8 August 2026

1QFY27 Results Update | Sector: Financials

Power Finance Corporation

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	POWF IN
Equity Shares (m)	3300
M.Cap.(INRb)/(USDb)	1386 / 14.6
52-Week Range (INR)	487 / 330
1, 6, 12 Rel. Per (%)	1/5/3
12M Avg Val (INR M)	2888

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
NII	219	218	239
PPP	230	242	265
PAT	201	202	209
EPS (INR)	60.8	61.1	63.4
EPS Gr. (%)	16	1	4
BV/Sh. (INR)	311	353	398
ABV/Sh. (INR)	267	309	354
RoAA (%)	3.4	3.2	3.1
RoAE (%)	20.7	18.4	16.9
Div Payout (%)	30.5	30.5	30.0
Valuations			
P/E (x)	6.9	6.9	6.6
P/BV (x)	1.4	1.2	1.1
Core P/E (x)	5.0	5.0	4.8
Core P/BV (x)	1.1	1.0	0.8
Div. Yld (%)	4.4	4.4	4.5

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	56.0	56.0	56.0
DII	14.5	15.1	16.1
FII	20.5	19.6	18.7
Others	9.0	9.3	9.2

FII includes depository receipts

CMP: INR420 **TP: INR500 (+19%)** **Buy**

Weak quarter; muted loan growth and pressure on NIM

PPoP in line but earnings beat driven by provision writebacks

- Power Finance Corporation's (PFC) 1QFY27 PAT grew ~5% YoY to INR47.5b (~5% beat). NII declined ~4% YoY to ~INR52.3b (~7% miss). Other operating income grew ~40% YoY to ~INR2.8b.
- PFC reported an exchange gain of INR752m (PQ: exchange loss of INR3.1b). Opex grew ~26% YoY to ~INR2.3b (~15% higher than MOFSLe). Cost-income ratio rose ~45bp QoQ to ~4.5%. PPoP grew ~11% YoY to INR53.6b (in line).
- Provision writebacks for the quarter stood at INR5.6b (vs. provision writebacks of INR13.8b in 4QFY26 and PY: INR6.8b). This translated into negative credit costs of -10bp during the quarter (PY: -12bp). The provision reversal in 1QFY27 was majorly on account of an upward revision in the internal rating of Tamil Nadu Power Generation Corporation Ltd. (TNPGCL).
- Reported yields stood at ~9.56% (FY26: 9.96%), while CoB stood at ~7.07% (FY26: 7.5%), resulting in spreads of ~2.5% (FY26: 2.45%) in 1QFY27. NIM (calc.) contracted ~22bp QoQ to ~3.7%.
- PFC indicated that the decline in lending yields during the quarter was in line with expectations, reflecting lower lending rates on both the existing and incremental loan portfolio amid the declining interest rate environment. Going forward, the company will continue to calibrate its lending rates in line with market conditions while balancing growth and spreads.
- **We cut our FY27/FY28 EPS by ~2%/5%, primarily to reflect lower loan growth and margin contraction, partly offset by lower credit costs. We estimate a disbursement/advances/PAT CAGR of 3%/7%/2% over FY26-FY28, an RoA/RoE of 3.1%/17%, and a dividend yield of ~4.5% in FY28. We reiterate our BUY rating with an SoTP (Mar'28E)-based TP of INR500.**

Muted disbursements; loan book declines 2% QoQ

- Loan book stood at INR5.7t, growing 4% YoY but declining ~2% QoQ. Repayments during the quarter stood at ~20.9% (PQ: 20.7% and PY: ~21.7%).
- Loan growth during the quarter was impacted by elevated prepayments amid the lower interest rate environment, coupled with seasonally weaker disbursements in 1Q of the fiscal year. PFC shared that disbursement momentum is expected to improve in the second half of the financial year, which should support relatively stronger loan book growth going forward. We also model a loan CAGR of ~7% over FY26-FY28E.
- Disbursements declined 44% YoY to INR201b. Disbursements to infrastructure sector formed ~5% of the total disbursements in 1QFY27. Renewables segment in the loan mix declined to 14.8% (PQ: 15.5%).

Asset quality stable; PCR on standard assets declines QoQ

- GS3/NS3 was broadly flat QoQ at ~1.1%/0.15%, respectively. PCR on Stage 3 was stable QoQ at 86.2%. Standard assets (Stage 1 + 2) PCR declined ~8bp QoQ to 78bp (PQ: 86bp and PY: 98bp).

