

3R MATRIX

Right Sector (RS)

+ = -

✓

Right Quality (RQ)

✓

Right Valuation (RV)

✓

+ Positive

= Neutral

- Negative

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

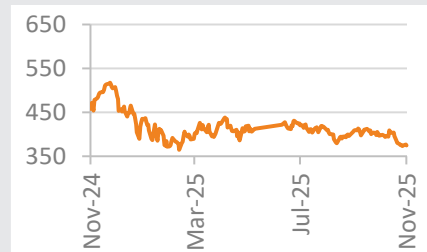
Company details

Market cap:	Rs. 1,24,000 cr
52-week high/low:	Rs. 580 / 357
NSE volume: (No of shares)	59.0 lakh
BSE code:	532810
NSE code:	PFC
Free float: (No of shares)	143.0 cr

Shareholding (%)

Promoters	56.0
FII	18.8
DII	16.0
Others	9.2

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-5.6	-10.3	-10.5	-18.5
Relative to Sensex	-6.4	-14.5	-13.4	-28.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Power Finance Corporation Ltd

Muted Q2: valuations healthy

NBFC	Sharekhan code: PFC		
Reco/View: Positive	↔	CMP: Rs. 374 (as on Nov 18, 2025)	Price Target: Rs. 465 ↓

Summary

- Net profit grew 2.1% y-o-y to Rs. 4,462 crore, lagging estimates on higher forex losses due to unhedged borrowings and lower other income.
- AUM grew 13.8% y-o-y and 2.1% q-o-q, slightly lagging estimates on higher repayments. However, renewables and infrastructure segment performed well.
- On asset quality, GNPA fell 84 bps y-o-y and 5 bps q-o-q to 1.87%. Credit cost stayed benign at 3 bps.
- We have fine-tuned our estimates and revised PT to Rs. 465. We stay positive and expect an upside of 24% on decent AUM growth, strong return ratios, and healthy dividend yield.

Q2 numbers were muted. Net profit grew by 2.1% y-o-y to Rs. 4,462 crore below estimates by 12.5% on lower other income and higher exchange losses (Unfavorable currency movement). NII met estimates, rising 20.0% y-o-y to Rs. 5,289 crore. NIM came in at 3.77% (as a % of AUM), rising 20 bps y-o-y due to lower cost of funds. Other income dropped by 2.0% y-o-y to Rs. 1,284 crore due to lower dividend income however fee income saw a strong growth. Opex dropped 18% y-o-y to Rs. 193 crore due to lower CSR activities and other operating expenses. Opex to AUM ratio stood at 0.14% (annualized), down by 5 bps y-o-y. Besides, It reported exchange loss of Rs. 493 crore due forex losses. PPOP grew 8.5% y-o-y and 19.7% q-o-q to Rs. 5,782 crore, missing estimates by ~10%. Credit cost stayed benign at 4 bps -3 bps in Q2FY26 and -12 bps in Q1FY26.) AUM grew 13.8% y-o-y and 2.1% q-o-q to Rs. 5,61,209 crore, was slightly below estimates on higher prepayments and aggressive competition. However, renewables and infrastructure & logistic saw robust growth. Disbursements grew by 6.8% to Rs. 49,841 crore as distributions rose 25.3% y-o-y. Asset quality improved, with this GNPA dropped by 84 bps y-o-y and 5 bps q-o-q to 1.87%. The company successfully completed its first global (Bhutan) project financing with providing Rs. 4,800 crore funding to hydro power project of 600 MW.

Key positives

- Renewable (solar, wind and other RE projects) space grew by 31.7% y-o-y, along with Infra & logistics and others saw strong growth.
- GNPA improved 84 bps y-o-y and 5 bps q-o-q to 1.87%.
- Opex as a % of AUM dropped by 5 bps to 0.14% (annualized)

Key negatives

- Prepayments were higher due to lower interest rate and aggressive competition.
- Reported Rs. 493 crore foreign exchange loss on unhedged borrowings.

Management Commentary

- Management guided for 10-11% AUM growth for FY26.

