

Power Finance Corporation

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	POWF IN
Equity Shares (m)	3300
M.Cap.(INRb)/(USDb)	1483.2 / 17.6
52-Week Range (INR)	580 / 260
1, 6, 12 Rel. Per (%)	0/-6/46
12M Avg Val (INR M)	7305

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	156	182	201
PPP	175	201	225
PAT	144	167	183
EPS (INR)	43.5	50.5	55.4
EPS Gr. (%)	-1	16	10
BV/Sh. (INR)	240	275	314
ABV/Sh. (INR)	196	231	270
RoAA (%)	3.0	3.1	3.0
RoAE (%)	19.5	19.6	18.8
Div Payout (%)	31.0	30.0	30.0

Valuations

P/E (x)	10.3	8.9	8.1
P/BV (x)	1.9	1.6	1.4
Core P/E (x)	6.5	5.6	5.1
Core P/BV (x)	1.4	1.2	1.0
Div. Yld (%)	3.0	3.4	3.7

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	56.0	56.0	56.0
DII	17.5	17.1	17.9
FII	17.7	17.9	16.9
Others	8.8	9.0	9.3

FII Includes depository receipts

CMP: INR449

TP: INR560 (+25%)

Buy

Healthy quarter; disbursements to accelerate further in 2H

Asset quality improves due to stressed asset resolution; NIM flat QoQ

- Power Finance Corporation (PFC)'s 2QFY25 PAT grew ~14% YoY to INR43.7b. Its 1HFY25 PAT grew 18% YoY to INR80.9b and we expect the 2HFY25 PAT to increase ~14% YoY.
- NII in 2QFY25 grew ~18% YoY to ~INR44.1b. Other income grew ~23% YoY to ~INR14.7b, which included dividend income of INR12.5b (PY: INR10.8b).
- Opex rose ~106% YoY to ~INR2.4b, mainly driven by CSR expense of ~INR1.3b. PPop grew ~14% YoY to INR53.3b.
- Yields (calc.) and CoB (calc.) declined ~8bp and ~9bp QoQ to ~10.1% and ~7.3%, respectively, resulting in spreads remaining stable QoQ at ~2.7%. Reported NIM was broadly stable QoQ at ~3.57%.
- GS3 improved ~70bp QoQ to ~2.7% and NS3 improved ~15bp QoQ to ~0.7%. This was driven primarily by the resolution of Lanco Amarkantak (PFC's outstanding at ~INR23.8b), which resulted in a provision reversal of ~INR2b. Total provision write-backs in the P&L stood at INR1.2b. This translated into annualized credit costs of -10bp (PY: -9bp and PQ: 5bp).
- Two projects with a total exposure of ~INR16.6b (Shiga Energy with an outstanding of INR5.2b and TRN Energy with an outstanding of INR11.4b) are in advanced stages of resolution. The company shared that it expects both of these stressed exposures to be resolved in the current financial year itself. Provisions carried against each of the stressed assets will be sufficient to take care of resolutions, and there will be some write-backs as well.
- We estimate a CAGR of 16%/14%/13% in disbursement/advances/PAT over FY24- FY27, RoA/RoE of 2.9%/18.5% and a dividend yield of ~4% in FY27E.

Key highlights from the management commentary

- PFC's sanctions in 1HFY25 stood at INR1.6t, and it has a healthy pipeline of sanctions going forward as well.
- PFC has done a detailed due diligence on the Shapoorji Pallonji (SP) Group, but the company's Board does not want to take that high an exposure. Finally, PFC has decided **not** to go ahead with the sanctioning of the loans to the SP Group.
- Disbursements were slightly slower in 1HFY25 as PFC began implementing the transformation strategy recommended by BCG from Apr'24. The company is progressing well on the transformation strategy, and management expects that its disbursement trajectory will be back on track from 3QFY25. PFC guided a loan growth of ~14%, similar to last year.

Valuation and view

- PFC (standalone) trades at 1x FY26E P/BV and 5x FY26 P/E, and we believe that the risk-reward is attractive considering good visibility on loan growth, earnings growth, stressed asset resolutions, and healthy return ratios.
- We reiterate our **BUY** rating with an SoTP (Sep'26E)-based TP of INR560 (based on 1.2x target multiple for the PFC standalone business and INR211/share for PFC's stake in REC after a hold-co discount of 20%).
- **Key risks:** 1) rise in exposure to private infrastructure projects as these loans fall outside PFC's core expertise of lending to power projects; 2) increase in exposure to power projects without PPAs, 3) compression in spreads and margins due to aggressive competitive landscape.

