



(एक महारत्न कंपनी)



पावर फाइनेंस कॉर्पोरेशन लिमिटेड POWER FINANCE CORPORATION LTD.

(भारत सरकार का उपक्रम)

(A Govt. of India Undertaking)

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Listing Department, Exchange Plaza,
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MUMBAI – 400 051.

नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड
लिस्टिंग विभाग, एक्सचेंज प्लाजा,
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बीएसई लिमिटेड,
कॉर्पोरेट सेवाएं विभाग, मंजिल-25,
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SUB: Transcript of analyst/investor meet held on May 21, 2025

Madam/Sir,

In continuation of our earlier letter dated May 14, 2025, May 19, 2025 and May 21, 2025 and pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith transcript of analyst/investor meet held on May 21, 2025. This is submitted for your information, record and further dissemination.

Transcript of the above-mentioned conference call has been made available at <https://pfcindia.com/ensite/Home/VS/109> and the same is attached herewith.

**Yours faithfully,
For Power Finance Corporation Ltd.**

(Manish Kumar Agarwal)
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Power Finance Corporation Ltd

Q4/ FY2025 Results

Investor Meet

May 21, 2025

MANAGEMENT OF POWER FINANCE CORPORATION:-

- **Ms. Parminder Chopra - Chairperson and Managing Director**
- **Mr. Rajiv Ranjan Jha - Director (Projects)**
- **Mr. Manoj Sharma - Director (Commercial)**
- **Mr. Sandeep Kumar - Director (Finance)**
- **Mr. Shashank Misra - Government Nominee Director**
- **Mr. Prasanna Tantri - Independent Director**
- **Ms. Usha Sajeer Nair - Independent Director**
- **Mr. Naresh Dhanrajbhai Kella- Independent Director**
- **Mr. Sudhir Mehta - Independent Director**

Comparer:

Good evening, ladies and gentlemen. May I request all of you to kindly ensure your mobile phones are switched to the silent or buzzer mode during the course of the event. Thank you.

On behalf of Power Finance Corporation, we feel honored and privileged to welcome you all to this investor meet. Today, the company announced its financial results for the year 2024-25. PFC is always aiming to connect with its investors and build a strong and positive relationship with the investment community. With this objective, today's event has been organized to discuss PFC's financial performance and future outlook with the current and prospective investors. Now, I would like to introduce PFC's management.

On the desk, to my immediate left, is Mr. Prasanna Tantri, Independent Director. Ms. Usha Sajeev Nair, Independent Director. Mr. Manoj Sharma, Director Commercial. Mr. Shashank Misra, Government Nominee Director. Ms. Parminder Chopra, Chairperson and Managing Director. Mr. Rajiv Ranjan Jha, Director, Projects. Mr. Sandeep Kumar, Director Finance. Mr. Naresh Dhanrajbhai Kella, Independent Director. And to my extreme left is Mr. Sudhir Mehta, Independent Director. The program for today's annual investor meet will start with PFC's CMD speech, which will be followed by a Q&A session.

Now, I would like to invite Ms. Parminder Chopra, Chairperson and Managing Director to address the gathering.

Parminder Chopra:

Good evening, everyone, and a warm welcome. It's always a pleasure to connect with all of you again. We deeply value this annual interaction. It gives us an opportunity to engage directly with all our investors. Today, we have released our results for quarter 4 and financial year 2025. I am happy to share that PFC has once again delivered a remarkable performance. Starting with PFC's consolidated results, we continue to be the largest NBFC group in India with a consolidated balance sheet size of over Rs. 11.70 lakh crore. For FY25, the consolidated PAT stood at Rs. 30,514 crores with a 15% increase over previous financial year. The group loan asset book has crossed Rs.11 lakh crore and registered a growth of 12%. On the asset quality front, we continue to see a decreasing trend in our NPA levels. The consolidated net NPA ratio for FY25 is at 0.38% compared to 0.85% in FY24.

Talking about the standalone performance, I am happy to share that PFC has yet again delivered another record-breaking performance. PFC registered its all-time high annual profit of Rs. 17,352 crore, an impressive increase of 21% from FY2024. The profit increase is driven by a healthy net interest income growth of 24%, provision reversals and recoveries on account of resolution. With this, PFC continues to maintain its position as the highest profit-making NBFC in India.

