10 February 2026

3QFY26 Results Update | Sector: Financials

Power Finance Corporation

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	POWF IN
Equity Shares (m)	3300
M.Cap.(INRb)/(USDb)	1363.8 / 15.1
52-Week Range (INR)	444 / 330
1, 6, 12 Rel. Per (%)	14/-4/-7
12M Avg Val (INR M)	2854

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
NII	221	238	263
PPP	232	258	287
PAT	195	201	225
EPS (INR)	59.0	60.9	68.3
EPS Gr. (%)	12	3	12
BV/Sh. (INR)	317	359	407
ABV/Sh. (INR)	273	315	363
RoAA (%)	3.2	3.1	3.0
RoAE (%)	19.9	18.0	17.8
Div Payout (%)	30.1	30.0	30.0
Valuations			
P/E (x)	7.0	6.8	6.1
P/BV (x)	1.3	1.2	1.0
Core P/E (x)	5.1	5.0	4.4
Core P/BV (x)	1.1	0.9	0.8
Div. Yld (%)	4.3	4.4	4.9

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	56.0	56.0	56.0
DII	15.5	16.0	17.2
FII	18.3	18.8	18.0
Others	10.2	9.1	8.8

FII includes depository receipts

CMP: INR413 TP: INR500 (+21%) Buy

In-line quarter with controlled run-downs; asset quality improves

Loan book rises 13% YoY; merger of PFC and REC remains a key monitorable

- PFC's 3QFY26 PAT grew ~15% YoY to INR47.6b (in line). 3Q NII grew ~19% YoY to ~INR56.1b (~5% higher than est.). Other operating income grew ~14% YoY to ~INR6.8b (~16% higher than est.), which included dividend income of ~INR6.7b. PFC reported exchange losses of INR1.3b (PQ: loss of INR5b).
- Opex grew ~8% YoY to ~INR2b (inline). The cost-to-income ratio improved ~10bp QoQ to ~3.55%. The company stated that there is no material impact of the new labor code policy. PPoP grew ~16% YoY to INR59.6b.
- Provisions in 3QFY26 declined to INR52m (PQ: INR2.4b and PY: INR745m). This translated into insignificant credit costs in 3Q (PY: ~1bp and PQ: ~4bp).
- Yields (calc.) were broadly stable at ~10%, while reported CoB was also stable QoQ at ~7.4%, resulting in spreads (calc.) remaining stable QoQ at ~2.55%. Reported NIM for 3QFY26 rose ~5bp QoQ to ~3.65% (PQ: 3.6%).
- **We estimate a disbursement/advances/PAT CAGR of 11%/13%/8% over FY26-FY28, an RoA/RoE of 3%/18%, and a dividend yield of ~4.9% in FY28. We reiterate our BUY rating with an SoTP (Dec'27E)-based TP of INR500 (premised on a 1x target multiple for the PFC standalone business and INR144/share for PFC's stake in REC after a hold-co discount of 20%).**

Govt. of India announces the merger of PFC and REC

- On 1st Feb'26, the Hon'ble Finance Minister, in the Union Budget 2026-27, outlined a "Viksit Bharat" roadmap for Public Sector NBFCs, with explicit targets for credit growth and technology adoption. The GoI also proposed the restructuring of PFC and REC. Following the Budget announcement, PFC's Board considered the proposal and granted in-principle approval for a merger between PFC and REC, while affirming that the merged entity would continue to be classified as a "Government Company".
- While there remains uncertainty around the finer details of the merger, we believe the combination should deliver meaningful operating synergies through the rationalization of overlapping functions and stronger bargaining power with lenders. Competitive intensity, at least between PFC and REC, is also likely to ease, with the merged entity emerging as a dominant, government-backed power financier with greater scale and stability.

Disbursements rise ~15% YoY; loan book grows ~1.5% QoQ

- The loan book stood at INR5.7t and grew 13% YoY/1.5% QoQ. Repayments during the quarter stood at ~22% (PQ: 28% and PY: ~19%).
- Disbursements grew ~15% YoY to INR394b. Disbursements to the infrastructure sector formed ~3% of the total disbursements in 3QFY26. The renewables segment in the loan mix was stable at 16%.

