



## **Power Finance Corporation Ltd.**

### **Performance Review – Quarter Ended 30<sup>th</sup> September 2021**

PFC announced its financial result for the quarter ended 30<sup>th</sup> September 2021 on 11<sup>th</sup> November 2021. The performance highlights for Q2'22 and H1'22 are detailed under.

#### **A. PFC is now a Maharatna CPSE**

- PFC has been accorded the highest “Maharatna” Status for a CPSE by Govt. of India on 12<sup>th</sup> October 2021
- PFC is the 11<sup>th</sup> CPSE to join the “Maharatna” category
- PFC is the first Maharatna company in the financial sector
- Conferment of ‘Maharatna’ status reflects the confidence of the Govt. of India on PFC’s strategic role in the overall development of Indian Power Sector
- Maharatna status will give greater operational and financial autonomy to PFC, which would help PFC in accelerated growth and supporting Govt’s vision for power sector.

#### **B. Financial Performance**

##### **1) Consolidated Financial Performance**

- 19% increase in consolidated Net worth from H1'21 – Net worth at Rs. 90,311 cr. for H1'22
- 22% increase in consolidated Profit After Tax from H1'21 - PAT at Rs. 9,578 cr. for H1'22.
- 18% increase in Net Interest Income from H1'21 – Net Interest Income at Rs. 15,069 cr. for H1'22.
- Reduction in consolidated net NPA ratio from 2.60% in H1'21 to 1.72% in H1'22 due to resolution of stressed assets.

##### **2) Standalone Financial Performance**

- 32% increase in Standalone Profit After Tax from Q2'21 - PAT at Rs. 2,759 cr. for Q2'22.
- Standalone Profit After Tax at Rs.5,032 cr. for H1'22 as against Rs.3,785 cr. in H1'21
- Interim Dividend of Rs.2.50 per share declared.
- PFC CRAR continues to be more than 20% and saw an increase of 358 bps from Q2'21. CRAR as on 30.09.2021 is 21.76% with Tier I capital of 18.42% and Tier II capital of 3.34%. Further, this quarter PFC has declared interim dividend for FY 21-22, the payout for which will happen in Q3 of FY 22, which will impact the CRAR levels to that extent.

##### **• Key Financial Indicators**

- Yield on Earning Assets for Q2'22 is within the envisaged range at 10.28%. The downward yield trend is due to the interest rate cut offered to PFC borrowers last year.
- Cost of Funds for Q2'22 reduced by 22 bps from Q2'21 in view of the current market scenario - Cost of Funds for Q2'22 is at 7.39%.
- The spread and NIM on earning assets for Q2'22 continues to be within the stable range – Spread for Q2'22 is at 2.89% and NIM for Q2'22 is at 3.63%

- **Loan Asset Book** - The loan asset book is Rs.3,71,732 cr. as on 30.09.2021 viz-a-viz Rs.3,71,158 cr. PFC is witnessing increased prepayments by its borrower due to availability of cheaper financing from Banks and higher liquidity in the market, which is attributing to subdued loan asset growth. Further, due to the impact of Covid pandemic, new capex additions in power sector are minimal and the existing capex additions have not resumed completely. Therefore, slow capex growth in power sector is impacting PFC's lending business. But, as the situation improves, the loan asset growth is expected to normalize gradually.
- **EESL ceases to be a jointly controlled entity under Ind AS for PFC** - During the quarter ended 30.09.2021, EESL ceases to be a jointly controlled entity under Ind AS framework for the Company w.e.f 01.09.2021. Accordingly, necessary accounting treatment has been made.

***Delivering a consistent financial performance quarter on quarter.***

## C. Asset Quality

### 1) Improving NPA levels

- This quarter, the Net NPA levels have dropped below 2 %. The net NPA ratio as on 30.09.2021 is 1.92%, the lowest in last 5 years. The reduction in Net NPA levels is due to the enhanced provisioning levels. The Gross NPA ratio is at 5.67% as on 30.09.2021.
- Currently, the total Stage III Assets (Gross NPA Assets) stand at Rs.21,063 cr. Since H1'21, around one-fourth of the stressed assets have been resolved.

### 2) Update on Resolution Status

- Krishna Godvari loan of Rs. 76.63 cr. has been resolved in this quarter under NCLT. Sufficient provisioning was available against this asset.
- Currently, 25 projects of Rs. 21,063 cr. are in Stage III. Out of this 16 projects of Rs.16,688cr. are being resolved through NCLT and the remaining 9 projects of Rs.4,375 cr. are being resolved outside NCLT.
- As indicated earlier, the resolution plan for 1200 MW Essar Power Mahan loan of Rs.1,345 cr. was submitted to NCLT. Now, the resolution plan has been approved by NCLT. Sufficient provisioning is available against this loan asset.

### 3) Provisioning Status

- In stage III assets, with a continuous focus on strengthening PFC's balance sheet, the provision coverage has been marginally enhanced from 65% in Q1'22 to 66% in Q2'22.
- Also, the overall increase in provision viz-a-viz Q1'21 is majorly on account of increase in provisioning under Stage II. In five loan assets under Stage II, even though their overdue(s)

are beyond 90 days, they have been classified as Stage II in view of stay granted by court on their Stage III classification. On these loans assets, provisioning has been created similar to Stage III levels and interest income is being booked on cash basis only. Therefore, this has also led to increase in Stage II provision.

***On-going resolution efforts and adequate provision buffer is expected to help in continuing the downward net NPA trajectory in the future.***

#### **D. Status of GOI Atam Nirbhar Discom Scheme**

- The GOI Atam Nirbhar Discom Scheme was introduced as a COVID relief measure to provide liquidity to Discoms during the COVID times. Now, majority of disbursements(.Rs.48,184cr.) under the scheme have been released and the scheme has been able to successfully achieve its objective.

#### **E. Foreign Currency Borrowing**

- In line with our objective of diversification, PFC for the first time forayed into Euro Bond Market. PFC successfully issued its maiden 7 year Euro Bond issuance on 13.09.2021 for Euro 300 million. PFC has achieved a pricing of 1.841%, which is the lowest yield locked in by an Indian Issuer in the Euro markets. Moreover, it is the first ever Euro issuance by an Indian NBFC and the first Euro bond issuance from India since 2017. Thus, this is a milestone issuance for PFC as it marks many firsts for PFC.
- Further, PFC continues to maintain 85% hedge ratio on exchange risk for portfolio with residual maturity of upto 5 year.

***With PFC's high credit worthiness, well established relationships and dedicated focus on diversification, we feel that PFC will continue to achieve cost efficiencies in its raising activity.***

\*\*\*