Share India
You generate, we multiply

Prime Stock

Short Term Fundamental Pick

Power Finance Corporation Ltd

TODAY'S PRIME STOCK (SHORT-TERM INVESTMENT)

Power Finance Corporation Ltd.

BSE CODE: 532810 | **NSE CODE: PFC**
Sector: Finance | **Industry: Finance term landing**

CMP (Rs): 508 | Buy Range: 500-508| Target Price: 565| Potential Upside: 10%

Duration of Recommendation: 1-3 Months

About Company: PFC is a prominent NBFC in India, dealing in financing infrastructure projects within the Indian power sector. PFC provides a range of financial products and services, including project term loans, lease financing for equipment purchases, debt refinancing, and guarantees for credit enhancement.

INVESTMENT RATIONALE

Industry Leadership in Power Financing: PFC is India's largest power sector financer and a "Maharatna" PSU. This status provides greater operational and financial autonomy, enabling strategic decisions to support India's energy infrastructure goals. As **India's largest renewable energy financer**, PFC has supported over **50 GW of capacity**, contributing to 25% of India's installed renewable energy. Its renewable loan book exceeds ₹60,000 crores, highlighting its role in sustainable energy growth.

Increasing Power Sector Demand to provide tailwinds: India's power sector is projected to require ₹30 lakh crores in funding by 2030, driven by a government focus on doubling the installed capacity, including 80 GW from thermal projects. PFC, as the largest power financer, is well-positioned to benefit from this growing demand.

Strong Disbursement and Growth Trajectory: PFC has witnessed a resurgence in disbursements after a temporary slowdown due to a transformation program. Disbursements reached INR 46,663 crores in Q2 FY25, with a cumulative disbursement of INR 66,146 crores in the first half. The company anticipates sustaining similar growth levels as the previous financial year, targeting around 14% loan growth.

Healthy Sanction Pipeline: PFC has a robust pipeline of sanctioned projects worth INR 160,000 crores in H1 FY25, indicating a strong outlook for future growth. This substantial pipeline ensures a steady stream of projects for disbursements in the coming years, supporting the company's growth trajectory.

Robust Asset Quality: PFC has shown continuous improvement in asset quality as evidenced by a decreasing trend in NPAs. The consolidated gross NPA ratio has dropped below 3%, standing at 2.62% in the first half of FY25 compared to 3.40% in the previous year. The consolidated net NPA ratio has also improved to 0.80% from 0.98% in the same period.

Consistent Financial Growth with Strong Profitability Metrics: In Q2FY25 (standalone), NII increased by 20.7% YoY reaching to Rs. 9,392 crores. Net profit rose by 8.8% to Rs. 7,215 crores YoY. In H1FY25, NII/PAT surged 23.25%/14.17% reaching Rs. 9,392 & 14,397 crores respectively. PFC disbursed Rs. 46,663 crores in Q2 FY25, bringing the total disbursement for H1 FY25 to Rs. 66,146 crores. The loan asset book for H1 FY25 reached Rs. 493,363 crores, a 10% year-on-year growth. NPA ratio of 2.62% for H1 FY25, down from 3.40% in H1 FY24.

Reasonable Valuations: At CMP, PFC (standalone) trades at 1.4x FY27E P/BV and 8.3x FY27 P/E. We believe that the risk-reward is attractive considering good visibility on loan growth, earnings growth, stressed asset resolutions, and healthy return ratios.

Key risks: A substantial portion of PFC's loan portfolio is concentrated in the power sector, untimely resolution of remaining stressed assets, unfavorable regulatory changes in infrastructure financing sector.

Share India
You generate, we multiply

Share India Securities Limited

Corporate Office

Share India Securities Limited
A-15, Sector-64, Noida-201301
Contact No. : 1800 203 0303

Call Us: 1800 203 0303
Email: support@shareindia.com

Registered Office

Unit No. 615 and 616, 6th Floor, X-Change Plaza,
Dalal Street Commercial Co-operative Society Limited,
Road 5 E, Block 53, Zone 5, Gift City, Gandhi Nagar,
Gujarat-382 355

Disclosures and Disclaimers:

This report has been prepared by Share India Securities Limited (here in after referred to as SISL) in the capacity of a Research Analyst registered with SEBI and distributed as per SEBI (Research Analysts) Regulations 2014. This report is prepared and distributed by Research Analysts employed by SISL for information purposes only, and neither the information contained herein, nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment, or derivatives. The information and opinions contained in the report were considered by SISL to be valid when published. The report also contains information provided to SISL by third parties. Whilst SISL has taken all reasonable steps to ensure that all the information in the report is correct, SISL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report does so entirely at his or her own risk and SISL does not accept any liability as a result. Securities markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance. Investors must undertake independent analysis with their own legal, tax, and financial advisors and reach their own conclusions regarding investment in securities market and should understand that. Under no circumstances can it be used or considered as an offer to sell or as a solicitation of any offer to buy or sell the securities mentioned within it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which SISL believe is reliable. SISL or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any information provided in the report reflect analysis at this date and are subject to change without notice. SISL submits that no material disciplinary action has been taken on SISL by any regulatory authority impacting Research Analysis activities.

SISL is a Member of National Stock Exchange of India Limited (NSE), BSE Ltd (Bombay Stock Exchange), Multi Commodity Exchange of India Limited (MCX), National Commodity and Derivatives Exchange Limited (NCDEX), and has Depository Participant affiliation with Central Depositories Services (India) Limited (CDSL). It is a SEBI registered Portfolio Manager and SEBI registered Research Analyst [SEBI Reg. No.: INB/F/E 231079832, INB/F/E 011079838, IN-DP-32-2015, AMFI Reg. No. ARN: 78041, SEBI Research Analyst Reg. No.: INH100005011, CIN -L67120GJ1994PLC115132].

Certifications: The Research Analyst(s), Girish Kumar, who prepared this research report hereby certifies

that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst(s) have no known conflict of interest and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the Specific views or recommendations contained in this research report.

Additional Disclosures of Interest:

1. The Research Analyst, SISL, or its associates or relatives of the research analyst does not have any Financial interest in the company(ies) covered in this report.

2. The Research Analyst, SISL or its associates or relatives of the research analyst affiliates do not Hold more than 1% of the securities of the company (ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.

3. The Research Analyst, his/her associate, his/her relative, and SISL, do not have any other material conflict of interest at the time of publication of this research report.

4. The Research Analyst, SISL, and its associates have not received compensation for brokerage Services, investment banking, merchant banking or for any other products or services from the Company(ies) covered in this report, in the past twelve months.

5. The Research Analyst, SISL or as associates have not managed or co-managed, in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report.

6. The Research Analyst, SISL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.

7. The Research Analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Research report.

8. The Research Analyst and SISL has not been engaged in market making activity for the company(ies) covered in the Research report.

Suitability and Risks. This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual Recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any Securities referred to in this research report based upon the legal, tax and accounting considerations Applicable to such investor and its own investment objectives or strategy, its financial situation and its Investing experience. The value of any security may be positively or adversely affected by changes in Foreign exchange or interest rates, as well as by other financial, economic, or political factors.

Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that SISL and the research analyst believe to be reliable, but neither SISL nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material and are subject to change without notice. Furthermore, SISL is under no obligation to update or keep the information current. Without limiting any of the foregoing, in no event shall SISL, any of its affiliates/employees or any third party involved in or related to computing or compiling the information have any liability for any damages of any kind including but not limited to any direct or consequential loss or damage, however arising, from the use of this report.

Caution: Risk of loss in trading/investment can be substantial and even more than the amount / margin given by you. Investment in securities market are subject to market risks, you are requested to read all the related documents carefully before investing. You should carefully consider whether trading investment is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. SISL and any of its employees, directors, associates, group entities, or affiliates shall not be liable for losses, if any, incurred by you. You are further cautioned that trading/investments in financial markets are subject to market risks and are advised to seek independent third-party trading/investment advice outside SISL/group/associates/affiliates/directors/employees before and during your trading/investment. There is no guarantee/assurance as to returns or profits or capital protection or appreciation. SISL and any of its employees, directors, associates, and/ or employees, directors, associates of SISL's group entities or affiliates is not inducing you for trading investing in the financial market(s). Trading/Investment decision is your sole responsibility. You must also read the Risk Disclosure Document and Do's and Don'ts before investing.

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 SISL and affiliates to any registration or licensing requirement within such jurisdiction. The Profits or capital protection or appreciation. SISL and any of its employees, directors, associates, and/or employees, directors, associates of SISL's group entities or affiliates is not inducing you for Trading/investing in the financial market(s). Trading/Investment decision is your sole responsibility.

You must also read the Risk Disclosure Document and Do's and Don'ts before investing.

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 SISL and affiliates 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 off and to observe such restriction. For Detailed Disclaimer, please visit our website www.shareindia.com.