At PFC, focus has always been on maximizing shareholders' return. In line with this, PFC's board today has declared a final dividend of Rs. 2.05 per share. Together with the cumulative interim dividend of Rs.13.75 per share paid earlier, the total dividend for financial year 25 is Rs. 15.80 per share. The payout of this final dividend declared today will happen after shareholders' approval in AGM. Our steadily growing profit enables us to deliver enhanced returns year after year. Reinforcing our commitment to share our success and to create value for our investors.

Now let's move to the key financial indicators. The ratios for the financial year 25 continue to be within a stable range. The yield for FY25 stands at 10.02%, with cost of funds at 7.44%, resulting in spread which continues to be within our guided range at 2.58%. We maintain our spread guidance range for FY26 at around 2.5%. The net interest margin for FY25 stands at 3.64%.

On the capital front, with our steadily rising profits, PFC's net worth reached Rs. 90,937 crore as on 31 March 2025, reflecting a notable increase of 15% year-on-year. The capital adequacy ratio for FY25 is at 22.08%, which is well above the minimum regulatory requirements.

Our consistently strong financial position ensures resilience and allows us to deliver strong performance in the constantly evolving market environment.

Now I would like to share updates on our asset quality. As we have been guiding in our previous interactions, I am happy to share that we have successfully resolved the KSK Mahanadi project of Rs.3,300 crore in Q4-25. KSK is a 3,600 megawatt coal-based project and has been resolved through NCLT. As against the admitted claim of Rs 4,448 crore for KSK, PFC received 100% principal recovery and we have also received Rs. 1,192 crore as against interest income. This has resulted in recovery of more than the admitted claim. Further, 55% provisioning maintained on this asset, which is around Rs. 1,815 crore, has been reversed in Q4-2025.

With this, our net NPA ratio has reduced to less than half a percent, the lowest in the last 7 years and stands at 0.39% as compared to 0.85% in previous financial year.

Gross NPA is at 1.94%, reflecting continued improvement in the asset quality.

Post the resolution, the Stage 3 book stands at Rs. 10,517 crore with 21 projects. Out of these projects, 10 projects worth Rs. 8,209 crore are being resolved through NCLT, of which 6 projects worth Rs. 2,605 crore are under liquidation. While the remaining 11 projects worth Rs. 2,308 crore are being resolved outside NCLT. As previously shared, 2 projects of Rs.1,661 crore are under advanced stage of resolution. Both these projects are outside NCLT.

First is the TRN Energy project with an outstanding of Rs.1,139 crore. It's a 600 megawatts thermal plant. We have maintained around 50% provisioning against this.

Second is the Shikha Energy project with an outstanding loan amount of Rs. 522 crore. It's a 97 megawatts commissioned hydro energy plant and we are maintaining provisioning of around 31%. For both TRN Energy and Shikha Energy, the restructuring plan has been finalized and the documentation and implementation process are currently underway. On both projects, we have maintained sufficient provisioning.

Also I would like to provide an update on some other major stress projects. One of which is Sinnar thermal power project with an outstanding amount of Rs. 3,000 crore. It's a 1,350 megawatt coal based plant which is being resolved under NCLT. The resolution offers have been received for the project and the way forward is under discussion. Currently we have maintained 80% provision on the project.

The other is India Power Haldia with an outstanding amount of Rs.959 crore. It's a 450 megawatt coal based plant and is being resolved under NCLT. The application for resolution plan has been filed before NCLT on 23rd December 2024. Currently we are maintaining 50% provision on the project.

On the total stage 3 asset portfolio, we continue to maintain a healthy provisioning of 80%. Regarding provisioning, I would like to highlight the release of the 13th Annual Integrated Rating of Power Distribution Utilities which was done in February 2025. PFC has been serving as a nodal agency for this exercise for several years now. The report provides valuable insight into the operational performance of power distribution companies across the country and is seen as an effective way of bringing in operational reforms.

For the purpose of provisioning, PFC is following the expected credit loss model, wherein operational parameters are also considered along with financial parameters. Accordingly the operational efficiencies achieved by DISCOM as reflected in these ratings are also factored into the ECL provisioning. In this report, the rating of 15 DISCOMs were upgraded. While 13 DISCOMs experienced a downgrade.

Accordingly the provision reversals from KSK Mahanadi have been utilized to create additional provision of around 900 crores to account for these rating changes.