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Asset quality improves due to the resolution of TRN energy

- GS3 declined ~25bp QoQ to ~1.64%, while NS3 declined ~10bp QoQ to 0.26%. Asset quality improvement was attributable to the resolution of TRN Energy, with an outstanding exposure of INR11.4b.
- Standard assets (Stage 1 + 2) PCR rose ~3bp QoQ to 104bp (PQ: 101bp and PY: 83bp). PCR on Stage 3 improved ~4pp QoQ to 84%.
- PFC has ~21 projects that are classified as NPA. Resolutions in ~11 NPA projects is being pursued under NCLT, and the remaining ~10 NPA projects are being pursued outside NCLT.

Valuation and view

- PFC delivered a mixed quarter with earnings in line, while loan growth remained muted at <2% QoQ. Asset quality continued to improve, aided by the resolution of TRN Energy, which kept credit costs benign. Reported 9MFY26 NIM expanded by ~3bp (v/s that in 1HFY26).
- PFC (standalone) trades at 0.9x FY27E P/BV and ~5x FY27 P/E, which we view as attractive, and we therefore **reiterate our BUY rating** with an SoTP (Dec’27E)-based TP of INR500 (premised on a 1x target multiple for the PFC standalone business and INR144/sh for PFC’s stake in REC after a hold-co discount of 20%).
- **Key risks:** 1) weaker loan growth driven by higher prepayments; 2) an increase in exposure to power projects without PPAs; 3) compression in spreads and margins due to an aggressive competitive landscape; and 4) any slowdown in the offtake of renewable energy projects.

PFC: SoTP - Dec’27

	Stake	Target Multiple	Value (INR B)	INR per share	% To Total	Rationale
PFC Standalone	100	1.0	1,171	356	71	❖ 1x Dec'27 PBV
REC Stake (Pre-holdCo)	53	1.0	596	181		❖ 1x Dec'27 PBV
Hold Co Discount (20%)			119			
REC Stake (Post Hold-CO)			**477**	**144**	**29**	
Target Value			**1,648**	**500**	**100**	

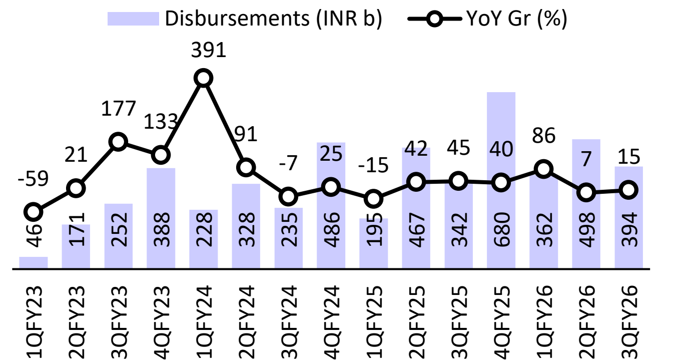
Quarterly Performance (INR m)

