

# Power Finance Corporation Ltd.

## Performance Review – Quarter Ended 30<sup>th</sup> June 2025

PFC announced its financial result for the quarter ended 30<sup>th</sup> June 2025 on 6<sup>th</sup> August 2025. The performance highlights for Q1'26 are detailed under.

### Consolidated Highlights

#### A. Financial Performance

##### 1) Financial Performance

- 25% increase registered in consolidated Profit After Tax from Rs. 7,182 cr. in Q1'25 to Rs. 8,981 cr. for Q1'26.
- Consolidated Loan Asset Book grew by 13% - Rs. 11,34,347 cr. as on 30.06.2025 vs. Rs. 10,04,735 cr. as on 30.06.2024.
- 1.5 times increase in consolidated disbursement- Rs. 95,660 cr. disbursed in Q1'26 vs Rs.63,135 cr. in Q1'25
- Owing to resolution of stressed assets, Net NPA has reached its lowest level at 0.31% in Q1'26 from 0.84% in Q1'25. Gross NPA significantly declined by 150 bps from 2.97% in Q1'25 to 1.47% in Q1'26.

### Stand Alone Highlights

#### A. Financial Highlights

- 1) 21% increase registered in Standalone Profit After Tax from Rs. 3,718 cr. in Q1'25 to Rs. 4,502 cr. for Q1'26.
- 2) Net Interest Income increased by 26% from Rs. 4,328 cr. in Q1'25 to Rs. 5,469 cr. in Q1'26.
- 3) Continuing with the endeavour to share our success with the shareholders, the Board has declared an interim dividend of Rs. 3.70 per share.

##### 4) Key Financial Indicators

- The key earning indicators continue to be in stable range:
  - Yield on Earning Assets for Q1'26 stands at 10.01%.
  - Cost of Funds for Q1'26 is at 7.40%.
  - Spread and NIM for Q1'26 stands at 2.61% and 3.68% respectively, within our guided range.
- PFC continues to maintain a healthy CRAR level quarter on quarter. CRAR as on 30<sup>th</sup> June,2025 is at 22.37%, with Tier 1 capital at 20.60%, well above the minimum regulatory requirement.
- PFC's net worth stands at Rs. 95,061 cr. as on 30.06.2025, an increase of 14% from 30.06.2024.

## B. Operational Performance Highlights

### 1) Disbursement

- 1.85 times increase in disbursements- from Rs. 19,483 cr. in Q1'25 to Rs. 36,152 cr. in Q1'26.
- This is the highest ever disbursement in the first quarter.

### 2) Loan Asset Book

- Loan Asset Book of Rs. 5,49,786 cr. as on 30.06.2025 - Double-digit growth of 16% registered in loan asset book from Rs. 4,75,004 cr. as on 30.06.2024.
- In line with FY'26 guidance shared earlier, we expect loan asset growth of 10-11%.

### 3) Renewable Loan Book

- Renewable loan book registered a 36% increase Y-o-Y. Renewable book of Rs. 81,505 cr. as on 30.06.2025.
- PFC continues to be the largest renewable sector financier in the country.

## C. Asset Quality Synopsis

### 4) Asset Quality Synopsis-

- The asset quality continues to be robust.
- We continue to have zero NPA on the Government Loan book.
- On the private side, owing to resolution of stressed assets in previous financial year,
  - PFC's Gross NPA ratio has declined by 146 bps from 3.38% in Q1'25 to 1.92% in Q1'26.
  - PFC's Net NPA ratio at its lowest level at 0.38% in Q1'26 vis-à-vis 0.87% in Q1'25.
- Currently, 22 stressed projects of Rs.10,531 cr. are in Stage III.
  - Out of the 22 projects, 11 projects of Rs.8,472 cr. are being resolved under NCLT and the remaining 11 projects worth of Rs.2,059 cr. are being resolved outside NCLT.
  - Out of the above 22 projects, 2 projects with outstanding amount of Rs 1,661 cr. are in advance stages of resolution.

Both of these projects are being resolved outside NCLT.

The above 2 projects are as under-

- **TRN energy project**, with an outstanding amount of Rs. 1,139 cr. It is a 600MW thermal plant. Around 50% provisioning is maintained on this asset.