While talking about provisioning, I would like to mention about Gensol Engineering also. There has been a lot of talk about this project .PFC had disbursed 352 crore to Gensol for leasing of 3000 electric vehicles. Till date 2741 vehicles have been delivered and hypothecated to PFC. As informed by PFC in April, the outstanding loan amount of Gensol was Rs.307 crores. Further, after that we have realized Rs. 44 crores, including by way of security encashment of fixed deposit and TRA account balance.

In Q4, we have made 100% provisioning on Gensol Engineering, an NPA with current outstanding of Rs. 263 crores. I would like to mention that this is a promoter-specific event and we do not see it representing sectoral risk. This project does not reflect upon PFC's appraisal methodology nor the risk mitigation strategies adopted by PFC. I would like to reiterate that NPA are a normal business risk for any financial institution. The robust provisioning on our loan book asset reflects our prudent and transparent approach to show true and fair financials.

Now, coming on to the loan asset growth. In the last year's investor meet, we had outlined the 3R strategy adopted by PFC for loan growth, which is growth in a realistic, resilient, and robust manner. Guided by these 3 pillars, I am happy to share that we have delivered a loan asset growth of 12.81% in FY25, aligning with the guidance we have been providing throughout the year.

Also on renewable portfolio, our portfolio has reached to Rs. 81,031 crore, an increase of 35% from last financial year, and we have retained our positioning of the largest renewable financing agency in the country. The main growth drivers were distribution and renewable, which contributed 55% and 17% of the total disbursements.

Now, coming on to the loan growth strategy for FY26. As you know that India is steadily moving towards its 2030 energy transition targets. FY25 saw a record renewable capacity addition of around 30 gigawatt with solar power comprising 80% of these total additions.

Further, the PM Surya Ghar Mufti Bijli Yojana, launched in February 2024, is also contributing to India's green energy goals. As of March 2025, the scheme has facilitated installation of over 3 gigawatt of rooftop solar capacity covering over 10 lakh homes. Additionally, 27 gigawatt is targeted by March 27 under the scheme. Currently, India has over 17 gigawatts of rooftop solar installed capacity. This brings the total installed capacity in India for renewable to 220 gigawatt as of March 2025, representing around 45% of the country's total installed capacity.

As India's electricity demand continues to rise, renewable energy is expected to be significant share of our total installed capacity. Considering the intermittent nature of the renewable, ensuring grid stability and reliable power supply will be critical to our energy security. The government is focusing on energy security in threefold manner. First is by making renewable energy firm and dispatchable by integrating it with energy storage solution. Secondly, by strategically complementing renewable power with capacity addition in the thermal generation space. And thirdly by exploring expansion of the nuclear generation capacity. Aligned with this focus, the new renewable power options are increasingly emphasizing integrated projects such as solar-wind hybrids and generation projects coupled with battery energy storage or pump storage projects.

For instance, in 2025, the Central Electricity Authority has mandated minimum 2 hour of co-located energy storage systems in future solar tenders. In FY25, more than 50% of the total auctioned capacity was for integrated renewables.

I want to emphasize that grid-scale energy storage technology, especially battery energy storage, are still in their early stages of growth and adoption, not just in India but globally. As the rate of adoption increases, rapid technological advancements are likely resulting in cost reduction and increased efficiency. For example, the battery energy storage project tariff which were around 8 to 10 rupees per unit in 2022 has now come down to 6 to 7 rupees per unit. This decreasing tariff trend will help in achieving significant scale going forward. This situation mirrors the early days of solar PV projects in India. The evolution of energy storage technologies and surrounding ecosystem will be a key for future renewable energy growth. Just as we were pioneers in supporting RE generation projects, PFC is committed to being at the forefront of funding these emerging technologies.

Now let's move on to the second aspect of energy security, which is the thermal capacity addition. Earlier this year, government has announced its plan to add 80 gigawatts of thermal generation capacity. Given the time-intensive nature of planning and executing thermal power project, we envisage that financing opportunities in this segment will materialize over the medium term, representing a significant medium-term growth avenue for PFC.

Coming on to the third area, which is expansion in nuclear generation space. For this, government of India has launched the nuclear energy mission for Viksit Bharat, wherein development of at least 100 gigawatt of nuclear energy by 2047 is envisaged. Accordingly, this will be another lending opportunity for PFC going ahead.