Y/E March	FY25				FY26E				FY25	FY26E	3Q	v/s
Particulars	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4QE**			**FY26E**	**Est.**
Interest Income	1,18,270	1,19,090	1,24,172	1,37,215	1,37,389	1,34,728	1,39,359	1,42,263	4,98,747	5,53,739	1,36,345	2
Interest Expenses	74,990	75,007	77,231	78,109	82,697	81,835	83,294	84,947	3,05,380	3,32,773	82,735	1
Net Interest Income	**43,280**	**44,083**	**46,942**	**59,106**	**54,692**	**52,893**	**56,065**	**57,316**	**1,93,367**	**2,20,966**	**53,609**	**5**
YoY Gr %	23.5	18.2	12.9	39.5	26.4	20.0	19.4	-3.0	23.7	14.3	14.2	
Other Income	**3,160**	**14,655**	**5,971**	**11,309**	**2,016**	**11,829**	**6,827**	**12,996**	35,096	**33,668**	**5,880**	**16**
Net Operational Income	**46,440**	**58,738**	**52,913**	**70,415**	**56,708**	**64,722**	**62,892**	**70,312**	**2,28,463**	**2,54,634**	**59,490**	**6**
YoY Gr %	41.1	19.4	11.5	42.1	22.1	10.2	18.9	-0.1	27.6	11.5	12.4	
Exchange gain/(loss)	589	-3,100	457	-2,614	-6,546	-4,972	-1,276	-1,406	-4,668	-14,200	-2,200	-42
Total Net Income	**47,029**	**55,639**	**53,370**	**67,801**	**50,162**	**59,750**	**61,616**	**68,907**	**2,23,795**	**2,40,434**	**57,290**	**8**
YoY Gr %	24.6	15.9	18.0	34.9	6.7	7.4	15.4	1.6	23.5	7.4	7.3	
Operating Expenses	1,016	2,355	1,832	2,341	1,848	1,932	1,991	2,470	7,500	8,241	**2,071**	**-4**
Operating Profit	**46,013**	**53,284**	**51,538**	**65,460**	**48,313**	**57,819**	**59,625**	**66,436**	**2,16,295**	**2,32,193**	**55,219**	**8**
YoY Gr %	25.3	13.7	16.8	39.8	5.0	8.5	15.7	1.5	23.9	7.4	7.1	
Provisions	620	-1,241	745	4,447	-6,818	2,420	52	-1,326	4,571	-5,672	-2,500	-102
PBT	**45,393**	**54,525**	**50,793**	**61,013**	**55,132**	**55,399**	**59,573**	**67,762**	**2,11,724**	**2,37,866**	**57,719**	**3**
Tax	8,214	10,821	9,244	9,924	10,117	10,780	11,940	10,455	38,202	43,292	10,389	15
Tax Rate %	18.1	19.8	18.2	16.3	18.3	19.5	20.0	15.4	18.0	18.2	18.0	
PAT	**37,179**	**43,704**	**41,549**	**51,090**	**45,015**	**44,619**	**47,633**	**57,306**	**1,73,522**	**1,94,574**	**47,330**	**1**
YoY Gr %	23.6	13.6	23.0	23.5	21.1	2.1	14.6	12.2	20.6	12.3	13.9	
Key Parameters (Calc., %)												
Yield on loans	9.9	9.8	10.0	10.7	10.3	9.9	10.0	9.9				
Cost of funds	7.4	7.3	7.4	7.0	7.1	7.0	7.0	6.9				
Spread	2.5	2.5	2.6	3.7	3.1	2.9	3.0	3.0				
NIM	3.56	3.57	3.76	4.51	3.93	3.73	3.89	3.84				
C/I ratio	2.3	5.34	3.90	4.0	3.38	3.65	3.55	4.3				
Credit cost	0.01	(0.03)	0.01	0.08	(0.12)	0.04	0.00	(0.02)				
Balance Sheet Parameters												
Disbursements (INR b)	195	467	342	680	362	498	394	631				
Growth YoY (%)	(15)	42	45	40	86	7	15	(7)				
AUM (INR b)	4,750	4,934	5,038	5,431	5,498	5,612	5,696	5,985				
Growth YoY (%)	10	10	10	13	16	14	13	10				
Asset Quality Parameters												
GS 3 (INR B)	161	134	135	105	105	105	93					
GS 3 (%)	3.4	2.71	2.68	1.9	1.92	1.87	1.64					
NS 3 (INR B)	41.1	35.3	35.9	20.9	20.8	20.8	14.7					
NS 3 (%)	0.9	0.7	0.7	0.4	0.4	0.4	0.3					
PCR (%)	74.4	73.6	73.4	80.1	80.3	80.2	84.2					

