



## **Power Finance Corporation Ltd.**

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

PFC announced its financial result for the quarter ended 30<sup>th</sup> June 2022 on 12<sup>th</sup> August 2022. The performance highlights for Q1'23 are detailed under.

#### **A. Business Highlights**

##### **1) *Creation of Power Asset Management Company (PAMC) for taking over the stressed/NPA power assets***

- a) PFC Board on 12.08.2022 gave approval for creation of Power Asset Management Company (PAMC) for taking over the stressed/NPA power assets. The creation of PAMC is subject to further approval from Ministry of Power and other authorities.
- b) PAMC will be a Joint Venture between PFC & REC with equal share of 50:50. REC Board on 5<sup>th</sup> August 2022 has approved the proposal for subscribing to 50% equity in PAMC.
- c) PAMC will be a professional organization which will have the expertise to acquire such stressed power assets, operate, maintain and to complete them wherever required.
- d) PAMC will create value for the stakeholders and will facilitate the Government in nation building and development.
- e) Acquisition of common stressed assets by PAMC, where both REC and PFC have exposure will have synergistic effect due to pooling of resources.

##### **2) *Launch of Digital Dashboard - Urja DRISHTI***

- a) Ministry of Power in collaboration with PFC has launched a digital dashboard Urja DRISHTI (Discom Rating for Integrated Solvency, Health and Transparency Improvement), accessible at <https://urjadrishti.com/>.
- b) The platform will publish key sector insights for Discoms in the public domain. This will enable stakeholders to view key performance metrics and comparisons between Discoms
- c) Urja DRISHTI will increase transparency in the sector, help discoms benchmark themselves with their counterparts in other states, and identify their specific areas of strength and weakness. This knowledge will poise them to create a performance improvement plan that addresses their specific need.

##### **3) *Release of 10<sup>th</sup> Annual Integrated Rating & Ranking of Distribution Utilities***

- a) On 5<sup>th</sup> August 2022, Union Minister for Power and New & Renewable Energy, Shri R K Singh launched the “10th Integrated Ratings of DISCOMs”.

- b) MoP has mandated Power Finance Corporation (PFC) as the Nodal agency for the rating exercise. So far, nine integrated rating exercises have been completed. PFC's Internal Rating for Discoms is mapped with Annual Integrated Rating.
- c) The Integrated Rating is carried out annually under the framework approved by the Ministry of Power, with the aim of evaluating performance of Power Distribution utilities on a range of parameters covering financial, operational, regulatory and reform aspects and their ability to sustain improvements year over year.
- d) Highlights of 10<sup>th</sup> Integrated Rating Exercise.

- The 10<sup>th</sup> Integrated Rating Exercise covers 71 power distribution utilities comprising of 46 State Discoms, 14 Private Discoms and 11 Power Departments across all States/UTs of India.

This time the Private Distribution Utilities and Power Departments have also being included in the rating exercise to provide complete sectoral coverage.

- For the first time, cash adjustment parameters have been introduced in the Integrated Rating Methodology to understand the actual financial performance of Discoms.
- The ratings will also be dynamic in nature & reviewed every quarter for key triggers like defaults to banks or regulatory development that might affect Discom's financial performance.

- e) Brief Insight on Performance of Discoms as per the 10<sup>th</sup> Integrated Rating Exercise

- Tariff orders for FY22 are in place for 26 States/UTs.
- Tariff petition filed for FY23 by all utilities in 30 States/UTs.
- 44 Discoms out of 60 utilities have implemented auto-pass through of fuel costs
- 26 utilities (including Power Departments) have AT&C losses of less than 15% in FY21 as compared to 21 utilities in FY19.
- Average Billing Efficiency for FY21 was at 84%. 14 Utilities reported billing efficiency of greater than 92% in FY21.
- 17 utilities improved their cash adjusted ACS-ARR gap performance over FY19-21.
- In FY21, 29 State owned Discoms and power departments have reported 100% or more of aggregate subsidy received over the aggregate subsidy booked for last three years.

*(The report is available at new launched MoP platform i.e. [www.urjadrishti.com](http://www.urjadrishti.com).)*

#### 4) **PFC organizes 'Bijli Mahotsav' as part of 'Azadi Ka Amrit Mahotsav'**

- a) As part of 'Azadi Ka Amrit Mahotsav', Ministry of Power in collaboration with PFC organized 'Bijli Mahotsav' in 34 districts across four states in India i.e. Delhi, Maharashtra, Lakshadweep and Kerala.