Turning to the power distribution front, funding in this sector over the past few years have been largely led by the government schemes such as LIS and LPS, which are now substantially executed. The RDSS scheme is ongoing, and we currently have sanctions of around 39,000 crore in hand. Over the last one and a half years, we have also focused on funding through bill payment facilities or RBPF to the state DISCOMs. We expect this to continue this year as well. For distribution sector growth, the progress in the RDSS scheme and any new government measures to support the sector will be crucial to watch out.

Given the current dynamics of power sector, we believe that the growth will be driven by multiple fronts rather than a single segment. The power sector remains our primary focus. On the infrastructure front, we will continue with our strategy of growth in a gradual manner. Accordingly, considering the current growth momentum across various segments and guided by our motto of 3Rs, realistic, resilient and robust loan growth, we expect a loan growth of 10-11%.

In FY25, we delivered what we promised through the year. Currently, our loan book is around 5.43 lakh crore. For an incremental growth on such a large book, it's important that any new loan assets are added in a way to ensure sustained growth over the long term, delivers consistent bottom line performance, and maintains robust asset quality. These core principles will continue to define our loan growth strategy moving forward.

Now moving on to the borrowing front, last year we successfully raised funds to the tune of 1.11 lakh crore. Consistent with our strategy of maintaining a well-diversified funding portfolio, approximately 76% of our fundraising came from domestic sources, while 24% was through foreign

currency borrowing. Currently, we have foreign currency exposures to G3 currencies with around 70% exposure being in US Dollars. Speaking of foreign currency borrowing, I would like to highlight our proactive approach to managing forex risks through active treasury. Right now, 95% of our portfolio is hedged for exchange risk. Nearly 100% exchange rate risk is hedged for US Dollar denominated portfolio.

To conclude, I would like to emphasize that we are confident in our ability to navigate the evolving energy landscape, capitalize on emerging opportunities and deliver sustainable value to our stakeholders.

Thank you

Comparer:

Thank you Maam, Ladies and Gentlemen, we will have now Q & A, as you raise your hand, we'll have a volunteer come up to you with a mic. Kindly request you to introduce yourself and the company that you represent. And also request our participants to limit your questions to just one or two maximum to ensure everyone has an opportunity to engage. Thank you.

Yes, we'll start with you.

Abhijit Tibrewal:

Thank you for taking my question. I'm Abhijit Tibrewal from Motila Oswal. First of all, thank you for hosting this session today, ma'am. The question that I had was trying to understand when we look at growth versus where we were, obviously, the loan book size is increasing. But somewhere we are also seeing that in terms of guidance, we as well as REC earlier, we have moderated our loan growth guidance. So what has really changed in the last maybe six, nine months, which is prompting this moderation in guidance? The government has not really changed its plans on how much installed capacity we want to add on thermal, renewable. So what is prompting that? And Maam a related question here is also the fact that, I mean, we keep hearing about land acquisition issues, right of way. So, I mean, these are delaying the commissioning of projects, right? And PPA signings are weak. I mean, are these some of the things which are leading to our guidance being moderated or is there something else we should think about? Thank you.

Parminder Chopra:

As I told you in my remarks that the growth in the current financial year has come primarily from the distribution sector, which is 55% disbursements and followed by renewable sector, which is 17%. When we talk of the distribution sector, two of the major schemes- LIS was already over, but disbursements were being made under LPS scheme, which we are seeing is almost over and a very, very few disbursements are only which we are expecting in the current FY 26. So that is the major change going forward. And definitely, once the disbursements are low, the growth is also already going to be impacted.

If you have seen that last year, we have been seeing that we are going to grow at 12 to 13%. We have not substantially decreased our guidance for the growth. It is only 10 to 11% we have said and growing on the expanded denominator, I think you can very well appreciate that how it is going to go forward. So that's the only reason. Your next concern was about the land issue, right of way, PPA not being signing. These are I think yes, I agree these are the sectoral issues, but I don't think that these factors are going to hamper our growth in a major way. Thank you.

Abhijit Tibrewal:

Yes, ma'am.

Shreya Shivani:

Yeah. Hi. My name is Shreya and I am from CLSA.

