Power Finance Corporation Ltd.

Covid -19 Impact on PFC- FAQ(s)

Introduction

COVID 19 has come to be known as one of the worst known social and economic crisis globally. The effects of it are also being witnessed by the Indian economy and the Indian power sector is not immune to its impact.

PFC has been receiving many queries from investors on how PFC is tackling with the situation. Accordingly, to throw some clarity on impact on PFC's business, we have tried to answer the most frequently asked questions from investors as detailed below.

Frequently Asked Questions

1. **Question** - What is the impact on PFC's business of Ministry of Power (MoP) announcement to allow 3 months moratorium to State Discoms for their payment obligations towards Gencos?

   PFC Reply - Regarding, the MoP announcement made on 27.03.2020, there had been some mis-interpretation of this order, wherein it was being interpreted that Discoms have been allowed 3 months moratorium.

   In this regard, MoP on 06.04.2020 has clarified that the obligation to pay for the power within 45 days of the presentation of bill (or the period given in the PPA) remains the same. Further, the obligations to pay for capacity charges as per the PPA shall continue, as does the obligation to pay for transmission charges.

   Accordingly, Discoms will continue to make payment to Gencos. Further, to infuse some liquidity in the power sector, a package for Discoms is being framed by MoP.

   In view of above, we do not envisage any immediate impact of the above on PFC's business.

2. **Question** - What has been the impact of COVID 19 on PFC business and what is PFC's business outlook going forward in view of the current situation.

   PFC Reply - There has not been any major impact on PFC's business till now of the COVID 19. In fact, PFC disbursed more than Rs.11,000 cr. in the month of March itself. Further, on the future growth, we are hopeful that PFC would be able to sustain its growth level. PFC's major funding is to state sector and we feel that power sector being a critical sector for the economy, government in the current scenario would continue with its investment plans and introduce various measures for the state utilities to see them through these times.

   Moreover, PFC is fully equipped to work from home, therefore, even in the lockdown; PFC is able to continue all its business activities in the usual manner. Therefore, the day to day operations, we are being able to handle.

However, the exact impact will become more clear as the COVID 19 situation evolves.

3. **Question** - Is PFC giving moratorium to borrowers in line with the recent RBI regulatory measures announced by RBI on 27.03.2020?

   PFC Reply - RBI on 27th March 2020 announced certain regulatory measures to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. Among the various measures introduced, RBI has inter-alia permitted "lending institutions" including NBFC's to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020. Thus, PFC being a NBFC is eligible to extend moratorium to its borrowers for terms loans granted by it.

   In view of above, PFC is considering to extend moratorium to its borrowers and contours of the moratorium relief scheme shall be announced soon. Also, as per RBI such moratorium relief will not result in asset classification downgrade, therefore, it is envisaged that extension of moratorium by PFC will not have an impact on PFC's asset quality.

4. **Question** - How is PFC planning to manage its liquidity position amid the current COVID 19 situation and on account of moratorium relief to its borrowers?

   PFC Reply - PFC is exploring various options to manage its liquidity. Currently, PFC has undrawn lines of credits of Rs.5,000 cr. from Banks and we are looking to enhance the same. Also, we are in discussion with Banks for additional sanctions of terms loans and for shifting the maturity dates of those term loans which are maturing until May'20.

   Further, with RBI's Targeted Long Term Repo Operation (TLTRO), the liquidity in the market is expected to improve. Also, RBI permits banks to deploy TLTRO funds in debt issuance of NBFC's and without considering it under the large exposure framework. Therefore, additional funding avenue is available to PFC under this route.

   We feel that with all the efforts being done and considering PFC's high credit worthiness and well established relationship with lenders, PFC would be able to adequately manage its funding need for continuing its business operations.

Disclaimer

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