

# Power Finance Corporation Ltd.

## Performance Review – Quarter Ended 30<sup>th</sup> September 2022

PFC announced its financial results for the quarter ended 30<sup>th</sup> September 2022 on 10<sup>th</sup> November 2022. The performance highlights for Q2'23 and H1'23 are detailed under.

### Consolidated Highlights

#### A. Financial Performance

- 1) PFC Group delivers highest ever consolidated Profit After Tax (PAT) of Rs.5,229 cr. in Q2'23. On a half year basis, PFC Group reported PAT of Rs.9,809 cr. in H1'23 vis-à-vis Rs.9,578 cr. in H1'22.
- 2) The consolidated net worth crossed Rs.1 lakh cr. mark and stood at Rs.1,02,280 cr. (including Non-Controlling Interest) as on 30th September, 2022. This is reflective of PFC Group strong fundamentals and would help in leveraging future business opportunities.
- 3) The synergies in resolution of stressed assets has led to a sharp reduction of 79 bps in Consolidated Gross NPA Ratio, resulting it to drop below 5% from 5.17% in H1'22 to 4.38% in H1'23.
- 4) The consolidated Net NPA ratio saw a 45 bps reduction from 1.72% in H1'22 to 1.27% in H1'23. This is the lowest ever Net NPA ratio on consolidated basis.
- 5) PFC received dividend of Rs.499 cr. in Q2'23 from its subsidiaries, which underlines the strong financial performance of its group companies.

#### B. PFC Group at the forefront in reshaping India's Discom Sector

- 1) Under the Late Payment Surcharge Scheme, till date, PFC group has collectively sanctioned Rs.1,00,303 cr. to 15 Discoms in 10 states and disbursed Rs.13,307 cr.
- 2) Total amount of Rs.20,205 cr. has been disbursed to distribution sector by PFC group in H1'23.
- 3) This highlights the continuous efforts being made by PFC group in alleviating the stress in Power sector.

#### C. Other Updates

- 1) PFC was the first NBFC to be accorded the highest Maharatna status for a CPSE on 12<sup>th</sup> October, 2021. Now, with REC also being accorded the Maharatna status on 21<sup>st</sup> September, 2022, PFC group has now the synergies of two Maharatna companies. This would provide greater operational and financial autonomy and would help in contributing better towards Govt's vision for power sector.
- 2) PFC Group can now lend to infrastructure and logistics sector, implying a positive opportunity for the Group to diversify its businesses. To start with, lending upto 30% of net worth has been permitted by Ministry of Power.
- 3) PFC Group has signed a Memorandum of Loan agreement on 18th October, 2022 with SJVN Thermal Private Ltd. to provide financing of Rs.8,521 cr. for setting up a 2X660 MW thermal power plant at Buxar. The debt requirement will be financed equally by PFC and REC. The project is expected to generate 9,828 million units of energy to meet the future power requirements of Bihar and other states. This project is expected to improve the reliability of India's eastern electricity region. The foundation stone of the project has been laid by our Honorable Prime Minister Shri Narendra Modi.

## Stand Alone Highlights

### A. Financial Performance

- 1) Registered highest ever quarterly Profit After Tax (PAT) of Rs.2,999 cr. in Q2'23. The PAT for Q2'23 saw a 9% increase viz-a-viz Q2'22. For H1'23, PFC delivered PAT of Rs.5,108 cr. compared to Rs.5,032 cr. in H1'22.
- 2) Interim dividend of Rs.3 per share declared in Q2'23, taking cumulative interim dividend this financial year to Rs.5.25 per share.
- 3) CRAR as on 30.09.2022 is at 24.29%, with Tier I capital at 21.13% & Tier II capital at 3.16%, which is well above the minimum CRAR requirement. PFC continues to have comfortable capital adequacy levels.
- 4) As on 30.09.2022, PFC's standalone net worth grew by 11% from Rs.56,643 cr. in H1'22 to Rs.62,860 cr. in H1'23. This underlines PFC's inherent financial strength and strong performance year on year.

### 5) Key Financial Indicators

- The yield for H1'23 continues to be within the stable range at 10.02%
- The cost of funds for H1'23 is at 7.30%. The cost of funds rose by 22 bps compared to Q1'23 in view of the rising interest rate scenario.
- The spread for H1'23 stands at 2.72% and is around the guided range.

### B. Asset Synopsis

#### 1) Update on Resolution Status

- The Net NPA Ratio saw a sharp reduction of 42 bps viz-a-viz Q1'23. The Net ratio for H1'22 is at 1.31%, which is the lowest in last 6 years.