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- PFC has ~19 projects that are classified as NPA. Resolutions in ~10 NPA projects are being pursued under NCLT, while the remaining ~9 NPA projects are being pursued outside NCLT.
- Outside NCLT, one of the major stressed asset under this category is Shiga Energy Pvt Ltd, with an outstanding amount of INR5.22b. It is a 97 MW hydro energy plant.

Key highlights from the press release

- As of Jun'26, PFC's outstanding foreign currency borrowings stood at USD10.6b, comprising 63% USD, 22% JPY, and 15% EUR. The company has hedged ~97% of its foreign currency borrowings against exchange rate risk through various derivative structures and continues to actively monitor and manage its forex exposure.
- Cost of funds declined during the quarter, reflecting the benefit of last year's repo rate cuts on the existing borrowing portfolio. Going forward, funding costs are expected to remain sensitive to movements in the foreign exchange market.
- Following the RBI's revised Scale Based Regulation framework, PFC has been classified as an NBFC-Upper Layer (NBFC-UL). Management indicated that the company already complies with most of the applicable regulatory requirements, with the remaining changes largely relating to group exposure limits, CET1 capital, and reporting requirements. Accordingly, it does not expect any material impact from the transition to the NBFC Upper Layer framework.

Valuation and view

- PFC reported an operationally weak quarter. While earnings exceeded expectations, the beat was primarily driven by provision writebacks, with underlying loan growth remaining subdued. Asset quality remained stable and resulted in benign credit costs. However, lending yields declined during the quarter amid heightened competitive intensity and PFC passing on the benefits of lower borrowing costs in both existing and incremental loans.
- PFC (standalone) trades at 1x FY27E P/BV and ~5x FY27 P/E, which we view as attractive. We, therefore, **reiterate our BUY rating** with an SoTP (Mar’28E)-based TP of INR500 (premised on a 1x target multiple for the PFC standalone business and INR146/sh for PFC’s stake in REC after a hold-co discount of 20%).
- **Key risks:** 1) weaker loan growth driven by weak disbursements; 2) an increase in exposure to power projects without PPAs; 3) compression in spreads and margins due to an aggressive competitive landscape; and 4) any slowdown in the offtake of renewable energy projects.

PFC: SOTP - March 2028

	Stake	Target Multiple	Value (INR B)	INR per share	% To Total	Rationale
PFC Standalone	100	1.0	1,167	354	71	1x Mar'28 P/BV
REC Stake (Pre-holdCo)	53	1.1	603	**183**		1.1x Mar'28 P/BV
Hold Co Discount (20%)			121			
REC Stake (Post Hold-CO)			**482**	**146**	29	
Target Value			**1,649**	**500**	**100**	

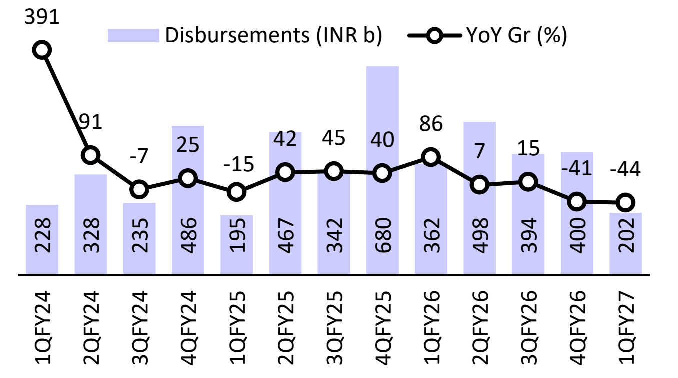
Quarterly Performance (INR m)