My question is, if I see disbursal versus sanction a decade ago versus what has been the trend in the last three years, obviously the sanction, the disbursement have been much lower versus what you have sanctioned a three year period versus if I compare with FY, 14, 15, 16, etc.. So, I wanted to understand between sanction and disbursements, apart from the reasons that you just mentioned. What are some of the extra processes or extra approvals that we are waiting for, which we were not doing a decade ago? So just trying to understand, has operationally something changed in our processes in the way we are, dealing with how fast the sanction moves to, disbursal.

Parminder Chopra:

The earlier you were talking about that, we have a huge number of sanctions, but we need to appreciate that from where those sanctions were coming at that point of time, large number of thermal projects were being sanctioned, which were of high value. Each of the thermal project has a huge capital outlay. And the capacities also were, large as against those numbers. If we see in the present context, the most of the sanctions are coming from renewable, refinancing, where the

gestation period is very short. So and the quantum is low, we compare a renewable project versus a thermal project, renewable project- the capacities are low, and accordingly the capital cost is also project cost is also low. Number of sanctions may be more. But the quantum for each project and hence the overall sanction cycle.

Shreya Shivani:

Got it. So that's the main reason why the flow through. And just to follow up on that, all the, issues that we spoke about PPAs low, slowing down, etc.. Will the solution really come more from, you know, the, sector entity, the government bodies or like, there has to be a solution to this, right? It will not be from one of the companies. It will more be from, the larger governing bodies. So is that the way out of this? I'm just trying to understand. How would this get resolved? Thank you.

Parminder Chopra:

I think that is being addressed at the, proper government level. Be the right of the way issue or PPA is not coming in, or the, evacuation facility for the renewable in particular, few segments leading to non signing of PPA that is that has been in the highest level, at what I would say at the Ministry of Power level, it is being expressed.

Shweta:

Thank you for the opportunity, Shweta here from Elara. Ma'am, you will just, just taking the sanctions question, point further. So in Q3, you had mentioned the sanctions number was around two lakhs, 50,000 crores. Right. So what is the number as of the end of FY 25? And if I, if I look at last year's number, it was around two lakh 80,000 crores. So going forward, what are the key contributors to this or what are the key components to this sanctions number? Point number one. Point number two, in your opening remarks, you mentioned on the distribution side that the LPS is now behind almost behind, RDSS is something, which probably will drive, the disbursement ahead. But for the entire FY 25, we have seen RBPF, which was driving the distribution loan disbursement largely. You also mentioned that will sustain. So how is the progress on RDSS disbursements government grant component versus the PFC, REC component will sort of, act as a lever to growth ahead. And last but not the least, on the private sector stage three, which is around 1.94 has come down vis-a-vis last year from 2.7. So is this because of the, resolutions which are already happened? So, by that I imply, are these legacy assets or any new fresh additions happening? You know, which might have happened in the recent periods. Thank you.

Parminder Chopra:

See, on the Discom side, there is a RDSS scheme. I told you that the counterpart funding, we have, undisbursed sanction to the tune of around 38,000-39,000. So everybody knows that RDSS scheme was launched and there were some delay in placing the tenders. So now the tenders have been placed. So the work which is almost now is going to be in full swing. First the government grant will be released and subsequently the counterpart funding will come into place. So this is the way and we are expecting that we are going to have the disbursements competitive higher as compared to the previous year in the current financial year.

Comparer:

Yes, the gentleman over there

Shreepal:

Hi Ma'am, Shreepal, from Equirus. So, my question was on disbursement so since majority of our disbursement is going to be towards renewable and towards DISCOMs in 26, do you see, the margins compressing, in FY 26 from here on or versus FY 25. And the second question was on repayments. So, this year repayments or prepayments have been one of the reasons behind little softer growth. So do you see that continuing in FY 26 as well. Thank you.

Parminder Chopra:

See on the spread front, I have already given in guidance that we are going to maintain it within our earlier guided range of around 2.5%. On your prepayment thing, Prepayment. What I understand is, is there in the normal course of business for each of the financial institution. Yes, I agree, in some years there are huge prepayments and in some years the prepayment may not be to that tune, but we have been given the guidance every time during the last financial year that our growth expectation is around 12 to 13%, and this is what we have delivered on. So I think considering all the facts, we are expecting that this is going to be the 10 to 11% going to be the growth this financial year.