E: MOFSL Estimates

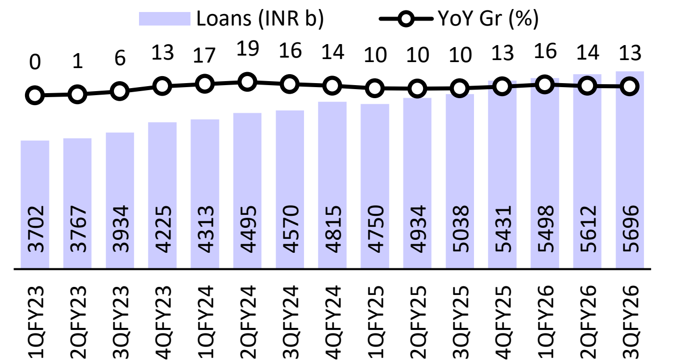
Key exhibits

Exhibit 1: Disbursements grew ~15% YoY



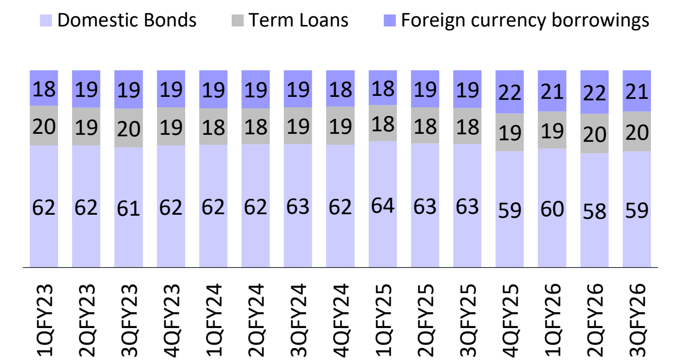
Source: MOFSL, Company

Exhibit 2: Loan book grew 13% YoY and 1.5% QoQ



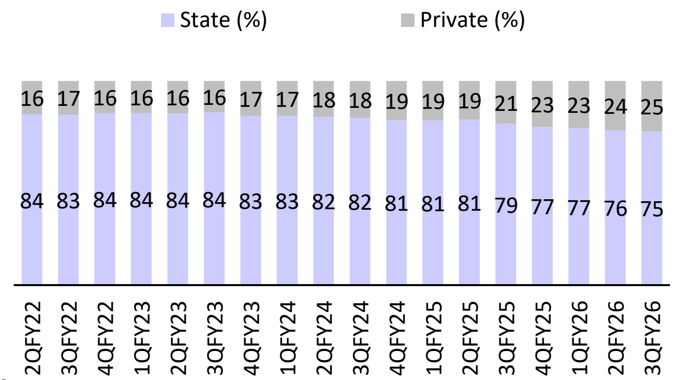
Source: MOFSL, Company

Exhibit 3: Borrowing mix (%)



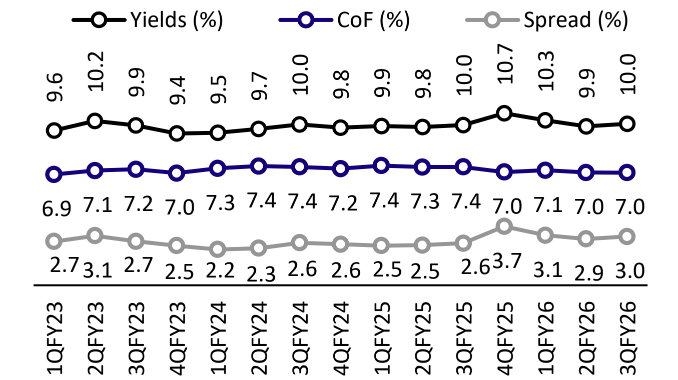
Source: MOFSL, Company

Exhibit 4: ~25% of loans disbursed to private players (%)