Quarterly Performance										(INR m)
Y/E March	FY24				FY25E				FY24	FY25E
Particulars	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	1,01,241	1,06,921	1,13,313	1,14,937	1,18,270	1,19,090	1,24,211	1,30,189	4,36,411	4,91,760
Interest Expenses	66,207	69,631	71,735	72,564	74,990	75,007	78,007	81,773	2,80,138	3,09,776
Net Interest Income	35,034	37,289	41,578	42,373	43,280	44,083	46,204	48,416	1,56,274	1,81,983
YoY Gr %	1.0	-3.1	16.4	21.9	23.5	18.2	11.1	14.3	8.8	16.5
Other Income	-2,111	11,904	5,875	7,165	3,160	14,655	5,301	4,827	22,832	27,943
Net Operational Income	32,923	49,193	47,452	49,538	46,440	58,738	51,504	53,243	1,79,106	2,09,926
YoY Gr %	-8.9	7.6	20.6	14.3	41.1	19.4	8.5	7.5	8.9	17.2
Exchange gain/(loss)	4,827	-1,188	-2,231	723	589	-3,100	-2,000	3,011	2,131	-1,500
Total Net Income	37,750	48,005	45,221	50,261	47,029	55,639	49,504	56,254	1,81,237	2,08,426
YoY Gr %	32.6	22.5	23.2	24.3	24.6	15.9	9.5	11.9	25.2	15.0
Operating Expenses	1,018	1,143	1,100	3,431	1,016	2,355	1,430	2,569	6,691	7,369
Operating Profit	36,732	46,863	44,121	46,830	46,013	53,284	48,075	53,686	1,74,545	2,01,057
YoY Gr %	35.5	22.6	24.1	23.7	25.3	13.7	9.0	14.6	25.8	15.2
Provisions	22	-989	2,626	-3,370	620	-1,241	-1,500	-1,956	-1,712	-4,076
PBT	36,710	47,852	41,495	50,200	45,393	54,525	49,575	55,641	1,76,257	2,05,134
Tax	6,641	9,377	7,723	8,845	8,214	10,821	9,419	9,906	32,587	38,360
Tax Rate %	18.1	19.6	18.6	17.6	18.1	19.8	19.0	17.8	18.5	18.7
PAT	30,069	38,474	33,772	41,355	37,179	43,704	40,156	45,735	1,43,670	1,66,774
YoY Gr %	42.5	28.3	12.4	18.4	23.6	13.6	18.9	10.6	23.5	16.2

Key Parameters (Calc., %)

Yield on loans	9.8	10.0	10.2	10.0	10.1	10.1
Cost of funds	7.3	7.4	7.4	7.2	7.4	7.3
Spread	2.5	2.6	2.9	2.8	2.7	2.7
NIM	3.4	3.5	3.8	3.7	3.6	3.6
C/I ratio	2.9	3.1	2.6	8.1	2.3	5.3
Credit cost	0.0	(0.02)	0.1	(0.1)	0.01	(0.03)

Balance Sheet Parameters

Disbursements (INR b)	228	328	235	486	195	467
Growth YoY (%)	391	91	(7)	25	(15)	42
AUM (INR b)	4,313	4,495	4,570	4,815	4,750	4,934
Growth YoY (%)	17	19	16	14	10	10

Asset Quality Parameters

GS 3 (INR B)	165.0	165	160.7	160.7	161	134
GS 3 (%)	3.8	3.7	3.5	3.3	3.4	2.7
NS 3 (INR B)	45.0	44.8	41.1	41.1	41.1	35.3
NS 3 (%)	1.0	1.0	0.9	0.9	0.9	0.7
PCR (%)	72.7	72.8	74.4	74.4	74.4	73.6

E: MOSL Estimates

PFC: SOTP - Sep 2026

	Stake	Target Multiple	Value (INR B)	INR per share	% To Total	Rationale
PFC Standalone	100	1.2	1,152	349	62	1.2x Sep'26 PBV
REC Stake (Pre-Holdco)	53	1.6	873	265		1.6x Sep'26 PBV
Hold Co Discount (20%)			175			
REC Stake (Post-Holdco)			698	211	38	
Target Value			1,850	560	100	

Strong disbursement growth; healthy sanction pipeline

- AUM stood at INR4.93t and grew 10% YOY/4% QoQ. Disbursements during the quarter rose ~42% YoY to ~INR467b.
- In 2QFY25, the share of infrastructure in the total disbursements stood at ~4%.
- The company sanctioned ~INR500b worth of loans to the conventional projects in 1HF25, with full disbursements expected over 3-4 years. The renewables segment in the loan mix was stable at 13%.
- We model a loan book CAGR of ~14% over FY24-FY27E.

