cr.), Jhabua Power Ltd. (Rs.764 cr.) and Ind-Barath Energy Utkal Ltd (Rs. 1,368 cr.). Out of these assets, Ind-Barath Energy Utkal was resolved in this quarter.

### 2) Update on Resolution Status

- In line with the guidance shared earlier, one stressed asset namely Ind-Barath Energy Utkal Ltd loan of Rs.1,368 cr. was resolved in the current quarter. It is a 700 MW thermal generation project and was resolved under NCLT. The project has been taken over by JSW. Sufficient provisioning was available against the loan.
- Currently, 22 stressed projects of Rs.16,564 cr. are in Stage III. Out of the 22 projects, 12 projects of Rs.10,973 cr. are being resolved under NCLT and the remaining 10 projects worth of Rs.5,591 cr. are being resolved outside NCLT.
- Out of the above 22 projects, 2 projects with outstanding of Rs.2,789 cr. are in advance stages of resolution.

These two projects are as under

- Dans Energy Pvt Ltd of Rs.413 cr. It is a 96MW Hydro Energy project and is being resolved outside NCLT. The resolution plan for the project has been approved by PFC and other lenders are in the process of obtaining approvals.
- Lanco Amarkantak Power Ltd of Rs.2,376 cr. It is a 1,920MW thermal generation project. The Letter of intent has been issued to PFC Projects Ltd(PPL)-REC consortium and the resolution plan is being filed under NCLT.

## C. Update on Distribution Schemes

### 1) **Rs.14,389 cr. disbursed by PFC under Late Payment Surcharge (LPS) Rules till date**

- Till date, PFC has sanctioned Rs.46,788 cr. and disbursed Rs.14,389 cr. to Discoms for clearance of dues under the LPS Rules.
- As per the LPS guidelines, the sanctioned amount will be disbursed gradually to DISCOMs in Equated Monthly Instalments (EMIs) ranging from 12 to 48 months based upon the outstanding dues amount of DISCOMs being covered under the LPS.

### 2) **Rs.11,147 cr. disbursed by PFC under Revolving Bill Payment Facility (RBPF) till date**

- Till date, PFC has sanctioned Rs.18,183 cr. and has disbursed Rs.11,147 cr. under RBPF.

### 3) **Update on Revamped Distribution Sector Scheme (RDSS)**

- RDSS scheme was introduced on 30.06.2021 by Government of India, which is being jointly managed by PFC and REC. All the states and UTs have been allocated between PFC and REC equally. Out of the states with PFC, so far, action plan for 11 states has been approved i.e. Andhra Pradesh, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Uttarakhand, Haryana, Jharkhand, Maharashtra, Puducherry and Punjab.
- Based on the commitments of State cabinet w.r.t. Action plan, Government of India has approved projects worth Rs.1,16,614 cr. to DISCOMs of these 11 states under RDSS. The approved projects will be funded through a mix of grant, equity and counterparty loan.
- Further, in line with RDSS guidelines, till 31<sup>st</sup> December,2022, GoI Grant Phase - I advance of Rs. 1,562 cr. has been released to DISCOMs of Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Kerala, Madhya Pradesh, Maharashtra and Uttarakhand.

## D. Borrowing

- 1) During 9M'23, PFC raised total amount of Rs.45,639 cr. from domestic and foreign sources.
- 2) Continuing with our focus of having diversified funding avenues, PFC has successfully raised USD equivalent 1.15 bn in the current financial year in foreign currency:
  - Raised Foreign Currency Term Loan of JPY 116 bn.
  - Raised USD equivalent 210 mn from Foreign Currency Non-Resident(B) Loan
  - Raised EURO 59 mn from KFW, which is German state-owned investment and development bank

With this, the total outstanding foreign currency borrowings portfolio of PFC as on 31.12.2022 stand at USD eqv 7.56 bn., of which 84% are USD denominated borrowings, 11% JPY and remaining 5% in EURO. As at 31.12.2022, nearly 62% of the total foreign currency portfolio has been hedged for exchange risk as compared to 55% of the portfolio as on 31.12.2021.

## E. Other Updates

### 1) Update on lending to Infrastructure and logistics sector

On 25<sup>th</sup> August,2022, approval for lending upto 30% of standalone Net worth of PFC to Infrastructure and logistics sector was accorded by Ministry of Power.

The above ceiling has been revised on 21<sup>st</sup> December,2022 . Now lending to Infrastructure and logistics sector is permitted upto 30% of outstanding loan book of the company, subject to the condition that for every financial year, 2/3rd of new sanctions should be for Power and Green Energy Projects only.

### 2) Clarification on PFC's exposure to Adani group

On 24<sup>th</sup> January,2023, a report was published by Hidenburg Research. In this regard, it is clarified that PFC doesn't have any exposure to any of the listed companies of Adani Group, which are mentioned in the Hindenburg report. However, PFC has provided loan to various project specific SPVs in Adani group with outstanding amount of Rs.8,314 cr. These project SPVs have separate cash flows and security structure.

### 3) Awards and Accolades

- PFC is amongst the top 10 profit-making CPSEs as per "Public Enterprise Survey 2021-22.
- PFC has been conferred with "South Asian Federation of Accountants" Gold Award in Best Presented Accounts/Annual Report Awards for FY 2020-21 in 'Public Services Entity Category'.
- PFC has been awarded for second consecutive year by ICAI for excellence in Financial Reporting, in the category of 'Public Sector Entities'. Conferred with ICAI Gold shield award for FY 2021-22 and ICAI silver shield award for FY 2020-21.

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