- **Shiga Energy project**, with an outstanding loan amount of Rs. 522 cr. It is a 97 MW commissioned Hydro Energy plant. Around 31% provisioning is maintained on this asset.

For both these projects, restructuring plan has been finalized and the documentation and implementation of the resolution plan is underway.

- Provisioning status-
  - On the Stage 3 assets, we continue to maintain adequate provisioning of 80%.
  - The provision reversal in Q1'26 is majorly on account of revision in rating of certain DISCOM (s).

In February 2025, the 13th Annual Integrated Rating of Power Distribution Utilities was released. This annual exercise assesses the financial and operational performance of DISCOMs, and the ratings are factored into the Expected Credit Loss (ECL) based provisioning.

Following the release of the report, certain information such as audited annual accounts, additional information and clarification were received, leading to revisions in the ratings of some of the DISCOMs.

The improvements in the Discom ratings has led to reversal in provisioning, with a major reversal of around Rs. 600 cr. in Tamil Nadu DISCOM, where the rating improved from C minus to C.

## D. Borrowing

- As on 30.06.2025, PFC's outstanding borrowings stands at Rs. 4,60,371 cr., out of which 80% is domestic borrowings and remaining 20% is foreign borrowings.
- Out of the total outstanding borrowing, 65% are fixed rate liabilities and remaining 35% are floating rate liabilities.
- **Foreign currency borrowings**
  - The total outstanding foreign currency borrowings portfolio of PFC as on 30.06.2025 stands at USD eq 10.6 billion, of which 68% are USD denominated borrowings, 19% JPY & 11% EURO. Further, the foreign currency borrowings portfolio is majorly long term in nature, with short term borrowing accounting for only 6.5% of the total.
  - PFC has been actively managing its exchange risk from foreign currency borrowings. As on 30.06.2025, nearly 95% of the total foreign currency portfolio has been hedged for exchange rate risk. Further, almost 100% USD exposure is hedged for exchange risk.

- Though USD/INR movement remained range bound, Euro/INR saw a 9% depreciation viz-a-viz 31.03.2025. The Euro/INR movement is one of the major reason for the foreign exchange translation loss in Q1'26.

## E. Other Updates

### 1) RBI(Project Finance) Directions, 2025 introduced on 19<sup>th</sup> June,2025

RBI has recently issued Project Finance Directions, 2025 on 19<sup>th</sup> June, 2025, which will be applicable from 1st October, 2025.

These directions will apply prospectively, i.e. on new project loans sanctioned on or after the effective date- 1<sup>st</sup> October,2025. So, existing loans will continue to be guided by the earlier norms, unless there is a fresh credit event or a material change in terms, in which case the new guidelines will apply.

As per these new directions, lenders are required to maintain provisioning for standard assets - at 1% during the construction phase, and 0.40% during the operational phase after commencement of repayment of interest and principal.

Regarding the potential impact of provisioning, PFC has already maintained an average provisioning of 0.98% for Stage 1 and 2 assets.

Further, for the purpose of asset classification & provisioning, PFC follows Ind AS methodology of Expected credit loss method. In line with RBI Guidelines, any incremental provisioning required under I-RAC norms over and above Ind-AS requirements, will be created through Impairment Reserve, without impacting the P&L. Similar treatment will be followed for provisioning to be made under these directions.

### 2) Extension of Revamped Distribution Sector Scheme (RDSS) by 2 years

- The Government of India launched the Revamped Distribution Sector Scheme (RDSS) on June 30, 2021, as a reforms-based and results-linked initiative aimed at improving the operational and financial performance of DISCOMs. The Scheme has an outlay of Rs. 3,03,758 cr. with Gross Budgetary Support (GBS) of Rs. 97,631 cr. and has the objective of reducing the pan-India AT&C losses to 12-15% and ACS-ARR gap to zero. The sunset date for the scheme was fixed as 31st March, 2026.
- In order to ensure the achievement of the scheme objectives and completion of remaining elements under the scheme, the scheme period has been extended by GOI on 16<sup>th</sup> July,2025 by another two years, i.e. upto 31<sup>st</sup> March,2028 at an already approved outlay of Rs. 3,03,758 cr.

- With respect to RDSS scheme, action plan for all 13 states with PFC has been approved. Further, PFC has so far sanctioned loans of Rs. 36,642 cr. and disbursed Rs. 5,089 cr. under RDSS.

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