Our Call

Valuation – Comfortable valuation with healthy return ratios: Q2FY26 performance was muted due to soft AUM growth on higher prepayments, while profitability lagged estimates. Management has maintained AUM growth guidance of 10-11%. We expect PFC to deliver an AUM CAGR of 12% for FY25-28 and generate strong RoA/RoE ~3.0/18% over the next couple of years. Besides, reduction in repo rate and aggressive competition by banks led for higher balance transfer, along with some pressure on NIM. Hence, we are adjusting our price target to Rs. 465. However, we stay positive and expect an upside of 24% on decent AUM growth, strong return ratios, healthy dividend yield and comfortable valuation. The stock trades on attractive valuation at 0.7x/x0.6 its FY26E/FY27E core BV (based on standalone adjusted for investments in REC).

Key Risks

Slow loan growth due to higher prepayments, margin contraction and slow AUM due to aggressive competition, rise in exposure to power projects without PPAs

Valuation (Standalone)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
NII	15,627	19,341	21,274	24,080	26,363
PAT	14,264	17,352	18,889	20,230	22,585
EPS (Rs.)	43.5	52.6	57.2	61.3	68.4
Core P/E (x)	5.2	4.3	4.0	3.7	3.3
Core P/BV (x)	1.2	1.0	0.8	0.7	0.6
RoE (%)	19.35%	20.4%	19.4%	18.2%	17.9%
RoA (%)	3.0%	3.2%	3.1%	3.0%	3.0%

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

- ♦ **NII & NIM:** NII in line with estimates, growing by 20% y-o-y to Rs. 5,289 crore. NIM came in at 3.77% (as a % of AUM), up by 20 bps y-o-y as cost of funds dropped by 25 bps y-o-y and 18 bps q-o-q to 5.83% (as a % of AUM). Yield on AUM came in at 9.6%, down by 5 bps y-o-y and 39 bps q-o-q. Further, we see pressure on NIM due to reduction in the repo rate and aggressive competition.
- ♦ **AUM growth:** AUM grew by 13.8% y-o-y and 2.1% q-o-q to Rs. 5,61,209 crore, slightly below estimates on higher prepayments. However, renewable (solar and wind), and infrastructure & logistics saw robust growth of 31.7% and 56.6% y-o-y, respectively. Conventional generation underperformed with growing by 1.9% yoy and dropped by 2.4%. Transmission also reported low growth. Disbursement grew by 6.8% to Rs. 49,841 crore driven by growth in distributions (up by 25.3% y-o-y).
- ♦ **Asset quality:** Asset quality improved, with this GNPA dropped by 84 bps y-o-y and 5 bps q-o-q to 1.87%, while NPA reduced by 35 bps y-o-y and 1 bps q-o-q. Credit cost stayed at 4 bps (-3 bps in Q2FY26 and -12 bps in Q1FY26). The company expects healthy recovery in 1-2 years which will improve its asset quality.

Results

Particulars	Q2FY25	Q1FY25	Q2FY26	y-o-y	Rs cr q-o-q
Interest Income	11,909.0	13,738.9	13,472.8	13.1%	-1.9%
Interest Expenses	7,500.7	8,269.7	8,183.5	9.1%	-1.0%
NII	4,408.3	5,469.2	5,289.3	20.0%	-3.3%
Other Income	1,306.3	37.9	1,283.5	-1.7%	3287.4%
Net Income	5,714.6	5,507.1	6,572.8	15.0%	19.4%
Opex	235.5	184.2	193.2	-18.0%	4.9%
PPOP	5,328.4	4,832.0	5,781.9	8.5%	19.7%
P&C	-124.1	-681.2	242.0	-	-
PBT	5,452.5	5,513.2	5,539.9	1.6%	0.5%
Tax	1,082.1	1,011.7	1,078.0	-0.4%	6.6%
PAT	4,370.4	4,501.5	4,461.9	2.1%	-0.9%
AUM	4,93,364	5,49,786	5,61,209	13.8%	2.1%
Disbursements	46,663	36,153	49,841	6.8%	37.9%

Source: Company; Mirae Asset Sharekhan Research

Actual vs Estimates

Particulars	Q2FY26E	Q2FY26A	Rs cr Variance (%)
NII	5,333	5,289	-0.8%
PPOP	6,433	5,782	-10.1%
PAT	5,102	4,462	-12.5%

