

CHAIRMAN'S MESSAGE: PFS 16th AGM

Ladies and Gentlemen Shareholders of the Company,

It gives me great pleasure to welcome you all to the 16th Annual General Meeting of your Company. I extend seasons' greetings and pray for the good health of all of you and your family members as we hear news about the upsurge in Covid cases in certain parts of the world.

To begin with, let me thank you for the confidence reposed and the support extended to the Company. It is your confidence and the support that motivates us to stay the course.

In its history of a decade and a half, your Company has built up a strong presence in the financing of infrastructure in all parts of the energy delivery chain especially with respect to renewable energy and sustainability projects. In the process, your Company has evolved into a responsible and responsive financial services organisation. Over this period, our primary focus has changed to sustainable growth and decarbonizing our portfolio. As we completed the financial year 2021-22, we chose to consolidate and balance our portfolio over pursuing aggressive growth targets.

Macro Overview

India is among the fastest-growing trillion-dollar economies in the world, driven by key structural reforms and mitigants to face the external vulnerabilities. For India to continue on this growth path, infrastructure will play a very crucial role.

Power sector is one of the lifelines of Indian economy. With the increased addition of generation capacity from renewable sources, new elements like battery energy storage systems (BESS), electric vehicles (EV) and green hydrogen getting integrated into the electricity value chain, there will be a multiplier effect on investment towards modernization of the entire electricity value chain.

India's national commitment to be Net Zero by 2070 and a near-term target of adding at least 500 GW of non-fossil fuel based capacity by 2030 will provide a huge tailwind to investments in renewable energy and sustainability projects. The total installed renewable energy capacity (including large hydro) in the country as on October 2022 is 166 GW.

Climate change has emerged as an unprecedented existential crisis. The country needs greater access to green finance and green instruments to facilitate the transition to support climate change vulnerabilities. Your Company believes that transformational contribution from financing agencies like PFS has to become a driving force behind making sustainability

the bedrock of business strategy for organizations leading towards sustainable and inclusive growth.

At the same time, other areas such as power transmission, roads and highways, ports, storage systems (battery and pump storage) , electric mobility, green hydrogen, distributed energy resources, smart grids etc. are also witnessing focused policy action. Your Company is focused on tapping the potential opportunities in these sectors in the coming years.

We are mindful that each project may have a different set of challenges. Your Company is one of the few institutions that keenly tracks the latest developments in the economy and responsibly venture into financing newer initiatives of Government, in addition to providing financial services to the other players in the eco-system.

PFS is well positioned to be a specialist in Sustainability financing

With an experience of over a decade and a half, your Company has acquired domain expertise and strong credit underwriting skills Your Company has a faster Turn Around Time and is a nimble footed unit with a flat management structure. It has robust appraisal, underwriting and risk management processes. Similarly, portfolio management and monitoring processes identify potential stress through Early Warning Signals (EWS) and equip us with the capability for prompt resolution.

During the year, your Company maintained a healthy leverage level of 3.14 as on 31st March 2022. The liability mix has also shifted towards longer-term financing and we will focus on a healthy diversification of the liability base going forward. The capital adequacy ratio (CAR) remains in a comfortable zone of 26.71%.

Net NPA levels at around 4.67% at the end of the Financial Year 2021-22 are much lower than peer NBFCs in the Infrastructure sector. The stressed assets in our portfolio are reducing as exposure to thermal & hydro projects has been going down quarter on quarter.

Well-equipped to participate in the growth in Business Environment

As the global pandemic impacted the world economy including India beginning the last quarter of the Financial Year 2019-20 and also during FY 2020-21, PFS took adequate steps for minimising its impact on the company's day to day operations. PFS consolidated its books,

rationalised loan assets and focused on keeping robust financials in preparation for the inevitable growth that is to follow. We believe that FY 2021-22 is the last year of preparation for your Company and going forward, the focus is going to shift towards growth.

Business and Operational Highlights – Financial Year 2021-22

PFS reported a loan book of Rs 8,686 crore as on March 31, 2022.

During the year, the total income was at Rs. 969 Crore. Profit after Tax (PAT) showed a five-fold increase to Rs 129.98 Crores. In FY 2021–22, the finance cost also decreased by 22.7% to Rs. 581 Crore. Our focus during the year has been on diversifying the sources of borrowings and also reduction in cost of borrowings. Assets in case of a few loan accounts were referred for liquidation by NCLT and accordingly provision for Impairment on financial instruments has decreased to Rs. 167.86 Crore in FY 2021–22. At the same time, the Spread on earning portfolio has improved to 3% and Net Interest Margin (NIM) has improved to 4.19%.

The Company has established systems and procedures for effective control over its business operations and other activities. The policies and procedures have been laid down with an objective to provide reasonable assurance that assets of the Company are safeguarded from risks of unauthorised use and the transactions are recorded and reported with proprietary, accuracy and speed. These aspects are reviewed and tested periodically.

Corporate Social Responsibility

Your Company is committed in its contribution for the welfare of the communities in the society where it operates through the Corporate Social Responsibility (“CSR”) initiatives. The activities undertaken are governed by the CSR Policy of your Company whose primary objective is to consistently pursue the concept of integrated development of the society in an economically, socially and environmentally sustainable manner and at the same time recognize the interests of all its stakeholders. Your Company undertakes the CSR activities as specified under the Companies Act and rules thereto.

Your Company is committed to research and development and has signed a memorandum of understanding (MoU) with Indian Institute of Technology, Delhi to establish a “PFS Chair” at IIT Delhi, as a part of the PFS CSR initiative. The PFS Chair will facilitate wider and deeper

interaction between the industry in general (and PFS, in particular) and IIT Delhi to promote excellence and leadership in teaching, research and development in Green Economics, Climate Finance, and Financing of Renewable Energy or similar topics.

Appreciation

I take this opportunity to thank all our esteemed shareholders and PTC India Limited, who have always extended their faith and confidence to us. My sincere thanks go out to the Ministry of Power, Ministry of New & Renewable Energy, Ministry of Finance, Ministry of Corporate Affairs, Reserve Bank of India, Securities and Exchange Board of India, National Stock Exchange of India Ltd, BSE Ltd, the Registrar, various commercial banks, Financial Institutions in India and abroad and the esteemed promoters of projects financed by us for their continued support and confidence reposed in your Company. I am also grateful to my fellow members on the Board for their contribution towards steering the Company to a path of sustainable growth.

Last but not the least; I would also like to acknowledge the contribution of employees of PFS. Without your continuous ,untiring efforts and the resilience displayed during trying times, none of this would have been possible. For all your efforts, fortitude and aspirations for your Company, I would like to share some words of Jamais Cascio:

“Resilience is all about being able to overcome the unexpected. Sustainability is about survival. The goal of resilience is to thrive.”

With warm wishes.

Dr. Rajib K. Mishra
Chairman