

CHAIRMAN'S SPEECH: PFS 18th AGM

Dear & Esteemed Shareholders of the Company,

With immense pleasure, I welcome you all to the 18th Annual General Meeting of your Company. I pray for the good health of all of you and your family members.

At the outset, I thank you for the confidence reposed and the support extended to the Company. It is your robust confidence and continuous support that guides us to sustain and keep improving our performance.

Throughout the Company's eighteen-year history, it has established a commendable niche footprint in financing infrastructure across the energy delivery spectrum, particularly in renewable energy, and sustainability initiatives. Along the way, your organization has transformed itself into a responsive and adaptable financial services entity. Our core objective is moving towards sustainable expansion, with an increased emphasis on building presence across all parts of the infrastructure value chain namely- energy, renewable energy, solid waste management, waste water management, etc. As we concluded the fiscal year 2023-24, we have chosen to consolidate and harmonize our portfolio.

Macro Overview

India is among the fastest-growing trillion-dollar economies in the world with expected growth rate of 7.0 %, on the back of strong domestic demand supported by increased public investment in infrastructure and under the Budget 2024, capital investment outlay of Rs 11.11 lakh crores is provided for infrastructure. Govt of India has retained its focus on fiscal consolidation and implemented structural reforms for future growth in infrastructure in general.

The power sector stands out as a critical pillar of the Indian economy. Your Company witnessed the expansion of generation capacity through renewable sources and the integration of innovative elements such as battery energy storage systems (BESS) and electric vehicles (EVs). Further, your company anticipates significant growth opportunities on account of investments made towards modernisation of the complete electricity value chain.

Sustainability financing addressing climate change

India's pledge to achieve Net Zero emissions by 2070 and its short-term goal of incorporating a

minimum of 500 GW of non-fossil fuel energy capacity by 2030 will significantly boost investments in renewable energy and sustainability initiatives.

Climate change is presenting an unparalleled existential challenge. The nation requires increased availability of green funding and environmentally friendly financial tools to facilitate the transition necessary to address climate change vulnerabilities. Your Company envisions that financing institutions such as PFS should play a transformative role in pushing sustainability to the forefront of business strategies for enterprises committed to achieving sustainable and inclusive growth.

Simultaneously, sectors like power transmission, transportation infrastructure, ports, energy storage (including batteries and pump storage), electric mobility, green hydrogen, sewage treatment plants, etc. are also experiencing targeted policy initiatives. Your Company is dedicated to harnessing the prospective opportunities in these domains in the coming years.

Sustainable Operation

Having accumulated more than eighteen years of experience, your Company has developed valuable domain knowledge and a proficient approach to credit assessment. It has robust policies and procedures for evaluating, underwriting, and managing risks. Likewise, portfolio management and monitoring systems effectively detect possible issues through Early Warning Signals (EWS), empowering us with the ability for swift resolution.

Your Company maintained a healthy leverage level of 1.54 as on 31st March 2024. 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 43%.

Net NPA levels stood at around 2.82% as at the end of the Financial Year 2023-24 as against 4.38% as at the end of Fiscal year 2022-23. The stressed assets in our portfolio are reducing as exposure to conventional power projects has been going down quarter on quarter.

Business and Operational Highlights – Financial Year 2023-24

PFS reported a loan book of Rs 5,396 Crores as on March 31, 2024.

Throughout the fiscal year, the total revenue amounted to Rs. 776.28 Crores, with Profit After Tax (PAT) to Rs. 160.75 Crores.. Our primary focus during this period centred on diversifying our sources of borrowing and concurrently lowering the cost of these borrowings. The provision for impairment

on financial instruments is Rs. 87.57 Crores in FY 2023–24. The Spread on our earning portfolio stood at 2.68%, and we achieved an improved Net Interest Margin (NIM) of 4.82%.

The Company has set up and reinforced systems and protocols to ensure efficient oversight of its business operations and related activities.

Corporate Social Responsibility

Your Company is dedicated to making a positive impact on the communities through its Corporate Social Responsibility (CSR) endeavors. These initiatives adhere to the CSR Policy of your Company, which places its central focus on the ongoing pursuit of holistic societal development, ensuring economic, social, and environmental sustainability while also acknowledging the interests of all stakeholders. Your company carries out CSR activities in compliance with the provisions outlined in the Companies Act and its associated regulations.

Corporate Governance

The fiscal year 2023-24 marked a significant period of reorganization for PFS. The Company took significant steps towards resolving past issues and has undertaken steps to strengthen governance. I'm happy to announce that a regular MD & CEO has joined the company on July 12, 2024. Further, the Company is strengthening its leadership .

In the absence of the regular MD&CEO, the Board stepped in to ensure smooth functioning of your Company's operations.

Way Forward

As we resolve the issues of the past, I assure you that the Company is looking to the future with cautious optimism. We have been significantly strengthening our internal control systems. Further we are undertaking initiatives to continuously upgrade the skills of our employees, our most valued asset and engage with them more meaningfully..

We expect to arrest the decline of our loan book and post a modest growth this year by introducing new products and reaching out to new customers/customer segments. This would place Your Company on a strong pedestal for sustained and robust growth in the ensuing years.

Appreciation

I would like to seize this opportunity to express my gratitude to you, our valued shareholders including our Promoter Shareholder PTC India Limited, who have consistently shown their trust and confidence in us. I extend my heartfelt appreciation to Reserve Bank of India, the Ministry of Power, Ministry of New and Renewable Energy, Ministry of Finance, Ministry of Corporate Affairs, Securities and Exchange Board of India, National Stock Exchange of India Ltd, BSE Ltd, the Registrar of Companies, various commercial banks, Financial Institutions in India and overseas, Rating agencies, and the esteemed project promoters who have received financing from us for their unwavering support and trust in our company. Additionally, I wish to convey my thanks to my fellow Board members for their contributions in guiding the Company toward a path of sustainable growth.

Last but not the least; I would also like to acknowledge the contribution of employees of PFS. Without their continuous, untiring efforts and resilience, none of this would have been possible.

I look forward to the continuous support of all the Esteemed Shareholders, including our Promoter Company PTC India Limited, in future.

With warmest and profoundest regards.

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Chairperson