- b) The event was organized to celebrate the collaboration between the state and the Central Governments and highlight the key achievements of the power sector in the last eight years under the umbrella of Ujjwal Bharat Ujjwal Bhavishya – Power@2047.
- c) Some of the notable achievements in Power sector in last 8 years are enumerated under:
- i. Generation Front*
- Increase in generation capacity from 2,48,554 MW in 2014 to 4,00,000 MW today.
  - India had committed in COP21 that by 2030, 40% of its generation capacity would be from Renewable Energy sources. India has achieved this target by November 2021, 9 years ahead of schedule.
- ii. Transmission & Distribution*
- Capability to transmit 1.12. lakh MW of electricity from one corner of the country to the other. This is because of addition of nearly 1.6 lakh circuit kilometers line to India's transmission capacity. This has resulted in connecting entire country into one grid running on one frequency. From Ladakh to Kanyakumari and from Kutch to Myanmar border it has emerged as the largest integrated grid in the world.
  - With a total outlay of more than Rs. 2 lakh cr., India has strengthened the distribution infrastructure over past seven years by – constructing 2,800 new sub-stations, augmentation of 3,900 sub-stations, addition of 2.4 lakh circuit kilometer of HT lines and 5.4 lakh circuit kilometer of LT lines and addition of 6.8 lakh transformers.
- iii. Electrification*
- Achieved 100% village electrification in 2018 - 18,374 additional villages electrified in 987 days
  - Achieved 100% household electrification - 2.86 cr. additional households electrified in 18 months. Identified as the world's largest electrification drive.
  - In 2015 the average hours of supply in Rural areas was 12.5 Hrs which has now increased to an average 22 Hrs.

## B. Financial Highlights

- 1) PFC Stand alone net worth crossed the Rs.60,000 crore mark, a 11.5% increase from Q1'22. As on 30.06.2022, PFC net worth stands at Rs.61,060 cr. This is reflective of PFC's robust financial performance year on year.
- 2) PFC Board proposes interim dividend of Rs. 2.25 per share.
- 3) PFC registered a stand-alone profit of Rs. 2,110 cr. for Q1' 23. On consolidated basis, the PAT for Q1'23 is at Rs.4,580 cr.
- 4) PFC maintains CRAR at healthy levels. CRAR as on 30.06.2022 is at 24.33%, with Tier I capital at 20.95% & Tier II capital at 3.38%.
- 5) In line with the guidance provided earlier, the spread for Q1'23 continues to be within the stable range at 2.93%.

## C. Asset Synopsis

- 1) In line with the past trends, the disbursements in the first quarter have been slow, which has led to subdued loan growth. We expect the disbursements to pick up pace in the second half of the year. The business outlook for PFC is discussed in point no. ( E ).
- 2) The Net NPA levels has reduced to 1.73% in Q1'23 from 1.76% in Q4'22. This is mainly due to increase in provisioning against Stage III assets. Through our active resolution efforts, the Net NPA levels are the lowest in 5 years.

### 3) Update on Resolution Status

- Currently, 23 stressed projects are in Stage III. Out of this 14 projects of Rs.15,338cr. are being resolved through NCLT and the remaining 9 projects of Rs.5,578 cr. are being resolved outside NCLT.
- Out of the above 23 projects, 3 projects with outstanding of Rs. 4,395 cr. are in advance stages of resolution under NCLT. In all these cases, bidding process for the project is completed and the resolution plan has been approved by NCLT.

The above 3 projects are as under

- South East UP Power Transmission Company loan of Rs. 2,263 cr. It is transmission project, wherein the phase I of the project is commissioned.
- Jhabua Power Ltd. loan of Rs. 764cr. It is a 600 MW commissioned thermal generation project.
- Ind Barath Energy (Utkal) Loan of Rs. 1,368 cr. It is a 700 MW thermal generation project

Post implementation of resolution plan in all three projects, we expect the Gross NPA levels to fall below 5% going forward, which as on 30.06.2022 is at 5.65%.

### 4) Provisioning Status

- The provisioning on Stage III loans is continued to be maintained in the similar range. As on 30.06.2022, the provisioning coverage on Stage III loans is 69%.