Improvement in asset quality aided by stressed asset resolution

- GS3 improved ~70bp QoQ to ~2.7% and NS3 improved ~15bp QoQ to ~0.7%. PCR on Stage 3 remained healthy at ~74%.
- PFC has ~18 projects that are classified as NPA. Resolutions in ~12 NPA projects (PCR: 78%) are being pursued under NCLT, and the remaining ~6 NPA projects (PCR: 48%) are being pursued outside NCLT. The provisioning is adequate to take care of the resolutions, with potential for some write-backs as well.

Progress in stressed asset resolutions

- **Lanco Amarkantak:** Following the NCLT approval, PFC resolved an exposure of INR ~23.8b, leading to a provision reversal of INR 2b.
- **Shiga energy and TRN energy:** These two projects with an exposure of ~INR5.2b and ~INR11.4b, respectively, are in advanced stages of resolution. The company expects to resolve these projects in the current financial year itself.
- **KSK Mahanadi:** PFC's total outstanding exposure is ~INR33b, with bid evaluations ongoing. Based on received bids, PFC expects over ~100% recovery but has not reversed any provisions. The recovery is expected to exceed the claim amount.
- **Sinnar Thermal:** Bids have been invited and received, with the evaluation process still ongoing. The final evaluation is expected to be completed within a month and will subsequently be submitted to the NCLT for its approval. PFC carries a PCR of ~80% on this project.



Highlights from the management commentary

Standalone performance

- Standalone PAT stood at INR43.7b, up 14% YoY, mainly driven by healthy growth in the NII
- Positive trend over 1HFY24 - Yields rose to 10.11% and CoB rose ~5bp QoQ to 7.5%.
- Spread stood at 2.61% (v/s 2.64% QoQ). NIM improved by ~20bp YoY to 3.57%. These ratios continue to remain within its guided range. Balance Sheet remains exceptionally strong with CRAR of 24.4%
- PFC declared its 2nd interim dividend of INR3.5/share (v/s 1st interim dividend of INR3.25/share)

Update on stressed assets

- **Lanco Amarkantak:** PFC's total exposure of INR23.76b has been resolved pursuant to receipt of the NCLT approval. There was a provision reversal of INR2b on this stressed asset resolution.
- Two projects with exposures of ~INR16.6b (Shiga Energy with an outstanding of INR5.22b and TRN Energy with an outstanding of INR11.4b) are in advanced stages of resolution.
- Exposures worth INR3.13b have moved out of Stage 3 on account of resolution.
- One NPA account was technically written-off which did not have any impact on the P&L since it already carried 100% PCR.
- **KSK Mahanadi:** PFC has a total outstanding of INR33b. Evaluation of the bids is underway and it expects more than 100% recovery against the project based on the bids which has been received. The company has not adjusted the cash recoveries from KSK Mahanadi and it still remains in the unallocated fund for PFC. PFC has not done any provision reversal on this exposure. Recovery will be more than the claim amount. PFC has a PCR of 55% on this stressed exposure.
- **Sinnar Thermal:** Invited bids and it has received the bids. Evaluation process is still going on. In a month, it might finalize the evaluation and submit to NCLT. PCR stood at ~80%.
- **Shiga Energy:** Received approval from all the lenders and expects the asset to be resolved. PCR of 31%.
- **TRN Energy:** Provisioning cover of ~50%
- PFC is carrying provisions of ~INR1.59b on Shiga Energy, ~INR5.5b on TRN Energy and ~INR18b on KSK Mahanadi.
- PFC shared that it expects to resolve TRN Energy and Shiga Energy in the current financial year itself.

Asset quality

- GNPA declined to 2.71% (PQ: 3.4%) and NNPA stood at 0.72%
- PFC has a total of 18 stressed exposures with an outstanding of INR133.8b. Of these, 12 projects with a total outstanding of INR115.5b are being resolved in NCLT
- On projects which are under liquidation, PFC has a PCR of 100%
- Andhra Pradesh Utility has regularized its repayments. Most of the Stage 2 Projects are in the State/Government Sectors.

