

Power Finance Corporation Ltd.

Performance Review – Quarter Ended 30th June 2023

PFC announced its financial result for the quarter ended 30th June 2023 on 11th August 2023. The performance highlights for Q1'24 are detailed under.

Consolidated Highlights

A. Financial Performance

1) Financial Performance

- 31% increase registered in consolidated Profit After Tax from Rs. 4,580 cr. in Q1'23 to Rs. 5,982 cr. for Q1'24.
- Consolidated Loan Asset Book grew by 17% - Rs.7,58,074 cr. as on 30.06.2022 vs. Rs.8,86,723 as on 30.06.2023.
- Consolidated disbursements increased remarkably by more than 3 times from Rs. 17,084 cr. in Q1'23 to 56,925 cr. in Q1'24.
- Consolidated Net worth (including non-controlling interest) increased by 19% from Rs. 99,623 cr. as on 30.06.2022 to Rs. 1,18,366 cr. as on 30.06.2023
- Owing to synergies in resolution of stressed assets, Net NPA has reached its lowest level at 1% in Q1'24 from 1.57% in Q1'23. Gross NPA declined by 148 bps from 5.02% in Q1'23 to 3.54% in Q1'24.
- Till date, PFC group has cumulatively sanctioned Rs. 1,15,565 cr. and disbursed Rs. 60,711 cr. under Late Payment Surcharge Rules.

Stand Alone Highlights

A. Financial Performance

- 1) 43% increase registered in Standalone Profit After Tax from Rs. 2,110 cr. in Q1'23 to Rs. 3,007 cr. for Q1'24.
- 2) PFC board proposes issue of bonus shares to the equity shareholders in the ratio of 1:4, subject to shareholders approval.
- 3) PFC on 10th August 2023 has been included in the MSCI Global Standard Index. This will help in enhancing PFC's visibility among the Global investors.

4) Key Financial Indicators

- Yield on Earning Assets for Q1'24 stands at 9.85%- decrease of 16 bps from Q1'23. The decrease in yield can be attributed to two main factors-
 - Firstly, on account of increase in distribution sector share in loan asset portfolio mix. The increase is due to lending under the Government schemes for improving the health of DISCOMs.

- Secondly, the impact of interest rate increase will be re-priced in our loans assets portfolio gradually.
- Cost of Funds for Q1'24 is at 7.34% vis-a vis 7.08% in Q1'23.
- Spread for Q1'24 stands at 2.51%.
- PFC continues to maintain a healthy CRAR level. CRAR as on 30th June,2023 is at 25.08%, with Tier 1 capital at 22.36%.
- PFC's net worth has surpassed the Rs. 70,000 crore mark and now stands at Rs. 71,366 cr. as on 30.06.2023, an increase of 17% from 30.06.2022.

B. Initiatives for Energy Transition

1) Rs. 2.37 trillion worth MoU signed in clean energy space

- To fulfill the vision of Government of India of achieving 500 GW of installed capacity by 2030 from non-fossil fuel based sources, PFC during the 'Energy Transition Working Group' meeting under G20 presidency has signed Memorandum of Understanding (MoUs) with 20 diverse companies, both in public and private sectors.
- These collaborations encompass a wide spectrum of avenues such as solar, wind, battery storage, Green hydrogen, electric vehicle etc.
- Rajasthan Renewable Energy, Renew, Greenco, Megha Engineering and Infrastructures Ltd, Continuum, Avaada, Adani, JBM Auto are among the companies with whom PFC has entered into MoUs.
- This underscores PFC's persistent commitment to playing a pivotal role in government's journey toward green energy transition.

2) PFC becomes the first member from India to join Asia transition Finance Study Group

- Power Finance Corporation Ltd (PFC) becomes the first member from India in the Asia Transition Finance Study Group (ATFSG). This pioneering initiative, led by the Japanese Ministry of Economy, Trade and Industry (METI), aims at fostering cooperation and promoting sustainable transition finance in Asian countries.
- Through participation in this initiative as a member, PFC has a great opportunity to collectively shape the climate financing landscape. PFC will not only bring forth India's viewpoint but also engage in collaborative efforts to formulate policy considerations aimed at facilitating effective financing for energy transition.
- This is a significant milestone for PFC as well as the entire financial sector in India.

C. Business Highlights

- 1) **Disbursement** - Five times increase in disbursements- from Rs. 4,643 cr. in Q1'23 to Rs. 22,792 cr. in Q1'24.
- 2) **Loan Asset Book** - Double-digit growth of 17% registered in loan asset book- from Rs. 3,70,186 cr. as on 30.06.2022 to Rs.4,32,339 cr. as on 30.06.2023. We expect the loan asset to grow at similar level as previous financial year.

3) Asset Synopsis-

- No new NPA added during Q1'24.
- Owing to resolution of stressed assets in previous financial year,
 - PFC's Gross NPA ratio significantly declined by 183 bps from 5.65% in Q1'23 to 3.82% in Q1'24
 - PFC's Net NPA ratio touches almost 1% and is at 1.04% in Q1'24 vis-à-vis 1.73% in Q1'23.
- Currently, 22 stressed projects of Rs.16,497 cr. are in Stage III. Out of the 22 projects, 13 projects of Rs.13,907 cr. are being resolved under NCLT and the remaining 9 projects worth of Rs.2,589 cr. are being resolved outside NCLT. On the Stage 3 assets, adequate provisioning of 73% has been maintained.

4) Update on Distribution sector schemes

- **Late Payment Surcharge Scheme-** Till date, PFC has sanctioned Rs. 53,156 cr. and disbursed Rs. 30,618 cr under Late Payment Surcharge Scheme.
- **Revamped Distribution Sector Scheme-**
 - 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.
 - In line with RDSS guidelines, till 30th June,2023, Gol Grant Phase - I advance of Rs. 1,688 cr. has been released to DISCOMs
 - For states with PFC, Distribution Infrastructure Works worth around Rs. 30,000 Cr is under progress in various Discoms and around 4 crore Smart meters awarded in various Discoms.
Country's first substation under RDSS scheme has been commissioned in Indore district of Madhya Pradesh. Nearly 25,000 people in five villages are expected to get uninterrupted electricity supply from this.

5) Borrowing

- **PFC successfully raises Rs. 2,824 cr. under second issue of public taxable bonds**
 - PFC has launched its second public issue of taxable bonds, featuring a base issue size of Rs. 500 cr. and with an interest rate ranging between 7.45-7.55%.
 - The issue was initiated on 21st July and concluded on 26th July. PFC successfully raised Rs. 2,824 crore through this issue.
 - The issue saw an overwhelming response from retail investors, resulting in an oversubscription of over 5 times. More than 80% of retail investors from all corners of India have participated in this Bond issue. 829 High Net-Worth Individuals and over 9000 Retail Individual Investors from 23 States and 4 Union Territories participated in the issue.
 - These bonds are listed on BSE, providing a platform for retail investors to participate in the secondary market.

- **Foreign currency borrowings**

- The total outstanding foreign currency borrowings portfolio of PFC as on 30.06.2023 stands at USD eq 7.93 billion. In order to safeguard PFC's profit from adverse impact of foreign currency fluctuations, PFC has been actively managing its exchange risk from foreign currency borrowings. As a result, nearly 75% of the total foreign currency portfolio has been hedged for exchange rate risk vis-à-vis 67% of the portfolio hedged as on 30.06.2022. Further, as at 30.06.2023, approximately 92% of the portfolio with residual maturity upto 5 years has been hedged to mitigate exchange rate risk and out of this, 100% of USD denominated borrowing has been hedged.
