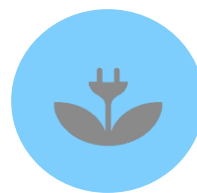


# Performance Highlights

Quarter ended 30<sup>th</sup> June 2018



Foreign Borrowings



Renewables



54EC Bonds

**Funding for a Brighter Tomorrow....**

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# 1. HIGHLIGHTS

# Highlights

## KEY HIGHLIGHTS

- 1 Ind As implemented w.e.f. 01.04.2018
- 2 No Stage III assets (NPA) in Govt. Sector
- 3 Net Stage III Assets (NPA) dropped to 4.53% in Q1'19 from last declared 7.39% as per IGAAP of Q'4 18
- 4 As a matter of prudence, Rs. 1,793 cr. additional provisioning built on Stage I & Stage II assets as per RBI Prudential norms
- 5 USD 600 million foreign currency loans raised in this financial year
- 6 54EC bonds mandate with PFC since June 2017

## SNAPSHOT – As on 30<sup>TH</sup> June 2018

(Rs.'crore)

Based on Ind AS	As on 30.06.2018
PAT	1,373
Interest Income	6,617
Interest Expense	4,624
Net Interest Income	1,993
Net Interest Margin on Earning Assets	3.26%
Cost of Funds	8.08%
Interest Spread on Earning Assets	2.49%
Gross Loan Assets	2,84,848
Provisioning	17,238
Net Loan Assets	2,67,610
Stage III Assets – Govt. Sector	Nil
Stage III Assets - Pvt. Sector	27,384
Stage III Assets - % of Gross Loan Assets	9.61%
Net Stage III Assets - % of Gross Loan Assets	4.53%
Capital Adequacy Ratio	17.71%
of which Tier I	14.66%
of which Tier II	3.05%

# Highlights

## No major impact on PFC of RBI circular dated 31st May 2018 – withdrawing Govt. NBFCs exemption from applying RBI Prudential norms

### ➔ RBI Circular dated 31<sup>st</sup> May 2018

- ▷ RBI on 31<sup>st</sup> May 2018 withdrew the exemption available to Govt. NBFCs on applying Prudential Norms.
- ▷ Major Aspects of Prudential Norms to be followed are as under:
  - CRAR -15%. Tier I -10%.
  - Credit Concentration norms - For Govt. NBFCs as per specific approval given by RBI
  - Sec 45 IC<sup>1</sup> reserve fund to be created by 31.03.2019

### ➔ No major impact on PFC of RBI circular

- ▷ PFC has already been applying RBI Prudential Norms w.e.f. 1st April 2016 in view of specific RBI directions,.
- ▷ Impact on PFC
  - CRAR - Being NBFC-IFC already complying. No impact.
  - Credit Concentration norms - Specific RBI exemption to PFC from applying these norms. Thus, no impact.
  - Sec 45 IC reserve fund - PFC has started creating the same. Rs.275 cr. created in Q1'19

<sup>1</sup>NBFC to transfer 20% of its net profit every year as disclosed in the profit and loss account and before any dividend is declared to Reserve Fund.



# 2.

## IND AS TRANSITION

# Ind AS Transition - Introduction

## Ind AS implemented from 01.04.2018

**PFC has adopted Indian Accounting Standards (IND AS) with effect from 1st April 2018.**

- ▷ Results for Q1 19 have been reported as per Ind AS
- ▷ Figures for Q1 18 of previous year have been restated as per Ind As to make them comparable
- ▷ The date of transition to Ind AS is 1<sup>st</sup> April 2017.
- ▷ The net worth as at 1<sup>st</sup> April 2017 has been adjusted as per Ind AS
- ▷ Numbers and ratios in this presentation are as per Ind As.

Disclaimer: There is a possibility of Ind AS financial results and the additional disclosures to be updated, modified or amended because of adjustments which may be required to be made on account of introduction of new standards or its interpretation, receipt of guidelines or circulars from regulatory bodies and/or Reserve Bank of India.