Y/E March	FY26				FY27E				FY26	FY27E	1Q FY27E	v/s Est.
Particulars	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2QE**	**3QE**	**4QE**				
Interest Income	1,37,389	1,34,728	1,39,359	1,39,253	1,37,364	1,38,051	1,40,122	1,43,492	5,50,728	5,59,028	1,40,824	-2
Interest Expenses	82,697	81,835	83,294	84,028	85,029	84,264	85,106	86,322	3,31,769	3,40,720	84,351	1
Net Interest Income	**54,692**	**52,893**	**56,065**	**55,225**	**52,335**	**53,787**	**55,015**	**57,170**	**2,18,959**	**2,18,308**	**56,472**	**-7**
YoY Gr %	26.4	20.0	19.4	-6.6	-4.3	1.7	-1.9	3.5	13.2	-0.3	3.3	
Other Income	**2,016**	**11,829**	**6,827**	**13,910**	**2,817**	**13,093**	**7,232**	**14,152**	34,494	**37,294**	**2,444**	**15**
Net Operational Income	**56,708**	**64,722**	**62,892**	**69,135**	**55,152**	**66,880**	**62,248**	**71,322**	**2,53,452**	**2,55,602**	**58,917**	**-6**
YoY Gr %	22.1	10.2	18.9	-1.8	-2.7	3.3	-1.0	3.2	10.9	0.8	3.9	
Exchange gain/(loss)	-6,546	-4,972	-1,276	-3,089	752	-2,000	-2,000	-1,752	-15,883	-5,000	-3,000	-
Total Net Income	**50,162**	**59,750**	**61,616**	**66,046**	**55,904**	**64,880**	**60,248**	**69,571**	**2,37,569**	**2,50,602**	**55,917**	**0**
YoY Gr %	6.7	7.4	15.4	-2.6	11.4	8.6	-2.2	5.3	6.2	5.5	11.5	
Operating Expenses	1,848	1,932	1,991	2,222	2,333	2,241	2,190	2,176	7,989	8,939	**2,033**	**15**
Operating Profit	**48,313**	**57,819**	**59,625**	**63,824**	**53,571**	**62,639**	**58,058**	**67,395**	**2,29,581**	**2,41,664**	**53,884**	**-1**
YoY Gr %	5.0	8.5	15.7	-2.5	10.9	8.3	-2.6	5.6	6.1	5.3	11.5	
Provisions	-6,818	2,420	52	-13,817	-5,560	-2,500	1,500	1,653	-18,164	-4,907	-1,000	456
PBT	**55,132**	**55,399**	**59,573**	**77,640**	**59,131**	**65,139**	**56,558**	**65,743**	**2,47,744**	**2,46,571**	**54,884**	**8**
Tax	10,117	10,780	11,940	14,395	11,677	11,725	10,180	11,294	47,231	44,876	9,879	18
Tax Rate %	18.3	19.5	20.0	18.5	19.7	18.0	18.0	17.2	19.1	18.2	18.0	
PAT	**45,015**	**44,619**	**47,633**	**63,246**	**47,454**	**53,414**	**46,377**	**54,449**	**2,00,513**	**2,01,695**	**45,005**	**5**
YoY Gr %	21.1	2.1	14.6	23.8	5.4	19.7	-2.6	-13.9	15.9	0.4	0.0	
Key Parameters (Calc., %)												
Yield on loans	10.3	9.9	10.0	9.8	9.7	9.7	9.6	9.6				
Cost of funds	7.1	7.0	7.0	7.0	7.1	7.0	7.0	7.0				
Spread	3.1	2.9	3.0	2.9	2.6	2.6	2.6	2.7				
NIM	3.93	3.73	3.96	3.83	3.55	3.63	3.64	3.68				
C/I ratio	3.38	3.65	3.55	4.02	4.46	4.17	3.98	3.81				
Credit cost	(0.12)	0.04	0.00	(0.24)	(0.10)	(0.04)	0.03	0.03				
Balance Sheet Parameters												
Disbursements (INR b)	362	498	394	400	202	424	394	502				
Growth YoY (%)	86	7	15	(41)	(44)	(15)	-	26				
AUM (INR b)	5,498	5,612	5,696	5,801	5,700	5,832	5,927	6,122				
Growth YoY (%)	16	14	13	7	4	4	4	6				
Asset Quality Parameters												
GS 3 (INR B)	105	105	93	63	63							
GS 3 (%)	1.92	1.87	1.64	1.09	1.11							
NS 3 (INR B)	20.8	20.8	14.7	8.7	8.7							
NS 3 (%)	0.38	0.4	0.26	0.15	0.15							
PCR (%)	80.3	80.2	84.2	86.2	86.2							