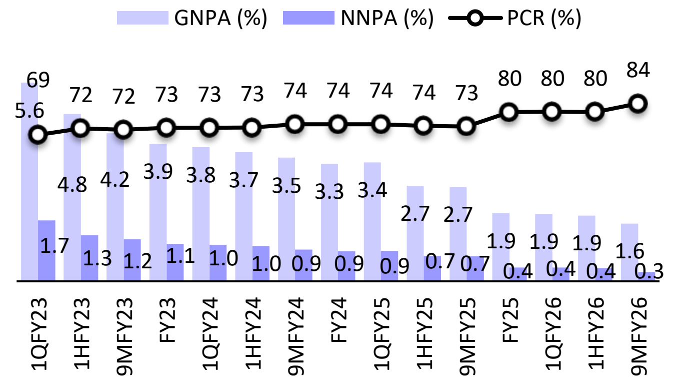
Source: MOFSL, Company

Exhibit 5: Calc. Yields rose ~15bp QoQ



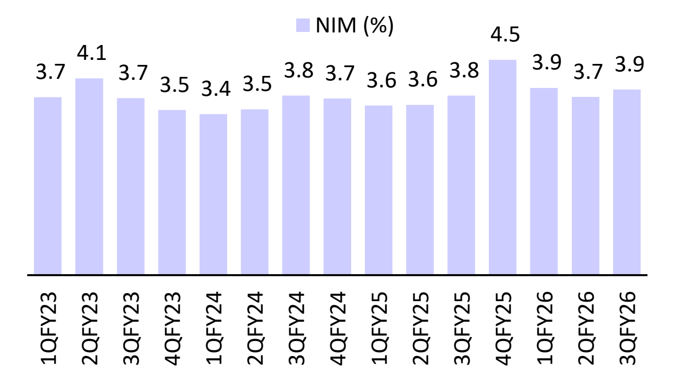
Source: MOFSL, Company,

Exhibit 6: Asset quality improved QoQ



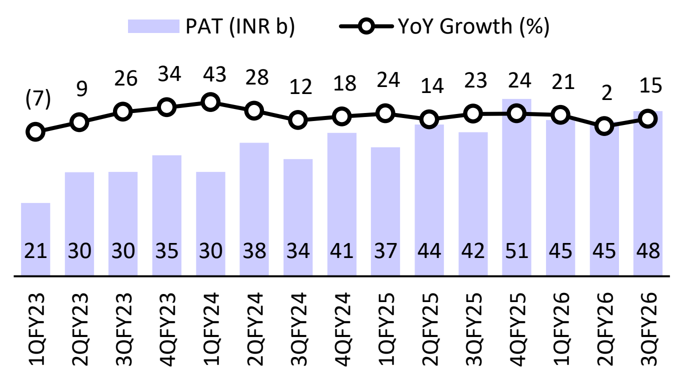
Source: MOFSL, Company

Exhibit 7: Calc. NIM expanded ~15bp QoQ (%)



Source: MOFSL, Company,

Exhibit 8: PAT grew ~15% YoY



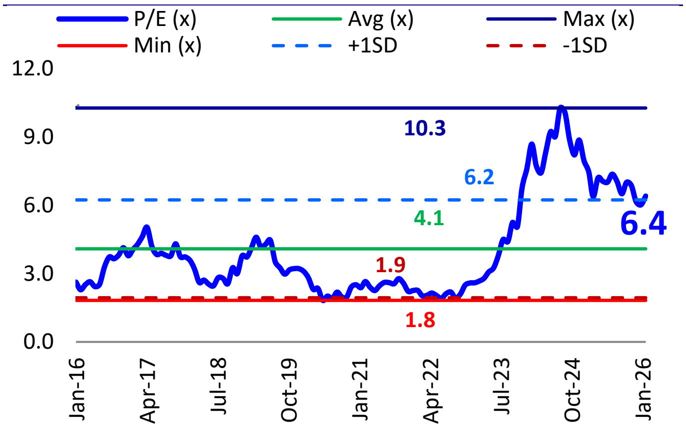
Source: MOFSL, Company

Exhibit 9: We keep our FY26/FY27/FY28 EPS estimates broadly unchanged

INR B	Old Est.			New Est.			% Change		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
NII	215.7	237.4	262.5	221.0	238.0	262.9	2.4	0.2	0.1
Other Income	14.9	29.4	33.1	19.5	29.5	34.0	30.3	0.5	2.8
Net Income	**230.7**	**266.8**	**295.6**	**240.4**	**267.5**	**296.9**	**4.2**	**0.3**	**0.4**
Operating Expenses	8.2	9.1	10.0	8.2	9.1	10.0	0.0	0.0	0.0
Operating Profits	**222.4**	**257.7**	**285.6**	**232.2**	**258.4**	**286.9**	**4.4**	**0.3**	**0.4**
Provisions	-9.8	17.4	12.9	(5.7)	12.8	11.7	-42.1	-26	-10
PBT	**232.2**	**240.3**	**272.7**	**237.9**	**245.5**	**275.2**	**2.4**	**2.2**	**0.9**
Tax	42.3	43.5	49.4	43.3	44.4	49.8	2.4	2.2	0.9
PAT	**190.0**	**196.8**	**223.3**	**194.6**	**201.1**	**225.4**	**2.4**	**2.2**	**0.9**
Loans	5,951	6,697	7,565	5,985	6,730	7,599			
RoAA (%)	**3.2**	**3.0**	**3.0**	**3.2**	**3.1**	**3.0**			