# Ind AS Transition - Key Areas of Impact

## 1 Expected Credit Loss

- ▶ **Provisioning of Rs.17,238 cr. on Total Loan Portfolio as on 30<sup>th</sup> June 2018**
  - Rs.15,445 cr. as per IND As.
  - Rs.1,793 cr. is additional provisioning considering RBI prudential norms.

## 2 Net Worth

- ▶ **Ind AS impact on net worth as on 31<sup>st</sup> March 2018**
  - Ind AS Net worth is Rs.36,841 cr. as against last reported IGAAP Net worth of Rs.39,861 cr. on 31<sup>st</sup> March 2018.

## 3 PAT

- ▶ **Comparable PAT for Q1'18 & Q1'19 on Ind AS adoption**
  - PAT as per Ind AS in Q1'18 - Rs.1,122 cr.
  - PAT as per Ind AS in Q1'19 - Rs.1,373 cr.

## 4 Income on Stage III Asset

- ▶ **Income on Stage III Asset recognized only when expected realization is higher than the loan amount outstanding**
  - No income recognised on Stage III assets in Q1'19 as in no case expected realisation is higher than the loan outstanding amount.



# Ind AS Transition – Key Changes for PFC from IGAAP

Key Items	IGAAP	Ind AS
<b>1</b> Fee Income & Fee Expense	Booked upfront	Amortised on Effective Interest Rate (EIR) basis
<b>2</b> Interest Income & Interest Expense	Recorded at Lending Rate/Borrowing Rate	Recorded at Effective Interest Rate (EIR).  Income on credit impaired loan assets is recognised only when expected realisation is higher than the loan amount outstanding.
<b>3</b> Provisioning	Specified by RBI	Expected Credit Loss Model
<b>4</b> Exchange Gain/Loss on Foreign Borrowings	Exchange gain/loss is amortised through FCMIT	Exchange gain/loss for raisings after 01.04.2018 recognised in P&L.  Raisings before 01.04.2018 continue to be amortised through FCMIT

# Ind AS Transition – Key Changes for PFC from IGAAP

## Key Items

## IGAAP

## Ind AS

### 5 Derivatives

Derivatives Covered by AS 11 -  
Premium amortised

Derivatives Covered by  
Guidance Note - Fair Value  
changes recognised in P&L.

All Derivatives - Fair Value changes  
recognised in P&L

### 6 Investments

Category wise fair valuation

Only decline in fair value  
recognised in P&L. Fair value  
gains not considered

Scrip wise fair valuation

Both fair value gains & loss  
recognised either through P&L or  
OCI as applicable.

# Ind As Transition - Key Changes for PFC from RBI

## Key Items

## RBI

## Ind AS

1

### Asset Classification

#### ▷ Standard Asset

- No default in repayment of principal or payment of interest is perceived & does not carry more than normal risk attached to business.

#### ▷ Restructured Standard Asset

- A restructured account is one where NBFC for economic or legal reasons, grants to the borrower concessions that NBFC would not otherwise consider. RBI specifies certain conditions on which loan is classified in Restructured category like DCCO extension etc.

- **Non Performing Asset (NPA)**  
Assets remains overdue for three months or more.

#### ▷ Stage I – Performing Asset

- Loan assets classified in Stage I - where payment overdue is  $\leq 30$  days.

#### ▷ Stage II - Underperforming Asset

- Loan assets classified in Stage II -where payment overdue is  $> 30$ days  $\leq 90$ days

Note: Legacy assets categorised earlier as Restructured Standard under RBI norms have been included in Stage II

#### ▷ Stage III - Non Performing Asset

- Loans assets classified in Stage III - where payment overdue is  $> 90$ days

# Ind As Transition - Key Changes for PFC from RBI

## Key Items

## RBI

## Ind AS

### 2 Provisioning

#### ▷ Rule based provisioning

- specific provisioning percentage prescribed for Standard, Restructured Standard & NPA Assets.
- Provisioning is to be calculated on the outstanding principal amount.