E: MOFSL Estimates

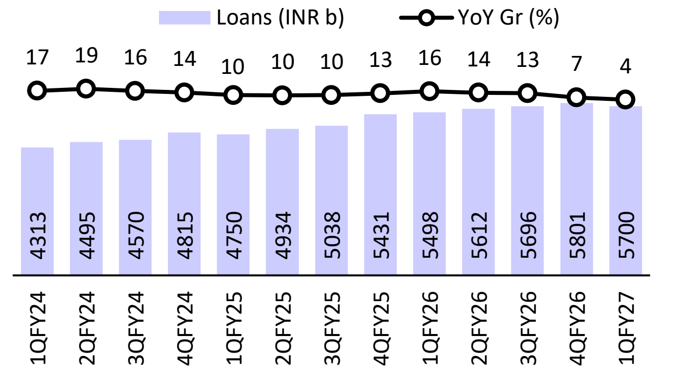
Key exhibits

Exhibit 1: Disbursements declined ~44% YoY



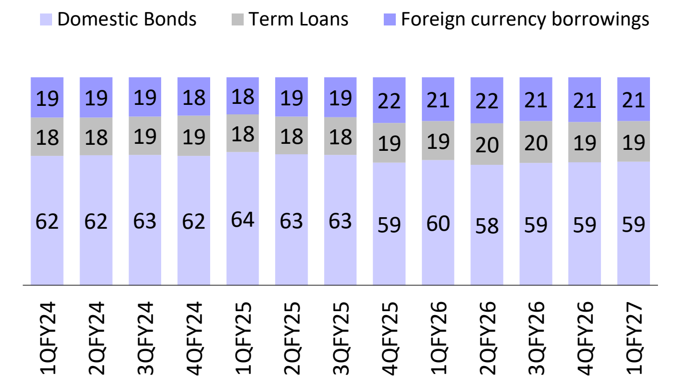
Source: MOFSL, Company

Exhibit 2: Loan book grew 4% YoY and declined 1.7% QoQ



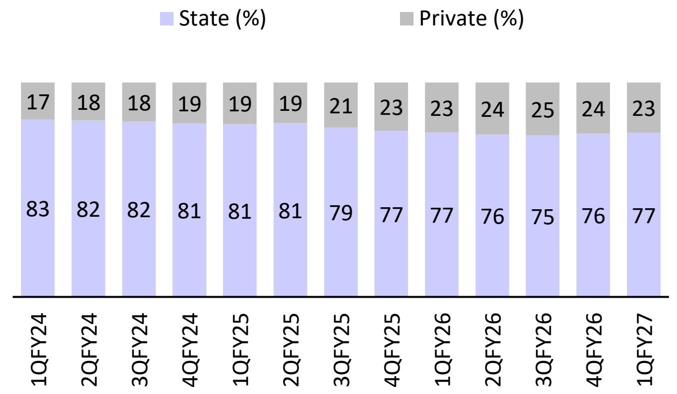
Source: MOFSL, Company

Exhibit 3: Borrowing mix (%)



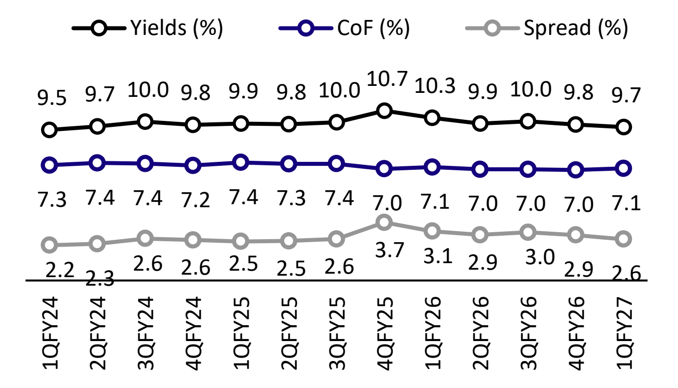
Source: MOFSL, Company

Exhibit 4: ~23% of loans disbursed to private players (%)