## D. Borrowing

- 1) For FY 22-23, PFC Board has approved the borrowing progamee of Rs. 82,000 crore from both domestic and international markets.
- 2) On the foreign currency borrowing front, the key highlights are as under:
  - PFC on 7<sup>th</sup> July, 2022 has signed a Loan Agreement for JPY 30 Billion with Japan bank for International cooperation (JBIC).

JBIC provided this long term facility to PFC under JBIC's initiative titled 'Global action for Reconciling Economic growth and Environmental preservation' ("GREEN"), wherein JBIC provides financing for projects which ensure the effective reduction of greenhouse gas

emissions and conservation of the global environment. Thus, the funds under the facility would be used by PFC to finance its renewable energy portfolio.

This facility from JBIC is a landmark transaction demonstrating the Quad Partners' strong unity and robust commitment to the Indo-Pacific region, while also enhancing the bilateral cooperation between Japan and India.

- PFC has successfully listed its existing 1.841 % Euro green bond issuance on Luxembourg Stock Exchange, which is the largest green bond listing platform.

The listing has been done under the co-operation agreement signed between India INX & Luxembourg Stock Exchange, which encompasses areas of mutual interest in Green bonds and ESG space. The listing on Luxembourg stock exchange would aid PFC in strengthening its presence in the European continent and help facilitate future financing to meet the green energy goals set out by the Govt. of India

- Also, to protect PFC's Profit from adverse impact of foreign currency fluctuations, PFC has been actively focusing on hedging its foreign currency borrowings. During Q1'23, the hedging cover on the total foreign currency portfolio has been enhanced from 55% to 67% for exchange risk. Further, as on 30.06.2022, around 93% of the portfolio with residual maturity upto 5 year is hedged for exchange risk and out of this, 100% of USD denominated borrowing are hedged.

## E. Business Outlook

### ➤ More than Rs.58,000 cr. sanctions in pipeline

1) During Q1'23, PFC sanctioned loans worth Rs.25,391 cr. Some of the major sanctions were Rs.2,149 cr. of loan to Damodar Valley Corporation, Rs.1,800 cr. loan to Maharashtra State Generation Co. Ltd & Rs.1,480 cr. to Himachal Pradesh Power Corporation Ltd.

2) **Significant Financing Opportunities under Govt. Schemes** : PFC envisages significant business potential under following the schemes notified by Gol:

#### a) **Rs. 33,079 cr. sanctioned by PFC in July 2022 under Late Payment Surcharge Rules**

- i. On 03.06.2022, the Ministry of Power notified the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 ("LPS Rules").
- ii. The objective is to inter alia strengthen the regulatory provisions for recovery of outstanding dues of GENCOs, TRANSCO and electricity trading licensees from DISCOMs.
- iii. The scheme inter-alia provides that the total outstanding dues owed by the Discoms including Late Payment Surcharge upto the date of the notification of these rules i.e. 03.06.2022 shall be rescheduled and the due date of the payment shall also be re-determined in the following maximum number of equated monthly installments:

Outstanding dues amount (in Rs. Crore)	Maximum no. of equated monthly installments (months)
Up to 500	12
501 – 1,000	20
1,001 – 2,000	28
2,001 – 4,000	34
4,001 – 10,000	40
>10,000	48

- iv. In line with the Govt. LPS Rules, PFC on 11.07.022 formulated a scheme for providing Financial Assistance to DISCOMs for clearance of Outstanding Dues under Late Payment Surcharge (LPS) Rules, 2022. The funding will be backed by State Govt. Guarantee.

So far PFC has sanctioned Rs.33,079 cr. and disbursed Rs.1,338 cr. to Discoms for clearance of dues under the LPS Rules.

b) **Update on Revamped Distribution Sector Scheme (RDSS)**

- The Government of India on 30.06.2021 introduced a Reforms-based and Results-linked, Revamped Distribution Sector Scheme with an outlay of Rs.3,03,758 crore. PFC along with its subsidiary REC have been designated as nodal agencies under the scheme.
- During the quarter, action plan and projects for Discoms in 2 states i.e. Haryana and Jharkhand have been sanctioned. Thus, so far PFC has action plan & projects sanctioned in total 8 states namely Andhra Pradesh, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Uttarakhand, Haryana and Jharkhand.

- 3) **Opportunities for funding power components in other infrastructure areas** - PFC is exploring opportunities to provide financing for electro mechanical components of projects in other infrastructure sector such as metro, port & airport.

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