#### ▷ RBI provisioning percentage

- Standard Asset - 0.40%
- Restructured Standard Asset - 5%
- Non Performing Asset (NPA) -
  - ranging from 10% to 50%.
  - 100% provisioning on unrealisable value of Doubtful asset.

#### ▷ ECL Model for provisioning<sup>1</sup>

- Under IND AS no specific provisioning percentage is prescribed.
- Provisioning is to be computed through Expected Credit Loss (ECL) Model.
- Provisioning is to be calculated on 'Exposure at Default' (EAD).

#### ▷ Stage wise ECL recognition under Ind AS

- Stage I - 12 months expected credit losses are recognised.
- Stage II & III - Lifetime expected credit losses are to be recognised.

#### ▷ Additional Provisioning.

- For Stage I, II & Stage III assets, PFC has maintained provisioning which is higher of the two – i.e. Provision as per RBI norms OR Provision using ECL.

<sup>1</sup> Key Concepts of Expected Credit Loss Model (ECL) detailed in Slide no.13

# ECL Methodology – Key Concepts (1/2)

## What is ECL?

- ▷ ECL is a forward looking model which requires to start provisioning for expected credit losses from the time when the loan is originated rather than based on trigger events when the loss is imminent or the current rule based provisioning norms
- ▷ For computing ECL, Ind As outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition.
- ▷ ECL is to be computed Stage wise on each reporting date as:

*Probability of Default (PD) X Loss Given Default(LGD) X Exposure at Default (EAD)*

PD

An estimate of likelihood that a borrower will be unable to meet its debt obligation during a specified time frame.

The objective is to arrive at the trend of the performance of the loan at each period.

LGD

It is an estimate of the loss from a transaction given that a default occurs.

LGD is required for all periods that are part of lifetime horizon of loan.

Expressed as a % of EAD.

EAD

It is a best estimate of the amount drawn down upon default in a year.

EAD includes outstanding principal, unrealised accrued interest<sup>1</sup> and other accruals.

<sup>1</sup>For Stage III assets income is recognised only when expected realisation is higher than loan amount outstanding

# ECL Methodology – Key Concepts (2/2)

## Stages for ECL Calculation

3 Stage expected credit loss model





# 3. EARNING UPDATES

# Earning Updates

## Revenue & Growth

(Rs.'crore)

	Q1 FY 19	Q1 FY 18
Interest Income	6,617	6,745
Interest Expense	4,624	4,140
Net Interest Income	1,993	2,605
Profit After Tax	1,373	1,122
Other Comprehensive Income	(150)	(84)
Cumulative Provisions	17,238	15,934
Reserve for Bad & Doubtful debts	3,447	3,127

*Figures are regrouped / reclassified to make them comparable. Therefore, the totals may not reconcile with the reported figures.*