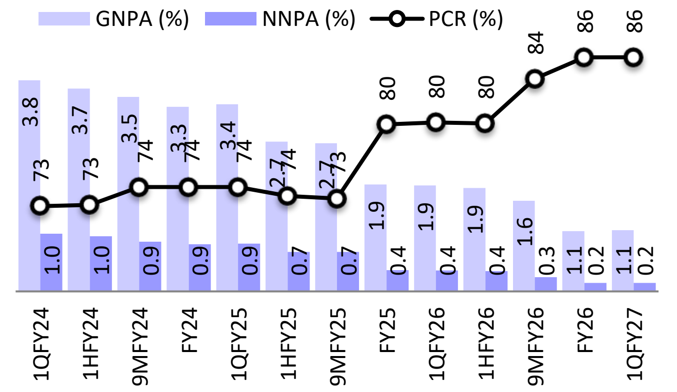
Source: MOFSL, Company

Exhibit 5: Calc. Yields declined ~20bp QoQ



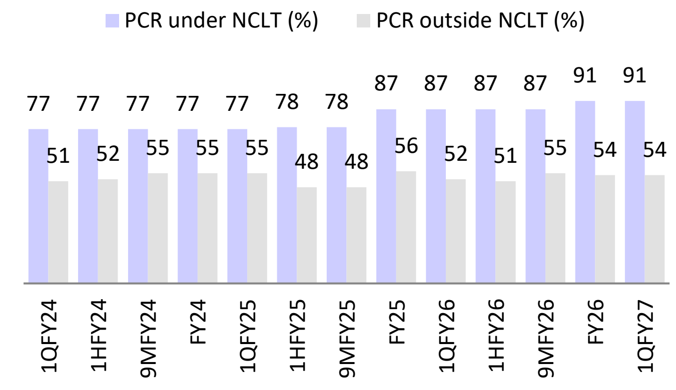
Source: MOFSL, Company,

Exhibit 6: Asset quality stable QoQ



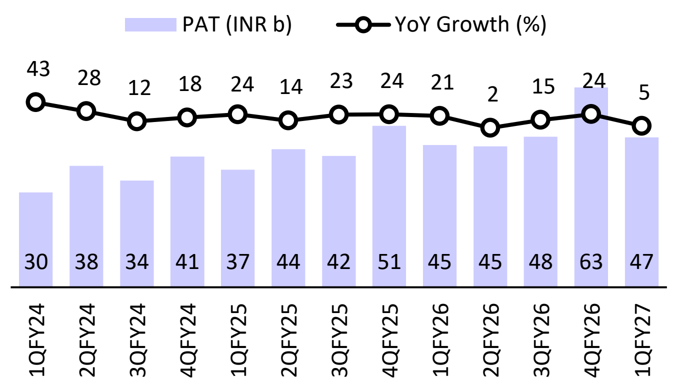
Source: MOFSL, Company

Exhibit 7: PCR for stressed assets under NCLT/outside NCLT



Source: MOFSL, Company,

Exhibit 8: PAT grew ~5% YoY in 1QFY27



Source: MOFSL, Company

Exhibit 9: We cut our FY27/FY28 EPS by ~2%/5% to factor in lower loan growth and NIM contraction, partly offset by lower credit costs

INR B	Old Est.		New Est.		% Change	
	FY27	FY28	FY27	FY28	FY27	FY28
NII	234.6	260.3	218.3	238.9	-7.0	-8.2
Other Income	28.3	31.9	32.3	35.9	14.1	12.5
Net Income	**262.9**	**292.3**	**250.6**	**274.8**	**-4.7**	**-6.0**
Operating Expenses	8.8	9.6	8.9	9.8	1.8	1.8
Operating Profits	**254.1**	**282.7**	**241.7**	**265.0**	**-4.9**	**-6.2**
Provisions	3.3	11.2	(4.9)	7.2	-	-36
PBT	**250.9**	**271.4**	**246.6**	**257.8**	**-1.7**	**-5.0**
Tax	45.7	51.3	44.9	48.7	-1.7	-5.0
PAT	**205.2**	**220.1**	**201.7**	**209.1**	**-1.7**	**-5.0**
Loans	6,344	6,964	6,122	6,648		
RoAA (%)	**3.2**	**3.2**	**3.2**	**3.1**		

Source: MOFSL, Company

Exhibit 10: DuPont Analysis

Du Pont Analysis %	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest income	9.6	9.3	9.0	9.2	9.2	9.2	8.9	8.9
Interest expenses	6.2	5.8	5.5	5.9	5.6	5.5	5.4	5.3
Net Interest Income	**3.4**	**3.6**	**3.4**	**3.3**	**3.6**	**3.7**	**3.5**	**3.6**
Other Operating Income	0.3	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Other Income	0.0	-0.2	-0.5	0.0	-0.1	-0.3	-0.1	-0.1
Total Income	**3.8**	**3.8**	**3.5**	**3.8**	**4.1**	**4.0**	**4.0**	**4.1**
Operating expenses	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating profits	**3.6**	**3.7**	**3.3**	**3.7**	**4.0**	**3.8**	**3.8**	**4.0**
Provisions	0.9	0.6	-0.1	0.0	0.1	-0.3	-0.1	0.1
PBT	**2.7**	**3.1**	**3.4**	**3.7**	**3.9**	**4.1**	**3.9**	**3.9**
Taxation	0.5	0.6	0.6	0.7	0.7	0.8	0.7	0.7
RoA	**2.2**	**2.5**	**2.8**	**3.0**	**3.2**	**3.4**	**3.2**	**3.1**
Leverage (x)	7.7	7.0	6.6	6.4	6.4	6.2	5.7	5.4
RoE	**17.3**	**17.9**	**18.2**	**19.5**	**20.4**	**20.7**	**18.4**	**16.9**