The reduction is mainly due to resolution of two stressed assets in this quarter, namely South East UP Transmission Company Limited and Jhabua Power Limited:-

- South East UP Power Transmission Company Limited is a transmission project with a loan outstanding of Rs.2,263 crs. The resolution involved one-time upfront settlement under the NCLT route and lenders were able to recover more than 100% of the principal amount.
- Jhabua Power Limited loan is a 600 MW thermal generation project with outstanding amount of Rs 764 cr. This project was also resolved under the NCLT route.
- With resolution of these two assets, PFC's Gross NPA ratio for H1'22 has come down to below 5% i.e. at 4.75%, in line with the guidance shared in earlier communications.
- Currently, 22 stressed projects of Rs 17,910 cr. are in Stage III:
  - **Resolution in NCLT** - Out of the 22 projects, 12 projects of Rs.12,319 cr. are being resolved under NCLT. Some of the large projects being KSK Mahanadi (O/s Rs.3,300 cr.), Lanco

Amarkantak (O/s Rs.2,376 cr.), Shri Maheshwar Hydel Project (O/s Rs.1,619 cr.) and Ind Bharat Utkal (O/s Rs.1,368 cr.).

- **Resolution Outside NCLT** - Remaining 10 projects worth of Rs.5,591 cr. are being resolved outside NCLT. Some of the major projects being Sinnar Thermal Power (O/S Rs. 3,001 cr.) and TRN Energy (O/s Rs.1,139 cr.).
- **Projects in Advance Stages of Resolution** -
  - **Ind Barath Energy (Utkal)** - It is a 700 MW thermal generation project with outstanding amount of Rs.1,368 cr. The resolution plan has been approved by NCLT and is under implementation.
  - **LANCO Amarkantak** - It is a 1,920 MW partly commissioned thermal generation project. The resolution is being pursued under NCLT. The bidding process has been completed and the resolution plan is under consideration of the lenders.

## 2) Provisioning Status

- In Q2'23, the resolution of Stage III assets resulted in significant provisioning reversal, which has been utilized for creation of additional provision against Stage I, II & III assets. The additional provisioning has been majorly created on account of the 10<sup>th</sup> Integrated Rating published by Ministry of Power for Discoms in August'22 and in line with PFC's ECL policy. This reflects the strength of ECL based provisioning approach in capturing significant events impacting the credit risk and ensuring that Balance sheet is adequately insulated.

## C. Update on Distribution Schemes

### 1) Rs. 45,524 cr. sanctioned by PFC under Late Payment Surcharge Rules

- Till date, PFC has sanctioned Rs.45,524 cr. and disbursed Rs.6,610 cr. to Discoms for clearance of dues under the LPS Rules. Thus, so far PFC has sanctioned loans in total 8 states namely Rajasthan, Andhra Pradesh, Telangana, Jammu & Kashmir, Manipur, Jharkhand, Chhattisgarh and Maharashtra. Lending under the scheme would help in addressing the perennial issue faced by the power sector of the mounting DISCOM dues.

### 2) Update on Revamped Distribution Sector Scheme (RDSS)

- Under the RDSS, action plan and projects for Discoms in 2 states i.e. Maharashtra and Puducherry have been sanctioned. Thus, so far, action plan for 10 states has been approved i.e. Andhra Pradesh, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Uttarakhand, Haryana, Jharkhand, Maharashtra and Puducherry.

### 3) Rs 17,433 cr. sanctioned by PFC under Revolving Bill Payment Facility (RBPF)

- Till date, PFC has sanctioned Rs.17,433 cr. and has disbursed Rs.4,496 cr. under RBPF.

## D. Borrowing

- 1) As at 30<sup>th</sup> September, 2022, PFC's outstanding borrowings is Rs.3,23,522 cr., out of which 18% is borrowing from foreign sources and 82% from domestic sources.
- 2) PFC 54 EC Capital Gain Bonds portfolio grew by more than 1.5 times from Rs.3,182 cr. in H1'22 to Rs.5,166 cr. in H1'23. This is a low cost funding source available to PFC with a current coupon of 5%.
- 3) To protect PFC's profit from adverse impact of foreign currency fluctuations, PFC has been actively focusing on hedging its foreign currency borrowings. As at 30.09.2022, approximately 95% of the portfolio with residual maturity upto 5 years has been hedged for exchange risk and out of this, 100% of USD denominated borrowing has been hedged. Also, nearly 68% of the total foreign currency portfolio has been hedged for exchange risk as compared to 44% of the portfolio hedged as on 30.09.2021.

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