# Earning Updates

## Key Ratios

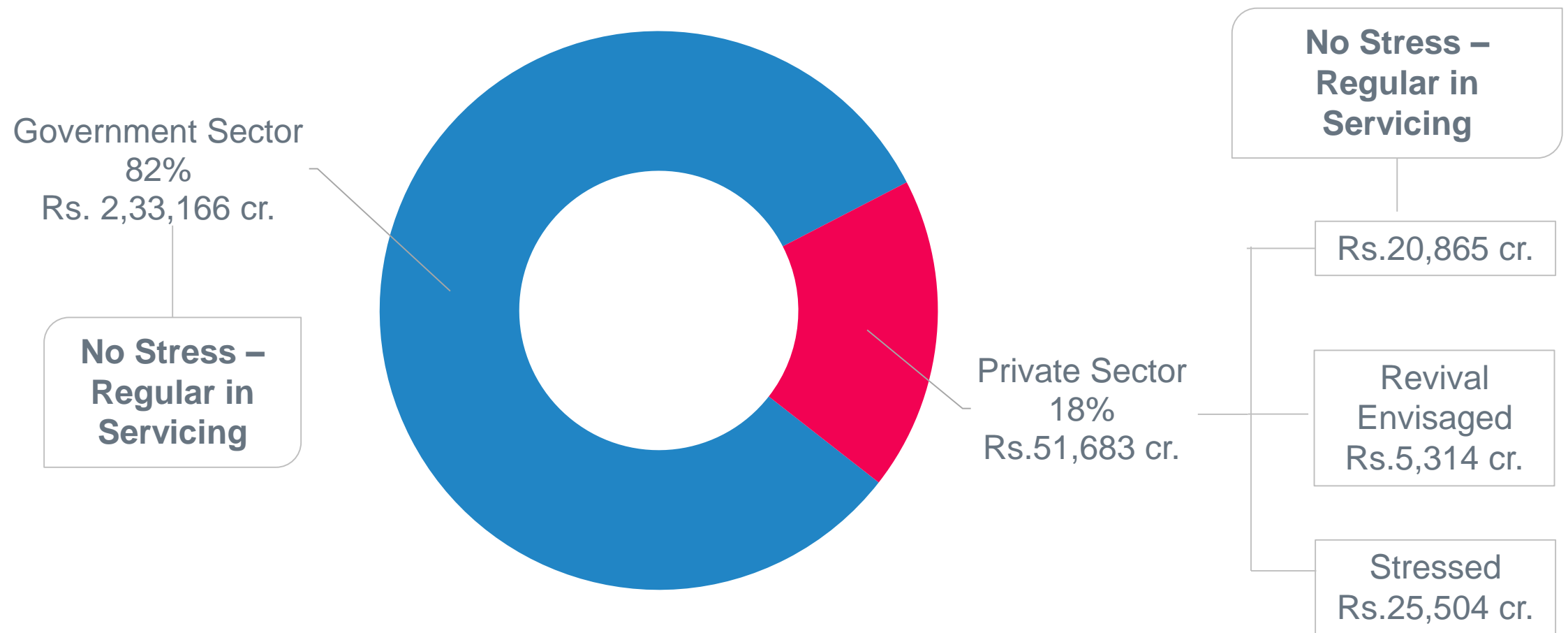
	Q1 FY 19	Q1 FY 18
Yield on Earning Assets	10.57%	11.21%
Cost of Funds	8.08%	8.32%
Interest Spread on Earning Assets	2.49%	2.89%
Net Interest Margin on Earning Assets	3.26%	4.17%
Net worth (Share Capital + All Reserves)	Rs.37,571 cr.	Rs.36,440 cr.
Return on Average Net worth	14.76%	12.51%
Return on Average Assets	1.98%	1.80%
EPS	Rs.20.81	Rs.17.01
Book Value Per Share	Rs.142	Rs.138

*Ratios are annualised & are based on daily average & excluding exchange/loss gain and rounded off.*

# 4. ASSET QUALITY

# Asset Quality Snapshot – Total Portfolio

**Loan Book of Rs.2,84,848 cr. as on 30.06.2018**



**89% of Loan Assets are regular in servicing & no stress is envisaged**

# Provisioning Snapshot – Total Portfolio

(Rs.'crore)

