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Q4 FY07
Result Update

Power Finance Corporation

Market Performer

Rs 117

April 24, 2007

Strong business growth with improving NIMs

Company Details		Result Snapshot	
Market Cap:	Rs 133,996m	<p>PFC reported a 29% yoy growth in its Net interest Income for FY07 to Rs. 14.8bn compared to Rs. 11.5bn in FY06. With a 24% yoy growth, the advance book stands at Rs. 440bn. The company has managed to improve its spreads from 1.6% to 1.87% in FY07.</p> <p>PFC has reported other income of Rs.1067mn with respect to transfer from the exchange risk management account. In spite of an extra-ordinary income, the PAT has increased marginally to Rs. 9.8bn compared to Rs. 9.7bn in FY06, as effective tax rate has increased to 34% from 24% a year ago.</p> <p>At the CMP of Rs.117, the stock trades at 1.4x its FY08 book value. We maintain Market Performer rating on the stock.</p>	
52 Week High/Low:	Rs 121 / 101		
Bloomberg Code:	POWF@IN		
Reuters Code:	PWFC.BO / NS		
Shares O/s:	1,145m		
Average Volume (3 months):	7.7m		
Price Performance			
(%)	1m	3m	12m
Absolute	10.1	NA	NA
Relative to Sensex	5.7	NA	NA

Quarterly Table

(Rs m)

Y/e March	Q4FY07	FY06	FY07	yoy gr. (%)
Interest Income	11,322	30,204	38,195	26.5
Interest Expenses	6,442	18,649	23,345	25.2
Net Interest Income	4,880	11,555	14,850	28.5
Employee Expenses	77	252	268	6.2
<i>% of Operating Income</i>	<i>0.7</i>	<i>0.8</i>	<i>0.7</i>	
Other Operating Expenses	195	310	582	87.8
<i>% of Operating Income</i>	<i>1.7</i>	<i>1.0</i>	<i>1.5</i>	
Depreciation	21	14	38	167.8
Total Operating Expenses	293	576	888	54.1
Profit before provisions	4,587	10,979	13,962	27.2
Provisions & Contingencies	(105)	(142)	(49)	(65.5)
Other Income	1,047	20	1,067	5,166.5
PBT	5,739	11,141	15,078	35.3
Tax	2,056	2,638	5,245	98.8
<i>ETR (%)</i>	<i>35.8</i>	<i>23.7</i>	<i>34.8</i>	
Interest Restructuring Income	-	1,258	-	
PAT	3,683	9,761	9,833	0.7

(Stock price as on April 23, 2007)



Result Highlights

- The sanctions and the disbursements for the year increased by 38% and 20% respectively to Rs. 311bn and Rs. 140bn.
- With debt / equity ratio of 3.9x, the NIMs have improved by 20bps to 3.7% from 3.5% last year
- PFC has one of the best quality assets in the industry, its gross NPA as % of loan assets further decreased to 0.1% from 0.26% in FY06.

Road Ahead

- In FY08, the company targets to disburse funds worth Rs. 144bn. In FY06 it has already disbursed Rs. 140bn, where targeted was Rs. 106bn
- PFC plans to raise Rs. 170bn in FY08, of which it has got RBI permission to raise foreign funds worth US\$ 500mn.

Visibility of Fee income

- PFC allotted 2 Ultra mega power projects this year, for which the company has worked on cost basis and not made any profits as such. However from now on it will charge consulting fee for the future projects. It expects to charge Rs.160mn per UMPP.
- Apart from UMPP, the company has also received other consultancy projects and the order book for the same stands at Rs. 490m
- 'India Power Fund' a Rs. 10bn Fund is expected to be launched this fiscal, against which the company will receive management fee.

Key Figures

Y/e March	FY06	FY07	FY08E	FY09E
NII (Rs m)	11,555	14,850	18,911	22,200
Fee Income (Rs m)	-	-	705	1,125
PPP (Rs m)	10,979	13,962	18,419	21,897
PAT (Rs m)	9,761	9,833	12,175	14,496
EPS (Rs)	9.5	8.6	10.6	12.7
BVPS (Rs)	60.0	66.5	81.1	92.2
P/BV (x)	2.0	1.8	1.4	1.3
RoAA (%)	3.0	2.4	2.5	2.4
RoE (%)	15.6	12.9	13.1	13.7

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