- Provisioning will be sufficient to take care of resolutions and there will be some write-backs as well.

Loan asset growth

- PFC has implemented a BCG suggested transformation strategy from Apr'25. This led to slightly lower disbursements in 1HFY25.
- Repayments and maturities were scheduled to be higher in the 1H. Bigger proportion of repayments occurred in 1HFY25, which is why the loan growth was muted.
- The company is progressing well on the transformation strategy and its disbursements trajectory will be back on track from 3QFY25 onwards
- In 1HFY25, PFC sanctioned INR1.6t worth of project and has healthy pipeline of sanctions going forward
- For FY25, it expects to maintain similar loan growth levels (~14%) as the last financial year
- Focus of the government is to almost double the installed power capacity by 2030. Out of this, 80GW will be in thermal/conventional projects.
- Sanctioned ~INR500b worth of loans to the conventional projects in 1HFY25. It will take 3-4 years for complete/full disbursements in these projects.

Mix of fixed and floating rate assets and liabilities

- Liabilities: 27% are floating rate and 72-73% are fixed rate liabilities.
- Assets: 95% are floating rate assets (either with a three-year reset clause or a one-year reset clause)
- There has been a downward trend in the Bond markets. There was no decline in the cost of bank borrowings.

Infra portfolio

- Includes HPCL Rajasthan Refinery, manufacturing projects to various private sector developers, including ports.
- SP Group: PFC has done a detailed due diligence but the Board has decided that it may not take that high an exposure. Finally, it has decided not to go ahead with the sanctioning of the loan to SP Group.
- There was never an intent to lend to Vodafone IDEA but was more media speculation
- In the Infrastructure loan mix, 96% are for the Government Sector and 4% are for the private Sector. Total infra sanctions in 1HFY25 stood at ~INR240b. Sanction mix was largely same as the loan mix.
- PFC wants to remain cautious in the Infrastructure segment since it is a new segment for the company

Subsidiary in IFSC Gift City

- PFC has received a certificate for commencement of business from IFSC Gift City. It intends to target domestic as well as foreign companies. From IFSC, the company can disburse only in foreign currency. It plans to fund infrastructure projects including power projects.

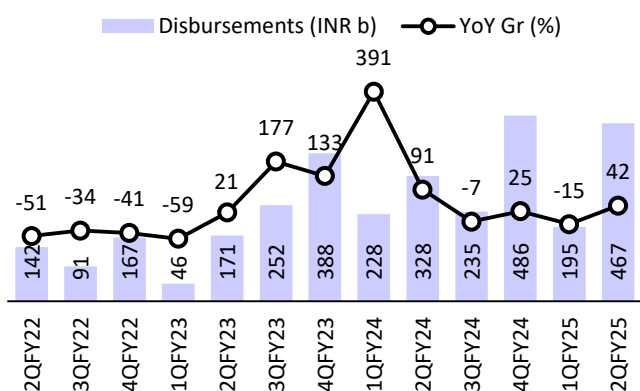
- It will be a separate subsidiary. After infusion of equity capital, it will raise debt. There is a lot of interest from power project borrowers to borrow in foreign currencies.
- Tax Holiday of 10 years in IFSC Gift City.

Others

- **Sanction mix:** Generation: 60%, Distribution: 17%, Infra: 15% and Transmission: 8%
- Incremental CoB stood at 6.27% (v/s Portfolio yields of ~7.5%). Cost of Foreign currency borrowings without hedging is 3%
- PFC continued to guide for NIM in the range of 3.0-3.5%
- In the past, disbursements were made under LPS and LIS were backed by the Government, it attracted only a ~20% Risk weight. Disbursements to Power and Infrastructure projects which are not backed by Government, will attract a 100% Risk Weight.
- **Adani Power:** PFC funded the project in Jharkhand, which is supplying power to Bangladesh. There has not been any delay in loan servicing from the company. It has also gathered that the company will soon be receiving the payments from the Bangladesh government.