## Status as on 30.06.2018

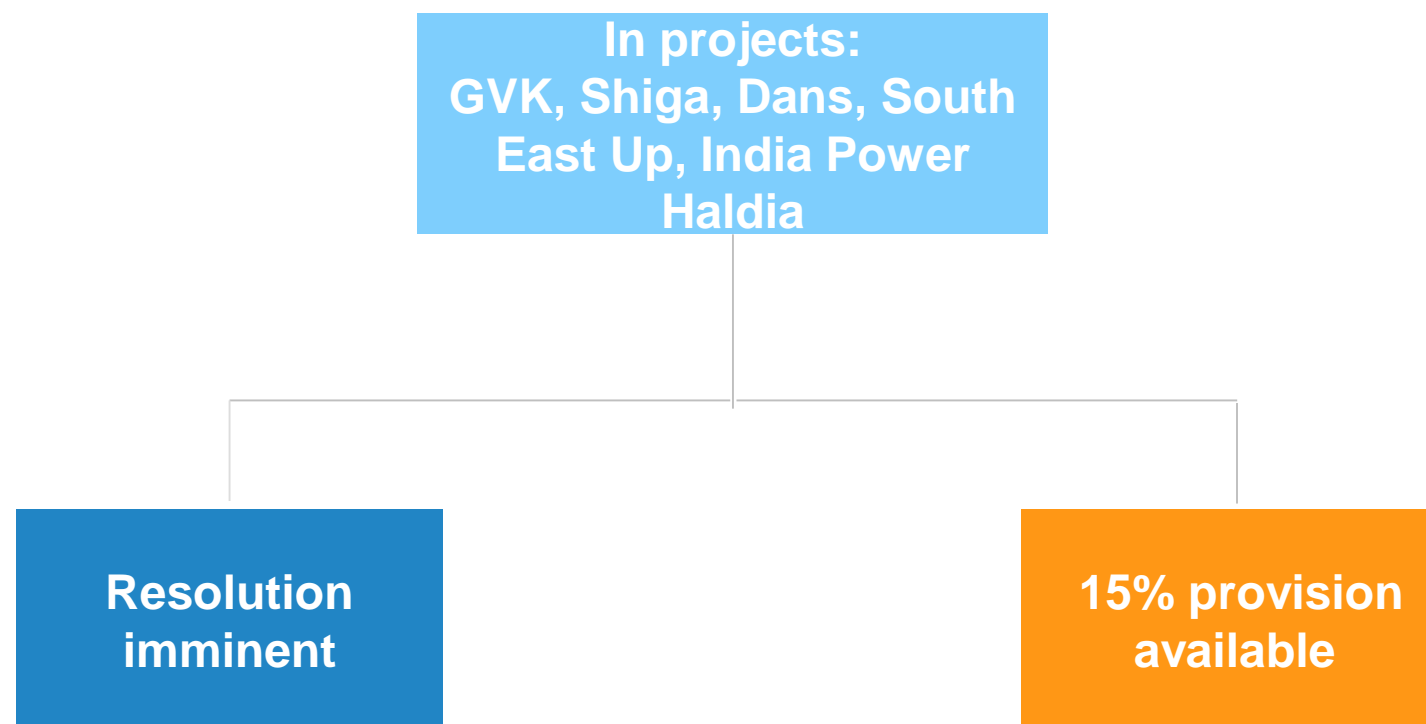
	Stage I	Stage II	Stage III	Stage III (NPA) as % of Total Loan Assets	Total
<b>Outstanding Loan Assets</b>					
Government Sector	2,12,253	20,913	-	Nil	2,33,166
Private Sector	20,865	3,434	27,384	9.61%	51,683
<b>Total Outstanding Amount</b>	2,33,177	24,347	27,384	9.61%	2,84,848
<b>Total Provisioning amount</b>	2,177	570	14,491	-	17,238
<b>Net Assets</b>	2,30,940	23,777	12,893	4.53%	2,67,610