E: MOFSL Estimates

Financials and valuations

Income Statement (INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest on loans	361	367	376	436	499	551	559	595
Interest exp & other charges	232	227	233	280	305	332	341	356
Net Interest Income	**130**	**140**	**144**	**156**	**193**	**219**	**218**	**239**
Change (%)	28.3	8.3	2.4	8.8	23.7	13.2	-0.3	9.4
Other operating income	11	19	21	23	35	34	37	39
Exchg Gain/(loss) on Forex loans	2	-9	-20	2	-5	-16	-5	-4
Other Income	0	0	0	0	0	0	0	1
Net Income	**142**	**150**	**145**	**181**	**224**	**238**	**251**	**275**
Change (%)	48.4	5.7	-3.6	25.2	23.5	6.2	5.5	9.7
Employee Cost	2	2	2	2	3	3	3	3
Administrative Exp	3	3	4	4	5	5	6	6
Depreciation	0	0	0	0	0	0	0	0
Operating Income	**137**	**144**	**139**	**175**	**216**	**230**	**242**	**265**
Change (%)	49.2	5.4	-4.0	25.8	23.9	6.1	5.3	9.7
Total Provisions	**35**	**22**	**-3**	**-2**	**5**	**-18**	**-5**	**7**
% to operating income	25.5	15.4	-2.1	-1.0	2.1	-7.9	-2.0	2.7
PBT	**102**	**122**	**142**	**176**	**212**	**248**	**247**	**258**
Prior period Adjustments	0	0	0	0	0	0	0	0
PBT (post prior period adj)	**102**	**122**	**142**	**176.3**	**211.7**	**247.7**	**247**	**258**
Tax (Incl Deferred tax)	18	22	26	33	38	47	45	49
Tax Rate (%)	17.3	18.0	18.1	18.5	18.0	19.1	18.2	18.9
PAT	**84**	**100**	**116**	**144**	**174**	**201**	**202**	**209**
Change (%)	49.3	18.7	15.8	23.8	20.8	15.6	0.6	3.7
Extra ordinary item	0	0	0	0	0	0	0	0
Reported PAT	**84**	**100**	**116**	**144**	**174**	**201**	**202**	**209**
Adjusted PAT (Excluding REC Dividend)	**82**	**98**	**113**	**139**	**168**	**195**	**196**	**203**
Change (%)	56.7	18.7	15.4	23.5	20.6	15.9	0.4	3.7
Proposed Dividend (Incl Tax)	26	32	35	45	52	61	62	63

Balance Sheet (INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Capital	26	26	26	33	33	33	33	33
Reserves & Surplus	498	567	656	759	876	992	1,132	1,279
Net Worth	**524**	**594**	**682**	**792**	**909**	**1,025**	**1,165**	**1,312**
Deferred Tax Liability	0	0	0	0	0	0	0	0
Networth (incl DTL)	**524**	**594**	**682**	**792**	**909**	**1,025**	**1,165**	**1,312**
Interest subsidy from GoI	0	0	0	0	0	0	0	0
Borrowings	**3,330**	**3,274**	**3,704**	**4,164**	**4,755**	**4,978**	**5,014**	**5,385**
Change (%)	7.3	-1.7	13.1	12.4	14.2	4.7	0.7	7.4
Total Liabilities	**3,921**	**3,944**	**4,448**	**5,056**	**5,782**	**6,185**	**6,381**	**6,919**
Investments	160	161	173	202	207	207	218	228
Change (%)	-3.0	0.7	7.6	16.9	2.5	0.0	5.0	5.0
Loans	**3,601**	**3,609**	**4,108**	**4,699**	**5,328**	**5,740**	**6,029**	**6,553**
Change (%)	7.8	0.2	13.8	14.4	13.4	7.7	5.0	8.7
Forex monetary reserves	0	0	0	0	0	0	0	0
Net Fixed Assets	1	1	1	1	1	1	1	1
Net Current Assets	48	40	16	2	68	23	21	18
Total Assets	**3,921**	**3,944**	**4,448**	**5,056**	**5,782**	**6,185**	**6,381**	**6,919**