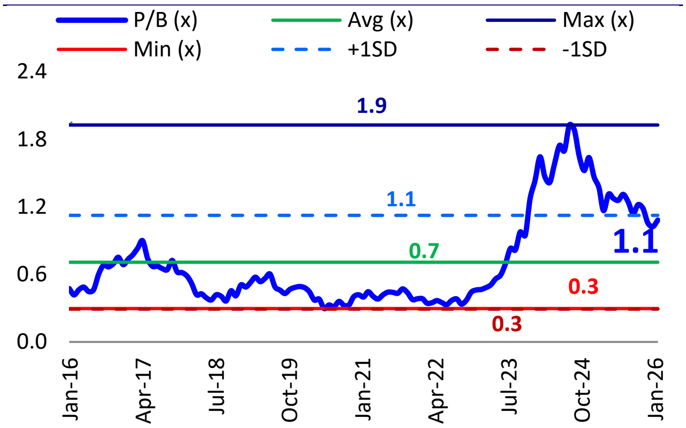
Source: MOFSL, Company

Exhibit 10: One-year forward P/E



Source: MOFSL, Company,

Exhibit 11: One-year forward P/B



Source: MOFSL, Company

Exhibit 12: Du Pont Analysis

Du Pont Analysis	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest income	9.0	9.6	9.3	9.0	9.2	9.2	9.2	8.9	8.7
Interest expenses	6.2	6.2	5.8	5.5	5.9	5.6	5.6	5.3	5.2
Net Interest Income	**2.9**	**3.4**	**3.6**	**3.4**	**3.3**	**3.6**	**3.7**	**3.6**	**3.5**
Other Operating Income	0.6	0.3	0.5	0.5	0.5	0.6	0.6	0.5	0.5
Other Income	-0.7	0.0	-0.2	-0.5	0.0	-0.1	-0.2	-0.1	-0.1
Total Income	**2.7**	**3.8**	**3.8**	**3.5**	**3.8**	**4.1**	**4.0**	**4.1**	**4.0**
Operating expenses	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating profits	**2.6**	**3.6**	**3.7**	**3.3**	**3.7**	**4.0**	**3.9**	**3.9**	**3.9**
Provisions	0.3	0.9	0.6	-0.1	0.0	0.1	-0.1	0.2	0.2
PBT	**2.3**	**2.7**	**3.1**	**3.4**	**3.7**	**3.9**	**4.0**	**3.7**	**3.7**
Taxation	0.7	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.7
RoA	**1.6**	**2.2**	**2.5**	**2.8**	**3.0**	**3.2**	**3.2**	**3.1**	**3.0**
Leverage (x)	8.0	7.7	7.0	6.6	6.4	6.4	6.1	5.9	5.9
RoE	**12.8**	**17.3**	**17.9**	**18.2**	**19.5**	**20.4**	**19.9**	**18.0**	**17.8**