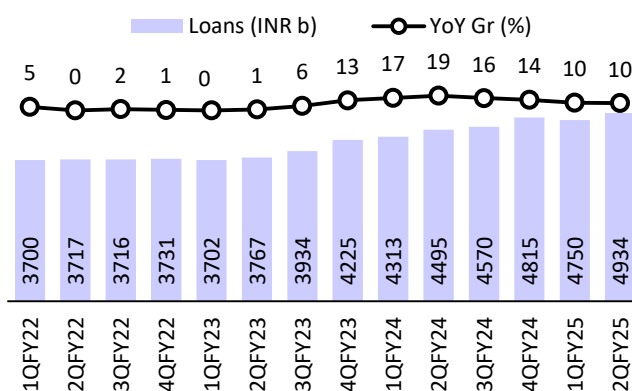
Key exhibits

Exhibit 1: Disbursements rose ~42% YoY



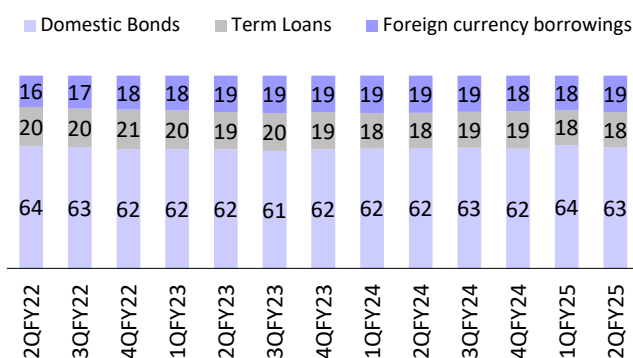
Source: MOFSL, Company

Exhibit 2: Loan book grew 10% YoY



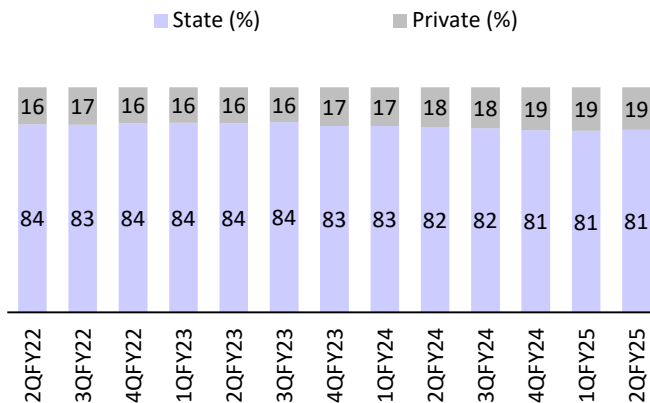
Source: MOFSL, Company

Exhibit 3: Borrowing mix (%)



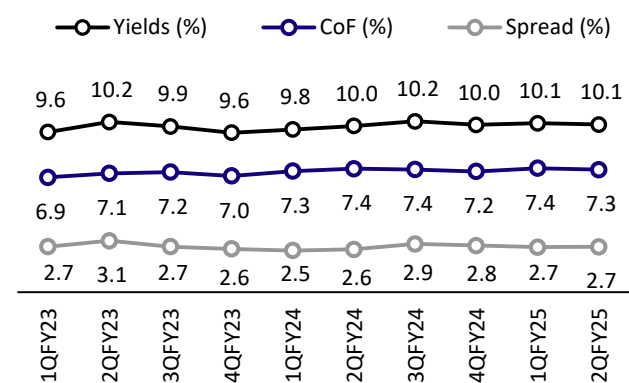
Source: MOFSL, Company

Exhibit 4: ~19% of loans are given to private players (%)