Chintan Shah:

Yes. Thank you for the opportunity. And this is Chintan Shah, from ICICI securities. So, ma'am, over the last three years, we have grown at a CAGR of around 13%. It's, wherein the private sector has roughly grown at around 28 to 30% CAGR. Whereas the government sector growth is around 10%. And the asset quality has also been phenomenal over the last three years, aided by resolutions and

no new slippages. But, how do we see the asset quality trending going ahead, given that we have, rose quite significantly, also this private sector growth the book, which has more than doubled in the last three years. So what would be the behavioral tenure of these loans? Yeah. Thank you.

Parminder Chopra:

See, on the private sector, everybody knows that, as I told you in the initial remarks that the growth is coming either from the distribution sector or from the renewable and renewable has primarily been in the private sector. So all those disbursements have taken place in the renewable private sector. And that is how you are seeing a shift in, our bifurcation between the government sector vis a vis the private sector. Going forward also, we are looking for funding for the cleaning energy in a big way and in line with the government, vision, more and more participation from the private sector. Our financing is also going to go in that direction. So that is, if you talk of the government sector earlier, there were huge generation projects which were expected to come up were coming in the government sector, which PFC was part of the consortium funding. So now the major disbursements in the government sector is towards the DISCOM and the DISCOM- the major funding requirement is coming for the funding of the government schemes like LIS, LPS and in the recent past we have funded the RBPF. So this is how you are looking at the shift in the PFC book for more towards the private sector as compared to the government.

Prashant:

Prashant here from Millennium. Couple of just like follow up questions to what already asked here, talking about 10 to 11% growth with a 2.5% spread. Does that take into account that we are in, a repo rate cut cycle and a lot of the PSU banks are going to have like full pass through of repo linked loans. So do you expect some bit of pressure either on the margins or on the prepayments, which was discussed, from PSU banks, which this time, unlike in the past cycle, are much more capitalized, much cleaner balance sheets. So therefore, is there a pressure, either on your margins or on your growth rate from this? So that's question one. Question two, you talked about Gensol, being a promoter issue. Would you want to flag any other potential, promoter issues or any other kinds of issues, any slippages that we can expect, we've gotten as a investor community to use to you having negative slippages, should we know of any, slippages, at least on a gross basis, coming through? And if so, you want to just, like, quantify some of them. And lastly, more of a macro question, like of late, you've had like the last year also being a government pivot away from Capex more towards consumption, whether it's a reallocation of the state budgets or the government budgets. And in the context of more than half of our disbursements being, to state governments for, distribution, do you

worry that there is, lack of discipline now in the state governments to maintain their balance sheets and therefore, like, do the losses of this state electricity both start to go back up? Those three questions, if you could, give your thoughts around.

Parminder Chopra:

For any financial institution money act as a raw material. So when we borrow funds, at whatever rate we borrow funds, that is going to be a major cost of output also. So similarly for PFC, when we borrow funds, if we are able to raise at a lower rate, definitely. That is why I say that we are going to maintain our spread guidance. It's not that that we are not going to reduce our lending rate. But yes, I agree the way you said that for any bank, repo rate reduction has a larger impact in reducing the cost of borrowing as compared to us, where we have most of the commercial borrowings that too from the bond market, which is more or less fixed in nature. But still, since we have an average liability period of four, four and a half year, we expect our 25% borrowing to be repaid. And whatever borrowing we are making fresh, that is going to come back at current market rate. Okay, transition may be slow. I agree it has always happened and our borrowers know it very well. Whether it's an increasing interest rate scenario or a decreasing interest rate scenario, in both the case for PFC, the transition is slow as compared to the banks, but that doesn't mean that being an infrastructure finance company, the business can be taken away by the other financial institution. There are other limitations in the sector, which can always be. We are borrowing from the banks, so the banks can always lend at a cheaper rate as compared to PFC at any point of time, whether the higher interest rate scenario or a lower interest rate scenario .So I don't think that poses a challenge. Right. And we accept that prepayments are part and parcel of the business. So that is an expected thing. On your next issue about the slippages. I think we declare the slippages wherever it is at the earliest possible opportunity. In Q3, we have categorized the, Goodwatts as the NPA and in Q4 immediately, even though there is no default or no overdue against GENSOL, we had received all the payments which were due, but we have because of the fraud, we have already declared it as NPA. So that these things, when you talk for any of the financial institution, it cant be going to be that there is no slippages at any point of time. You have to see that out of the total book, how much percentage are the slippages? There are concerns. I can understand if there are some major issue we accept that if there is any major appraisal lapse or something like that, then it is a matter of concern for the investors. But on a 5,43,000 crore, an asset of 120 crore or a 260 crore getting an NPA, I don't think that that should have a concern for the investors at this stage. And about the distribution sector, you said you need to appreciate the increasing requirement and size of the balance sheet of the distribution companies, whatever is being generated. If we are adding the generation capacity