Financials and valuations

Income Statement									(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Interest on loans	320	361	367	376	436	499	554	585	646
Interest exp & other charges	219	232	227	233	280	305	333	347	383
Net Interest Income	**101**	**130**	**140**	**144**	**156**	**193**	**221**	**238**	**263**
Change (%)	6.9	28.3	8.3	2.4	8.8	23.7	14.3	7.7	10.5
Other operating income	21	11	19	21	23	35	33	36	39
Exchg Gain/(loss) on Forex loans	-26	2	-9	-20	2	-5	-14	-7	-5
Other Income	0	0	0	0	0	0	0	0	0
Net Income	**96**	**142**	**150**	**145**	**181**	**224**	**240**	**267**	**297**
Change (%)	2.6	48.4	5.7	-3.6	25.2	23.5	7.4	11.2	11.0
Employee Cost	2	2	2	2	2	3	3	3	3
Administrative Exp	2	3	3	4	4	5	5	6	6
Depreciation	0	0	0	0	0	0	0	0	0
Operating Income	**92**	**137**	**144**	**139**	**175**	**216**	**232**	**258**	**287**
Change (%)	2.7	49.2	5.4	-4.0	25.8	23.9	7.4	11.3	11.0
Total Provisions	**10**	**35**	**22**	**-3**	**-2**	**5**	**-6**	**13**	**12**
% to operating income	10.8	25.5	15.4	-2.1	-1.0	2.1	-2.4	5.0	4.1
PBT	**82**	**102**	**122**	**142**	**176**	**212**	**238**	**246**	**275**
Prior period Adjustments	0	0	0	0	0	0	0	0	0
PBT (post-prior-period adj)	**82**	**102**	**122**	**142**	**176.3**	**211.7**	**238**	**246**	**275**
Tax (Incl Deferred tax)	25	18	22	26	33	38	43	44	50
Tax Rate (%)	31.0	17.3	18.0	18.1	18.5	18.0	18.2	18.1	18.1
PAT	**57**	**84**	**100**	**116**	**144**	**174**	**195**	**201**	**225**
Change (%)	-18.7	49.3	18.7	15.8	23.8	20.8	12.1	3.4	12.1
Extraordinary item	0	0	0	0	0	0	0	0	0
Reported PAT	**57**	**84**	**100**	**116**	**144**	**174**	**195**	**201**	**225**
Adjusted PAT (Excluding REC Dividend)	**53**	**82**	**98**	**113**	**139**	**168**	**189**	**195**	**219**
Change (%)	-28.2	56.7	18.7	15.4	23.5	20.6	12.3	3.3	12.5
Proposed Dividend (Incl Tax)	25	26	32	35	45	52	59	60	68

Balance Sheet									(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Capital	26	26	26	26	33	33	33	33	33
Reserves & Surplus	425	498	567	656	759	876	1,012	1,153	1,311
Net Worth	**452**	**524**	**594**	**682**	**792**	**909**	**1,045**	**1,186**	**1,344**
Deferred Tax Liability	0	0	0	0	0	0	0	0	0
Networth (incl DTL)	**452**	**524**	**594**	**682**	**792**	**909**	**1,045**	**1,186**	**1,344**
Interest subsidy from the GoI	0	0	0	0	0	0	0	0	0
Borrowings	**3,103**	**3,330**	**3,274**	**3,704**	**4,164**	**4,755**	**5,032**	**5,633**	**6,349**
Change (%)	5.1	7.3	-1.7	13.1	12.4	14.2	5.8	11.9	12.7
Total Liabilities	**3,618**	**3,921**	**3,944**	**4,448**	**5,056**	**5,782**	**6,208**	**6,963**	**7,852**
Investments	165	160	161	173	202	207	218	228	240
Change (%)	-0.7	-3.0	0.7	7.6	16.9	2.5	5.0	5.0	5.0
Loans	**3,341**	**3,601**	**3,609**	**4,108**	**4,699**	**5,328**	**5,847**	**6,592**	**7,459**
Change (%)	10.2	7.8	0.2	13.8	14.4	13.4	9.7	12.7	13.2
Forex monetary reserves	0	0	0	0	0	0	0	0	0
Net Fixed Assets	1	1	1	1	1	1	1	1	1
Net Current Assets	2	48	40	16	2	68	26	21	25
Total Assets	**3,618**	**3,921**	**3,944**	**4,448**	**5,056**	**5,782**	**6,208**	**6,963**	**7,852**

E: MOFSL Estimates

Financials and valuations

Loans and Disbursements	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross Loans (INR b)	3,449	3,708	3,731	4,225	4,815	5,431	5,985	6,730	7,599
YoY Growth (%)	10	7	1	13	14	13	10	12	13
Disbursements (INR b)	680	883	512	858	1,277	1,683	1,885	2,092	2,343
YoY Growth (%)	0	30	-42	67	49	32	12	11	12