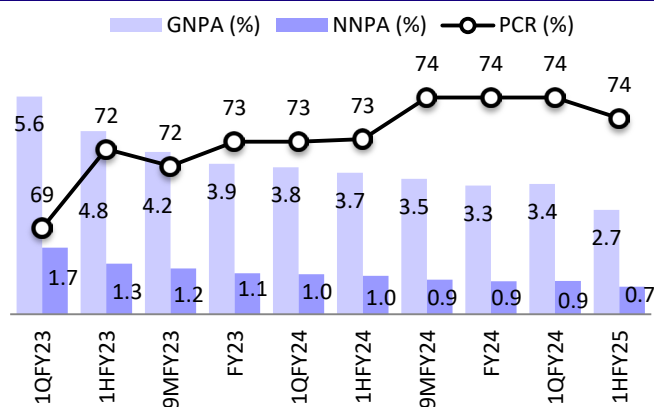
Source: MOFSL, Company

Exhibit 5: Spreads stable QoQ



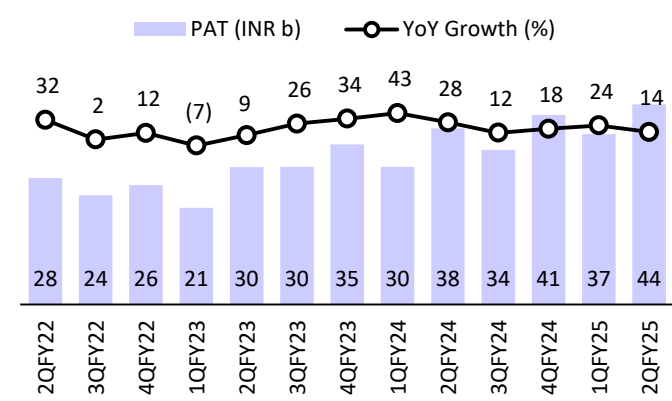
Source: MOFSL, Company,

Exhibit 6: Asset quality improved driven by a stressed asset resolution during the quarter



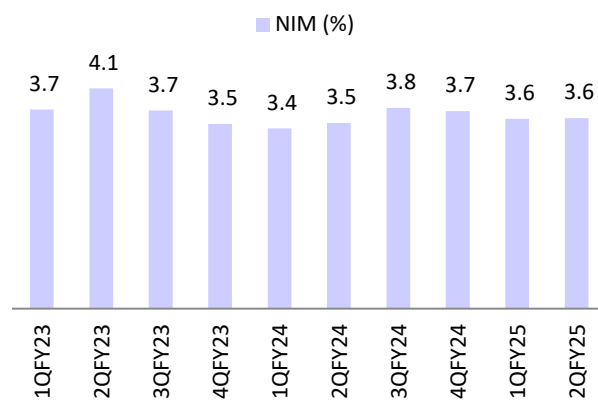
Source: MOFSL, Company

Exhibit 7: PAT grew ~14% YoY



Source: MOFSL, Company,

Exhibit 8: NIMs largely stable QoQ (%)



Source: MOFSL, Company

Exhibit 9: We broadly maintain our FY25/FY26/FY27 earnings estimates

INR B	Old Est.			New Est.			% Change		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
NII	178.3	201.6	231.0	182.0	201.4	229.8	2.1	-0.1	-0.5
Other Income	27.3	30.0	33.0	26.4	31.8	34.3	-3.2	5.8	4.0
Net Income	205.6	231.6	264.1	208.4	233.1	264.2	1.4	0.7	0.0
Operating Expenses	7.4	8.0	8.8	7.4	8.0	8.8	0.0	0.0	0.0
Operating Profits	198.2	223.6	255.3	201.1	225.1	255.4	1.4	0.7	0.0
Provisions	-3.9	0.7	3.8	(4.1)	0.7	3.7	-	-	-2
PBT	202.1	222.9	251.5	205.1	224.5	251.7	1.5	0.7	0.1
Tax	37.4	41.2	46.5	38.4	41.5	46.6	2.6	0.7	0.1
PAT	164.7	181.7	205.0	166.8	182.9	205.1	1.3	0.7	0.1
Loans	5,473	6,320	7,260	5,447	6,292	7,224			
RoAA (%)	3.1	3.0	2.9	3.1	3.0	2.9			

Source: MOFSL, Company

Financials and valuations

Income Statement							(INR b)		
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest on loans	284	320	361	367	376	436	492	546	620
Interest exp & other charges	190	219	232	227	233	280	310	344	391
Net Interest Income	94	101	130	140	144	156	182	201	230
Change (%)	7.8	6.9	28.3	8.3	2.4	8.8	16.5	10.6	14.1
Other operating income	4	21	11	19	21	23	28	30	33
Exchg Gain/(loss) on Forex loans	-5	-26	2	-9	-20	2	-2	1	1
Other Income	0	0	0	0	0	0	0	0	0
Net Income	93	96	142	150	145	181	208	233	264
Change (%)	-9.5	2.6	48.4	5.7	-3.6	25.2	15.0	11.9	13.3
Employee Cost	2	2	2	2	2	2	3	3	3
Administrative Exp	2	2	3	3	4	4	5	5	6
Depreciation	0	0	0	0	0	0	0	0	0
Operating Income	89	92	137	144	139	175	201	225	255
Change (%)	-10.2	2.7	49.2	5.4	-4.0	25.8	15.2	12.0	13.4
Total Provisions	-9	10	35	22	-3	-2	-4	1	4
% to operating income	-9.7	10.8	25.5	15.4	-2.1	-1.0	-2.0	0.3	1.4
PBT	98	82	102	122	142	176	205	224	252
Tax (Incl Deferred tax)	29	25	18	22	26	33	38	42	47
Tax Rate (%)	29.2	31.0	17.3	18.0	18.1	18.5	18.7	18.5	18.5
PAT	70	57	84	100	116	144	167	183	205
Change (%)	4.2	-18.7	49.3	18.7	15.8	23.8	16.1	9.7	12.1
Extra-ordinary item	0	0	0	0	0	0	0	0	0
Reported PAT	70	57	84	100	116	144	167	183	205