that is being distributed by the distribution company, they are the last leg connecting the power sector value chain with the public at large. So their size is also growing very fast. The government has taken under RDSS sufficient steps after LPS, you know, that there has been no defaults in payment of generator dues, which has improved the sentiments across the value chain for the power sector. We ourselves are witnessing that are funding for the generators. We are, they are, they are flushed with funds. They are thinking of expanding their capacities. And if RBPF is given, it's only a revolving type facility and it's a very short term mismanagement of funds. Under RDSS, we are insisting for payment of government department dues, we are insisting for payment of subsidy dues in a timely way which can help improve the viability of the sector. But however, there are still there are gaps which need to be addressed. So step by step the improvements are being taken for the distribution sector.

Prashant:

Also, not just a sorry, just a small follow up on the first reply. Should we interpret that as frictionally? You might have some bit of NIM compression. And then like a lagged improvement once your cost of funds also starts to go up. Is that how we should think about it? Because your asset side might get repriced down to prevent prepayment pressure, whereas your liability side will only get repriced down over time based on the maturity of your liabilities. Is that the way to interpret it, or, how should we think about it?

Parminder Chopra:

I don't think that you are going to see that in, in the near future we will be able to maintain our spread guidance.

Prashant:

Thank you.

Comparer:

Yes. The gentleman to my right. Yes, yes. Please go ahead. Yeah.

Puneet:

Puneet from Macquarie. Just on the spread compression bit. Assuming that, you know, you pass through once you start seeing a decline in the cost of funds. And banks have an advantage because the repo rate decline is immediate, they can offer so is that the reason we are guiding from like 14-

13% to 11%, because banks have an advantage in passing it through quickly and with, you know, retail SMEs growth, seeing some bit of a downtrend in the recent quarters. They will focus here or just want to understand the decline in guidance because the, Capex outlook is pretty positive. So yeah that's on the first bit. Secondly, what's the rate differential between what we charge and what the bank charges on a renewable project? If it's like in the previous cycle, I know it was over 100 bps. Well. And has it come down in this cycle, on that bit. And thirdly, on the, DISCOM front, you mentioned 55% of disbursements, you know, have been on for DISCOMS. What's the nature of this? Is it broadly mainly RBPF like, you know, REC highlighted that a lot of this was towards RBPF so that the repayments are quite volatile. And if that's the case, is the 10-11% also at risk. Yeah.

Parminder Chopra:

So this there are lot many reasons you can't attribute that thing to well one factor about the interest rate. So growth I told you that earlier we have been disbursing for LPS also. And gradually as the DISCOM is improving in their financial health, definitely they would also like to have a lesser of the working capital requirement, once they receive the money from the respective state government timely or their tariff is revised. So factoring that thing into account, we said that our growth margin growth, trajectory could be only 1% we said as compared to the previous period, it's not that we have come under a single digit or something. So I don't think that interest rate has any role to play in that. On the, difference between the bank and the lending by PFC interest rate scenario. It will always be there. Banks have access to CASA, which we don't have. They have access to and they do invest in Gsec, they do invest in other and they have another factor that they can charge retail at a higher rate. Generally, we have seen that retail lending by the banks, are at a higher rate. So they can compensate that lending to give a very fine rate for the maybe infrastructure or for the project where revenues are streamlined. So it's a basic model difference in working between PFC and banks, whereas PFC doesn't have, we are borrowing from the bank in that case, where they are charging us at least MCLR or marginally below MCLR, that difference is there today. That was yesterday also. And I think going forward also, that difference is going to remain. But the business and the opportunities are so huge that any of the one financial institution can't take care of that. Banks have their own sectoral limits apart from the group norms and single company norms; they are lending for the different sectors to the same group, but they are capital groups. So all those factors will play and I think everyone has sufficient pie in the business to grow going forward.

Puneet:

This could you quantify the difference, the rate differential between, say, what the public sector bank and what PFC would charge?