**53% provisioning against Stage III Assets (NPA) of Pvt. sector**



# Asset Quality Snapshot – Private Sector (1/2)

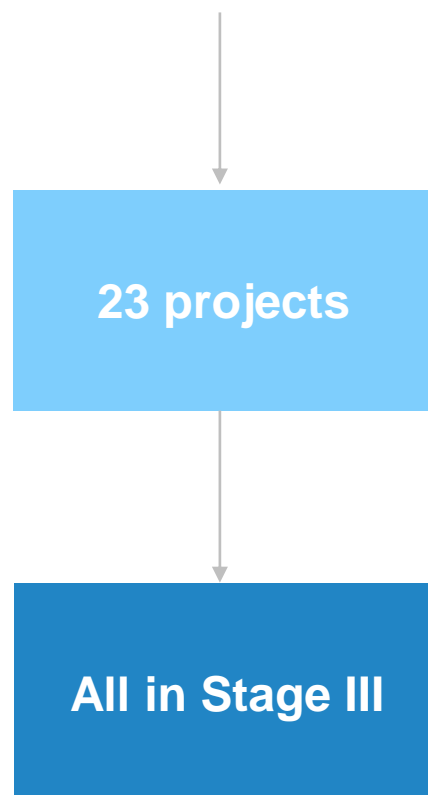
**In 5 projects worth Rs. 5,314 cr. revival envisaged with minimum haircut**



*\*Projects worth Rs.3,434 crore are in Stage II and balance Rs. 1,880 cr. are in Stage III.*

# Asset Quality Snapshot – Private Sector (2/2)

**Stressed projects at Rs.25,504 cr.**



**Provisioning Available**

(Rs.'crore)

	<b>As on 30.06.2018</b>
<b>Provision on Stressed Stage III Assets</b>	13,745
<b>Additional provision buffer</b>	
Provision on Stage I Assets	2,177
Reserve for Bad & Doubtful debts	3,447
Sec 45 IC Reserve	275
<b>Grand Total</b>	<b>19,644</b>

**77% provisioning/reserves (Rs.19,644 cr.) available against Stressed Assets of Rs.25,504 cr.**

# Status Update as on date – Stressed Assets (1/2)

1

## Seven Projects where resolution underway

(GMR Chhattisgarh, KSK Mahandi, Jhabua Power, Indiabulls Amravati, Essar Mahan, Rattan India –Nasik & RKM)

- ▷ **Three Projects worth Rs.4,992 cr. (GMR, KSK, Jhabua) where :**
  - Bidding completed for these projects.
  - H1 bidder identified. Lenders in final stages of negotiations with borrower for concluding the deal.
  - 47% provisioning available against these assets.
- ▷ **Two Projects worth Rs.3,262 cr. (Indiabulls Amravati & Essar Mahan) where**
  - OTS proposals have been submitted.
  - Finalisation of OTS proposals underway by lenders
  - 49% provisioning available against these projects.
- ▷ **Two Projects worth Rs.8,156 cr. i.e.**
  - Rattan India Nasik – Discussion underway with Govt. of Maharashtra
  - RKM Power Gen – Being considered for restructuring.
  - 41% provisioning available against these projects.

# Status Update as on date – Stressed Assets (2/2)

2

**Project which may not be immediately impacted by 12th Feb RBI circular**

▷ **Three projects worth Rs.689 cr. may not be immediately impacted by RBI circular as exposure is less than Rs. 2,000 cr:**

○ 37% provisioning available against these projects.

3

**Status update on projects already in NCLT**

▷ **Nine projects worth Rs.8,108 cr. already in NCLT**

○ 73% provisioning available against these projects

4

**Status update on projects already in SARFAESI/DRT**

▷ **Four projects worth Rs.289 cr. in SARFAESI/DRT**

○ 100% provisioning available against these assets

# 5. OPERATIONAL PERFORMANCE

# Loan Assets - Composition

(Rs.'crore)

	As on 30.06.2018		As on 30.06.2017	
	Amt.	%	Amt.	%
<b>Gross Loan Assets</b>	<b>2,84,848</b>	<b>100%</b>	<b>252,746</b>	<b>100%</b>
<b><u>Scheme Wise</u></b>				
Generation	2,04,551	72%	1,89,376	75%
Transmission	19,781	7%	17,577	7%
Distribution	36,284	13%	20,672	8%
Others	24,233	9%	25,121	10%
<b><u>Sector Wise</u></b>				
State Sector	1,86,431	65%	1,67,022	66%
Central Sector	21,286	7%	22,744	9%
Joint Sector	25,449	9%	19,364	8%
Private Sector	51,683	18%	43,617	17%