Balance Sheet							(INR b)		
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Capital	26	26	26	26	26	33	33	33	33
Reserves & Surplus	406	425	498	567	656	759	876	1,004	1,147
Net Worth	433	452	524	594	682	792	909	1,037	1,180
Deferred Tax Liability	0	0	0	0	0	0	0	0	0
Networth (incl DTL)	433	452	524	594	682	792	909	1,037	1,180
Interest subsidy from GoI	0	0	0	0	0	0	0	0	0
Borrowings	2,952	3,103	3,330	3,274	3,704	4,164	4,630	5,348	6,140
Change (%)	24.7	5.1	7.3	-1.7	13.1	12.4	11.2	15.5	14.8
Total Liabilities	3,385	3,554	3,854	3,868	4,386	4,956	5,539	6,385	7,321
Investments	166	165	160	161	173	202	222	234	245
Change (%)	558.2	-0.7	-3.0	0.7	7.6	16.9	10.0	5.0	5.0
Loans	3,032	3,341	3,601	3,609	4,108	4,699	5,291	6,136	7,065
Change (%)	14.0	10.2	7.8	0.2	13.8	14.4	12.6	16.0	15.1
Forex monetary reserves	0	0	0	0	0	0	0	0	0
Net Fixed Assets	0	1	1	1	1	1	1	1	1
Net Current Assets	142	2	48	40	16	2	24	20	22
Total Assets	3,340	3,509	3,809	3,811	4,298	4,905	5,538	6,391	7,333

E: MOFSL Estimates

Financials and valuations

Loans and Disbursements	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross Loans (INR b)	3,147	3,449	3,708	3,731	4,225	4,815	5,447	6,292	7,224
YoY Growth (%)	13	10	7	1	13	14	13	16	15
Disbursements (INR b)	677	680	883	512	858	1,277	1,596	1,803	2,001
YoY Growth (%)	5	0	30	-42	67	49	25	13	11
Ratios									
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Spreads Analysis (%)									
Avg. Yields	10.0	10.0	10.4	10.2	9.8	9.9	9.8	9.6	9.4
Avg Cost of funds	7.1	7.2	7.2	6.9	6.7	7.1	7.0	6.9	6.8
Interest Spread	2.9	2.8	3.2	3.3	3.1	2.79	2.80	2.65	2.60
NIM	3.1	2.3	3.8	3.6	3.2	3.6	3.6	3.5	3.5
Profitability Ratios (%)									
RoE	17.3	12.8	17.3	17.9	18.2	19.5	19.6	18.8	18.50
RoA	2.2	1.6	2.2	2.5	2.8	3.0	3.1	3.0	2.9
Efficiency Ratios (%)									
Int. Expended/Int. Earned	66.8	68.4	64.2	61.8	61.8	64.2	63.0	63.1	63.0
Other operating Inc./Net Inc.	4.3	22.0	7.6	12.3	14.3	12.5	13.3	13.1	12.5
Other Income/Net Income	0.2	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.2
Op. Exps./Net Income	4.3	4.2	3.6	3.8	4.2	3.7	3.5	3.4	3.3
Empl. Cost/Op. Exps.	43.5	48.5	37.9	37.1	36.3	36.3	35.2	34.6	34.2
Asset-Liability Profile (%)									
Loans/Borrowings Ratio (x)	103	108	108	110	111	113	114	115	115
Assets/Networth (x)	7.7	7.8	7.3	6.4	6.3	6.2	6.1	6.2	6.2
Debt/Equity (x)	6.8	6.9	6.4	5.5	5.4	5.3	5.1	5.2	5.2
Asset Quality (%)									
Gross Stage 3	9.4	8.1	5.7	5.6	3.9	3.3	2.8	2.3	1.9
Net Stage 3	4.6	3.8	2.1	1.8	1.1	0.9	0.7	0.7	0.6
PCR	51.5	47.1	63.4	68.6	72.7	74.4	73.0	71.0	70.0
Credit costs	-0.31	0.31	1.01	0.62	-0.08	-0.04	-0.08	0.01	0.06
Valuations									
Book Value (INR)	164	171	198	225	258	240	275	314	358
BV Growth (%)	17.1	4.3	16.0	13.3	14.9	-7.1	14.7	14.1	13.8
Price-BV (x)	2.7	2.6	2.3	2.0	1.7	1.9	1.6	1.4	1.3
Adjusted Book Value (INR)	150	116	144	170	203	196	231	270	314
ABV Growth (%)	24.8	-22.8	23.6	18.4	19.7	-3.6	18.0	16.8	16.1
Price-ABV (x)	1.8	2.4	1.9	1.6	1.4	1.4	1.2	1.0	0.9
EPS (INR)	26.3	21.4	32.0	38.0	44.0	43.5	50.5	55.4	62.2
EPS Growth (%)	4.2	-18.7	49.3	18.7	15.8	-1.0	16.1	9.7	12.1
Price-Earnings (x)	17.0	21.0	14.0	11.8	10.2	10.3	8.9	8.1	7.2
Core EPS (INR)	27.7	19.9	31.2	37.0	42.8	42.3	49.1	53.8	60.3
Adj Core EPS Growth (%)	12.4	-28.2	56.7	18.7	15.4	-1.2	16.2	9.6	12.1
Adj. Price-Core EPS (x)	10.0	13.9	8.9	7.5	6.5	6.5	5.6	5.1	4.6
DPS	0.0	9.5	10.0	12.0	13.3	13.5	15.2	16.6	18.6
Dividend Yield (%)	0.0	2.1	2.2	2.7	3.0	3.0	3.4	3.7	4.2
E: MOSL Estimates									