Parminder Chopra:

See, there is no standard rate by the banks also to fund for the renewable sector. And for us, the rate starts at 8.75 and goes based on the rating of the borrower.

Comparer:

Yes. You can go ahead.

Bhojwani:

Bhojwani from META, First and foremost, before your presentation, there was an audio video clip which was being shown repeatedly. It's truly remarkable. In 39 years, the achievement made by your company and fully entrenched in all the aspects of the power generation, distribution and transmission sectors. And your presentation, you highlighted many things, but two important things one you said 15 discoms have been upgraded is upgradation because of the installation and usage of smart meters that was my thought and the second one was 13 discoms have been downgraded so the reasons for upgrade and downgrade and for the one part and the second part is on the battery energy storage capacity appears we are not fully equipped to enhance this capacity in line and in proportion with the renewable energy growth. So any thoughts on that?

Manoj Sharma:

About the downgrades and upgrades in the distribution sector. The rating is quite comprehensive and we have almost 75% weightage attached to the financial performance. so and that largely, consists of the subsidy support from the government, the efficiency improvements, the impact that has on their performance and also the reduction in their AT&C losses, all these combined factors, we have seen improvements largely the trend has been after the introduction of RDSS, we have seen improvement in terms of the gap and in improvement in terms of AT&C losses and that's the reason and also there are some states which have slipped or which are only maintaining that. So as a reason, we have seen some states or discoms, going for downgrades, but largely we have seen improvements happening in the distribution sector.

Parminder Chopra:

So the downgrades and upgrades are worked out on the same parameters, because that is a standard mechanism where we say that if the performance of a particular discom has improved, then they will get higher marks. And if it is not better than the earlier year, then it is going to be downgraded. Apart from there are and I think lot of factors on which these are being accounted for.

Bhojwani:

About the battery and energy storage capacity on the renewable front, are we not seeing a limitation in the battery energy storage capacity of renewables? That is possibly one of the reasons why the renewables growth is still not as we are capable of tapping for solar or wind.

Parminder Chopra:

As I told you in my initial remarks around as of date, around 45% of the installed capacity is the renewable capacity but the basic nature of the renewable capacity, the intermittent nature of the renewable capacity, which can impact on the stability of the grid, forced to rethink about the storage system that is how the Central Electricity Authority has mandated two hours of the storage be it through battery storage or through pumped storage. Battery storage is faster to implement as compared to the pumped storage, which may take gestation period, which has its own gestation period. Then the next factor comes the cost, so cost we have seen the costs coming down. What we are discussed that it has come down to 6-₹8. That is, without VGF. If we account for the VGF, it is now sub five but we expect with the technological intervention it is going to. Still there is a scope for still going to come down, but with more and more auctions coming with this storage facility, I think the supply factor is going to work in the favor of price, and then we can achieve some economies of scale like we have seen in the solar systems panels, which were originally coming at a very high cost and then gradually the costs were coming down. And similarly, we are expecting for the battery storage. It can go back.

Bhojwani:

Thank you Maam and all the best.

Comparer:

Thank you. Take one final question. Yeah. Thank you.

Avinash:

Avinash from Emkay. Also a couple of questions. The first one, what explains this increased, provisioning coverage on stage one and two, is it underlying asset, quality safe, or is it in some way preparing for any sort of a project financing provisioning? Not so that's the one. And second, in this 2.58% spread for last financial year. Is that case KSK Mahanadi interest recovery of 1200 crores being considered. If that is the case, then underlying, you know, your spread for even you gone by is lower than 2.5 in that backdrop. I mean, next year, 2.5 guidance is that at risk? Thank you.

Parminder Chopra:

We have increased the provisioning in the stage two from 0.58 to 1.85% on an average. So that is basically there was some guidance from Reserve Bank of India and there has been some prudent approach which PFC has adopted. So that is how we have increased on an average, the coverage in the stage two account. On your second question, while we work out the spreads, I can assure you we have not taken into account the case KSA Mahanadi the interest for that purpose. So that is not going to impact, our future spread guidance to that extent. Thank you.

Comparer:

Thank you very much, ladies and gentlemen, for your active participation.

And I would also like to take this opportunity to thank each and every one of you for taking time out of your busy schedules to be with us over here this afternoon to join us for tea and have a lovely evening. Thank you once again.

Parminder Chopra:

Thank you.