# Disbursements - Composition

(Rs.'crore)

	Q1 FY 19		Q1 FY 18	
	Amt.	%	Amt.	%
<b>Disbursements (excluding R-APDRP/IPDS)</b>	<b>12,981</b>	<b>100%</b>	<b>12,849</b>	<b>100%</b>
<b><u>Scheme Wise</u></b>				
Generation	3,793	29%	5,850	46%
Transmission	377	3%	947	7%
Distribution	6,218	48%	803	6%
Others	2,593	20%	5,249	41%
<b><u>Sector Wise</u></b>				
State Sector	10,305	79%	9,713	76%
Central Sector	437	3%	284	2%
Joint Sector	1,176	9%	304	2%
Private Sector	1,063	8%	2,549	20%
<b><u>R-APDRP/IPDS</u></b>	<b>1210</b>	<b>100%</b>	<b>724</b>	<b>100%</b>
R-APDRP (Part A)	80	7%	45	6%
R-APDRP (Part B)	63	5%	8	1%
IPDS	1,067	88%	671	93%

# Borrowing Profile

(Rs.'crore)

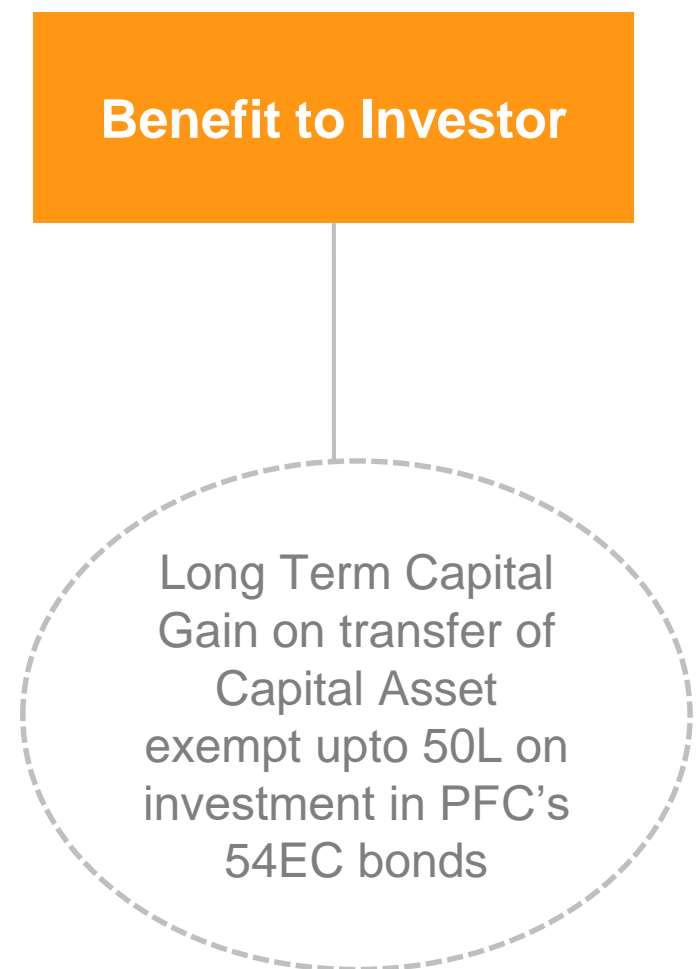
Borrowings	30.06.2018		30.06.2017	
	Amt.	%	Amt.	%
Bonds	1,94,135	83%	1,88,799	92%
Term Loans	31,692	14%	7,240	4%
Short Term Loans	7,591	3%	8,726	4%
<b>Total</b>	<b>2,33,418</b>	<b>100%</b>	<b>2,04,765</b>	<b>100%</b>
<b>of which:</b>				
Rupee Denominated	2,12,312	91%	1,96,363	96%
Foreign Currency Loans	21,106	9%	8,402	4%

# PFC's access to low cost funds

## PFC mandated by Ministry of Finance to raise 54 EC Capital Gain Bonds

### 54EC Salient Features

<b>Eligible Investors</b>	Individuals, HUF, NRI, FIs, LLP, Partnership, Banks, Mutual Funds, Insurance Co., PF funds
<b>Tenor</b>	5 years from deemed allotment date
<b>Coupon Rate</b>	5.75% per annum.