Source: Company; Mirae Asset Sharekhan Research

Asset quality Details

Asset Quality	Q2FY25	Q1FY25	Q2FY26	y-o-y (bps)	q-o-q (bps)
GNPA	2.71%	1.92%	1.87%	-84.0	-5.0
NNPA	0.72%	0.38%	0.37%	-35.0	-1.0

Outlook and Valuation

■ Sector Outlook – Significant investment in the long-term to meet the capacity expansion

Industry reports reveal that India requires a \$700 billion investment in the next 10 years to meet the power demands, rise in per capita power consumptions, structural changes to renewable energies, and investment in distribution and in thermal power. The government targets to set up 500 GW installation capacity of renewable energies. Besides, transmitting of this such a large energy will require further investment in transmission and distribution. Notably, renewables energies are intermittent in nature hence the investment also required for thermal based capacities. PFC/REC are nodal agencies for many schemes of the government which are likely to capitalise on opportunity, resulting in strong growth over the next five-seven years. Further, the government would like to resolve the bad assets as quickly as possible as these plants can be commercialised for the power production when India faces power shortage and can meet the power demand of the country, benefitting the PFC/REC.

■ Company Outlook – Risk-reward favourable

PFC is a strategic important entity for the government as it has highly ambitious plans for the investment in the power sector. It is/was also a nodal agency of the government for many schemes in the power sector. The company enjoys strong ratings, therefore lower/reasonable cost of fund besides likely to get directly and indirectly support from the government whenever required. Hence, it is expected to capitalise on high growth, improving on asset quality and likely to generate high return ratios.

■ Valuation – Comfortable valuation with healthy return ratios

Q2FY26 performance was muted due to soft AUM growth on higher prepayments, while profitability lagged estimates. Management has maintained AUM growth guidance of 10-11%. We expect PFC to deliver an AUM CAGR of 12% for FY25-28 and generate strong RoA/RoE ~3.0/18% over the next couple of years. Besides, reduction in repo rate and aggressive competition by banks led for higher balance transfer, along with some pressure on NIM. Hence, we are adjusting our price target to Rs. 465. However, we stay positive and expect an upside of 24% on decent AUM growth, strong return ratios, healthy dividend yield and comfortable valuation. The stock trades on attractive valuation at 0.7x/x0.6 its FY26E/FY27E core BV (based on standalone adjusted for investments in REC).

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E(x)		P/BV(x)		RoA (%)		RoE (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
PFC*	376	124,000	3.9	3.7	0.8	0.7	3.0	3.0	19.4	18.2
REC	359	95,000	5.0	4.9	1.1	0.9	2.7	2.7	21	20

Source: Company; , Bloomberg; Mirae Asset Sharekhan Research; * core PE/PB

About company

Power Finance Corporation, public sector entity, is one of the largest power focused company in India. It was founded in 1986 by the Govt. of India to provide financial assistance to power projects across India including generation, transmission, distribution. It also provides consulting services for projections under construction through its subsidiary and is the nodal agency for development of Ultra Mega Power Plants (UMPPs) in India. One of the highest Profit making NBFC in India in FY2024.

Investment theme

PFC is one of the largest power focused NBFCs of India. It is a strategic important entity of the government of India for the power sector, along with nodal agency for implementing many schemes. The company has strong growth visibility over the next 2-3 years; hence the company's total assets is expected to reach ~Rs. 7.0 lakh crore by FY27. Besides, it has strong prospectus in the long-term due to significant investment expected for the power sector over the next 10 years. We expect it to generate steady margin, return ratios, and continue enjoy strong ratings and healthy asset quality profile.

Key Risks

Slow loan growth due to higher prepayments, margin contraction and slow AUM due to aggressive competition, rise in exposure to power projects without PPAs

Additional Data

Key management personnel

Name	Designation
Parminder Chopra	Chairman & Managing Director
Sandeep Kumar	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Republic of India	55.99
2	Life Insurance Corp of India	2.11
3	Kotak Mahindra Asset Management Co	2.03
4	Vanguard Group Inc/The	1.93
5	Blackrock Inc	1.69
6	Nippon Life India Asset Management	1.35
7	DSP Finance Pvt Ltd	1.24
8	GQG Partners LLC	1.16
9	GQG Partners Emerging Markets Equi	1.12
10	Republic of Singapore	1.08

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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