E: MOSL Estimates

Financials and valuations

Loans and Disbursements	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Gross Loans (INR b)	3,708	3,731	4,225	4,815	5,431	5,801	6,122	6,648
YoY Growth (%)	7	1	13	14	13	7	6	9
Disbursements (INR b)	883	512	858	1,277	1,683	1,654	1,522	1,750
YoY Growth (%)	30	-42	67	49	32	-2	-8	15

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Spreads Analysis (%)								
Avg. Yields	10.4	10.2	9.8	9.9	9.9	10.0	9.5	9.5
Avg Cost of funds	7.2	6.9	6.7	7.1	6.8	6.8	6.8	6.8
Interest Spread	3.2	3.3	3.1	2.79	3.10	3.13	2.7	2.6
NIM	3.8	3.6	3.2	3.6	3.8	3.7	3.6	3.7
Profitability Ratios (%)								
RoE	17.3	17.9	18.2	19.5	20.4	20.7	18.41	16.88
RoA	2.2	2.5	2.8	3.0	3.2	3.4	3.2	3.1
Efficiency Ratios (%)								
Int. Expended/Int.Earned	64.2	61.8	61.8	64.2	61.2	60.2	60.9	59.8
Other operating Inc./Net Inc.	7.6	12.3	14.3	12.5	15.6	14.4	14.7	14.3
Other Income/Net Income	0.2	0.3	0.1	0.1	0.1	0.2	0.2	0.2
Op. Exps./Net Income	3.6	3.8	4.2	3.7	3.4	3.4	3.6	3.6
Empl. Cost/Op. Exps.	37.9	37.1	36.3	36.3	35.8	35.1	34.8	34.3
Asset-Liability Profile (%)								
Loans/Borrowings Ratio (x)	108	110	111	113	112	115	120	122
Assets/Networth (x)	7.5	6.6	6.5	6.4	6.4	6.0	5.5	5.3
Debt/Equity (x)	6.4	5.5	5.4	5.3	5.2	4.9	4.3	4.1
Asset Quality (%)								
Gross Stage 3	5.7	5.6	3.9	3.3	1.9	1.1	0.7	0.6
Net Stage 3	2.1	1.8	1.1	0.9	0.4	0.2	0.1	0.1
PCR	63.4	68.6	72.7	74.4	80.1	86.2	88.0	90.0
Credit costs	1.01	0.62	-0.08	-0.04	0.09	-0.33	-0.08	0.11

Valuations

Valuations	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Book Value (INR)	198	225	258	240	276	311	353	398
BV Growth (%)	16.0	13.3	14.9	-7.1	14.8	12.8	13.7	12.6
Price-BV (x)	**2.1**	**1.9**	**1.6**	**1.7**	**1.5**	**1.4**	**1.2**	**1.1**
Adjusted Book Value (INR)	144	170	203	196	232	267	309	354
ABV Growth (%)	23.6	18.4	19.7	-3.6	18.1	15.2	15.9	14.3
Price-ABV (x)	**2.1**	**1.7**	**1.5**	**1.5**	**1.3**	**1.1**	**1.0**	**0.8**
EPS (INR)	32.0	38.0	44.0	43.5	52.6	60.8	61.1	63.4
EPS Growth (%)	49.3	18.7	15.8	-1.0	20.8	15.6	0.6	3.7
Price-Earnings (x)	**13.1**	**11.1**	**9.6**	**9.6**	**8.0**	**6.9**	**6.9**	**6.6**
Core EPS (INR)	31.2	37.0	42.8	42.3	50.9	59.1	59.3	61.4
Adj Core EPS Growth (%)	56.7	18.7	15.4	-1.2	20.6	15.9	0.4	3.7
Adj. Price-Core EPS (x)	**9.5**	**8.0**	**6.9**	**7.0**	**5.8**	**5.0**	**5.0**	**4.8**
DPS	10.0	12.0	13.3	13.5	15.8	18.6	18.6	19.0
Dividend Yield (%)	**2.4**	**2.9**	**3.2**	**3.2**	**3.8**	**4.4**	**4.4**	**4.5**

E: MOFSL Estimates

NOTES

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