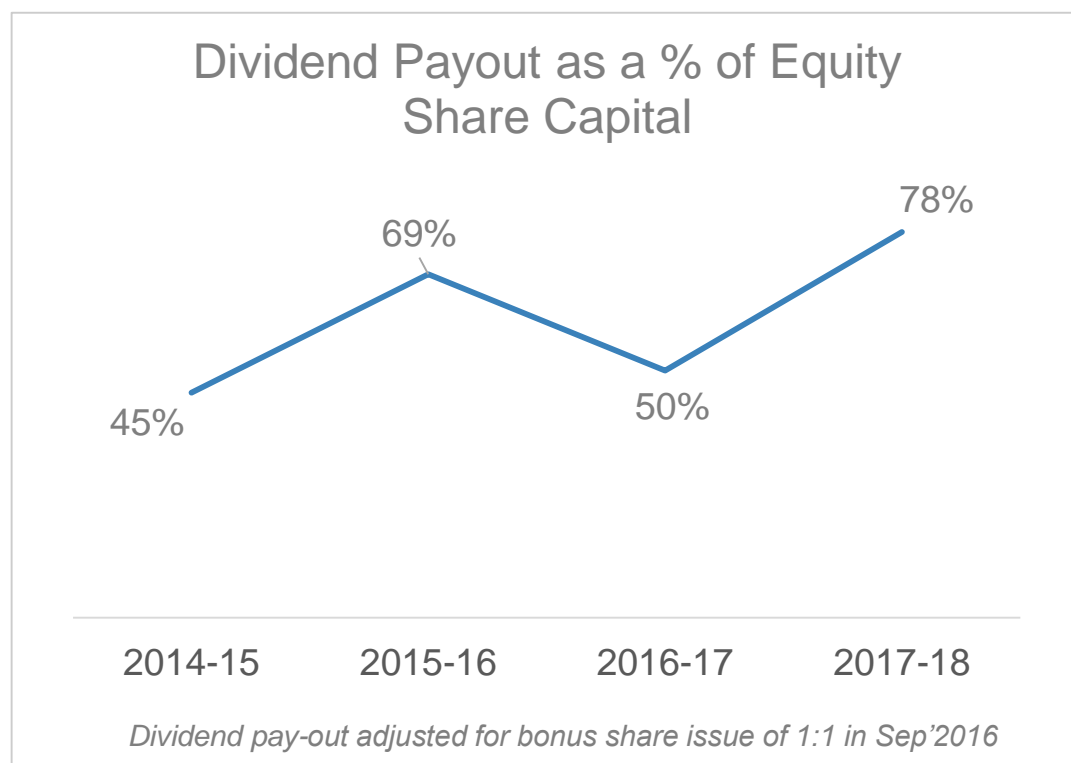


# 6. SHAREHOLDERS OUTLOOK

# Shareholders Outlook

## ➔ Dividend Performance

### 1 Consistent Dividend Pay out Track Record



### 2 Delivering 9% Dividend Yield as on date.

## ➔ 66% GoI Shareholding

Particulars	30.06.2018	30.06.2017
President of India	65.61%*	66.35%
FII's & FPIs	11.55%	15.65%
Indian FI's & Banks	7.16%	8.39%
Bodies Corporate	1.29%	1.42%
Resident Individuals	5.42%	3.31%
Mutual Funds	8.03%	4.24%
Employees	0.05%	0.05%
Others	0.80%	0.59%
<b>Total</b>	<b>100%</b>	<b>100%</b>

\*President of India shareholding is 65.64% in July.

# Thanks!

## Any questions?

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