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Spreads Analysis (%)									
Avg. Yields	10.0	10.4	10.2	9.8	9.9	9.9	9.9	9.4	9.2
Avg Cost of funds	7.2	7.2	6.9	6.7	7.1	6.8	6.8	6.5	6.4
Interest Spread	2.8	3.2	3.3	3.1	2.79	3.10	3.11	2.9	2.8
NIM	2.3	3.8	3.6	3.2	3.6	3.8	3.7	3.7	3.7
Profitability Ratios (%)									
RoE	12.8	17.3	17.9	18.2	19.5	20.4	19.9	18.02	17.82
RoA	1.6	2.2	2.5	2.8	3.0	3.2	3.2	3.1	3.0
Efficiency Ratios (%)									
Int. Expended/Int.Earned	68.4	64.2	61.8	61.8	64.2	61.2	60.1	59.3	59.3
Other operating Inc./Net Inc.	22.0	7.6	12.3	14.3	12.5	15.6	13.9	13.5	13.0
Other Income/Net Income	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1
Op. Exps./Net Income	4.2	3.6	3.8	4.2	3.7	3.4	3.4	3.4	3.4
Empl. Cost/Op. Exps.	48.5	37.9	37.1	36.3	36.3	35.8	35.2	34.4	33.7
Asset-Liability Profile (%)									
Loans/Borrowings Ratio (x)	108	108	110	111	113	112	116	117	117
Assets/Networth (x)	8.0	7.5	6.6	6.5	6.4	6.4	5.9	5.9	5.8
Debt/Equity (x)	6.9	6.4	5.5	5.4	5.3	5.2	4.8	4.7	4.7
Asset Quality (%)									
Gross Stage 3	8.1	5.7	5.6	3.9	3.3	1.9	1.5	1.2	0.9
Net Stage 3	3.8	2.1	1.8	1.1	0.9	0.4	0.2	0.2	0.1
PCR	47.1	63.4	68.6	72.7	74.4	80.1	85.0	85.0	85.0
Credit costs	0.31	1.01	0.62	-0.08	-0.04	0.09	-0.10	0.21	0.17

Valuations

Valuations	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Book Value (INR)	171	198	225	258	240	276	317	359	407
BV Growth (%)	4.3	16.0	13.3	14.9	-7.1	14.8	15.0	13.5	13.3
Price-BV (x)	**2.4**	**2.1**	**1.8**	**1.6**	**1.7**	**1.5**	**1.3**	**1.2**	**1.0**
Adjusted Book Value (INR)	116	144	170	203	196	232	273	315	363
ABV Growth (%)	-22.8	23.6	18.4	19.7	-3.6	18.1	17.8	15.6	15.2
Price-ABV (x)	**2.5**	**2.1**	**1.7**	**1.4**	**1.5**	**1.3**	**1.1**	**0.9**	**0.8**
EPS (INR)	21.4	32.0	38.0	44.0	43.5	52.6	59.0	60.9	68.3
EPS Growth (%)	-18.7	49.3	18.7	15.8	-1.0	20.8	12.1	3.4	12.1
Price-Earnings (x)	**19.3**	**12.9**	**10.9**	**9.4**	**9.5**	**7.9**	**7.0**	**6.8**	**6.1**
Core EPS (INR)	19.9	31.2	37.0	42.8	42.3	50.9	57.2	59.1	66.5
Adj Core EPS Growth (%)	-28.2	56.7	18.7	15.4	-1.2	20.6	12.3	3.3	12.5
Adj. Price-Core EPS (x)	**14.8**	**9.4**	**7.9**	**6.9**	**7.0**	**5.8**	**5.1**	**5.0**	**4.4**
DPS	9.5	10.0	12.0	13.3	13.5	15.8	17.7	18.3	20.5
Dividend Yield (%)	**2.3**	**2.4**	**2.9**	**3.2**	**3.3**	**3.8**	**4.3**	**4.4**	**4.9**

E: MOFSL Estimates

NOTES

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