PFC : Du Pont Analysis	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest income	9.1	9.0	9.6	9.3	9.0	9.2	9.2	9.0	8.9
Interest expenses	6.1	6.2	6.2	5.8	5.5	5.9	5.8	5.7	5.6
Net Interest Income	3.0	2.9	3.4	3.6	3.4	3.3	3.4	3.3	3.3
Other Operating Income	0.1	0.6	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Other Income	-0.2	-0.7	0.0	-0.2	-0.5	0.0	0.0	0.0	0.0
Total Income	3.0	2.7	3.8	3.8	3.5	3.8	3.9	3.8	3.8
Operating expenses	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating profits	2.9	2.6	3.6	3.7	3.3	3.7	3.8	3.7	3.7
Provisions	-0.3	0.3	0.9	0.6	-0.1	0.0	-0.1	0.0	0.1
PBT	3.1	2.3	2.7	3.1	3.4	3.7	3.8	3.7	3.6
Taxation	0.9	0.7	0.5	0.6	0.6	0.7	0.7	0.7	0.7
RoA	2.2	1.6	2.2	2.5	2.8	3.0	3.1	3.0	2.9
Leverage (x)	7.8	8.0	7.7	7.0	6.6	6.4	6.3	6.2	6.3
RoE	17.3	12.8	17.3	17.9	18.2	19.5	19.6	18.8	18.5

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

MOFSL, its associates, Research Analyst or their relatives may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst or their relatives may have actual beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may have any other potential conflict of interests at the time of publication of the research report or at the time of public appearance, however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

In the past 12 months, MOFSL or any of its associates may have:

- received any compensation/other benefits from the subject company of this report
- managed or co-managed public offering of securities from subject company of this research report,
- received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.

- MOFSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
- Subject Company may have been a client of MOFSL or its associates during twelve months preceding the date of distribution of the research report.
- Research Analyst may have served as director/officer/employee in the subject company.
- MOFSL and research analyst may engage in market making activity for the subject company.

MOFSL and its associate company(ies), and Research Analyst and their relatives from time to time may have:

- a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement

Power Finance Corporation

Analyst ownership of the stock

No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

MOTILAL Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and

services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act of Singapore. Accordingly, if a Singapore person is not, or ceases to be, such an investor, they must immediately discontinue any use of this Report and inform MOCMSPL.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp@grievances@motilaloswal.com.