



**Power Finance Corporation Ltd
Q3/9M FY2024 Results
Conference Call
February 08, 2024**

MANAGEMENT OF POWER FINANCE CORPORATION:-

- **Ms. Parminder Chopra - Chairman and Managing Director
with additional charge of Director (Finance)**

MODERATOR: MS. SHWETA DAPTARDAR – ELARA SECURITIES



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Moderator: Ladies and gentlemen, good day and welcome to Power Finance Corporation Q3 FY2024 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta Daptardar from Elara Securities Private Limited. Thank you and over to you Madam!

Shweta Daptardar: Thank you Manav. Good evening everyone. On behalf of Elara Capital, we welcome you all to the earnings conference call of Power Finance Corporation to discuss the Q3 and nine months FY2024 earnings performance. From the esteemed management team today, we have with us Ms. Parminder Chopra, Chairman and Managing Director with additional charge of Director Finance. Without much further adieu, I now hand over the call to Ms. Chopra for her opening comments post which we can open the floor for Q&A. Thank you and over to you Madam.

Parminder Chopra: Thank you Shweta. A very good evening and a warm welcome to all of you. I would like to start this call by sharing an update on a very important milestone for PFC. In January 2024 PFC has received RBI approval to establish a wholly owned subsidiary in IFSC Gift City Gujarat. As you might be knowing that IFSC Gift City is India's first financial services centre. The government's vision is to make IFSC Gift City as a global financial hub which will provide services not only to India, but to the entire world. IFSC provides host of regulatory advantages like 100% tax exemption on income for 10 consecutive years, no GST on service, benefits on withholding tax and many others. At PFC we are proud to be part of this



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vision. I would like to share that PFC will be the first government NBFC to foray into IFSC. PFC's IFSC subsidiary will unlock avenues for us in international lending space and help in taking PFC's brand global.

Now I will discuss PFC's financial and operational performance for Q3 and nine months for FY2024. On the consolidated front we continue to see strong performance. The consolidated PAT for current financial year and nine months is at Rs.18,900 Crores an increase of 26% from the corresponding previous year. The profit after tax for the Q3 is at Rs.6294 Crores, a 20% jump from the corresponding quarter previous year. The group's loan asset book registered a 19% year on year growth in the first nine months of FY2024. As on December 31, 2023 the consolidated loan asset book stands at Rs.9,54,483 Crores. On the asset quality front owing to our concentrated resolution efforts the consolidated net NPA ratio is now below 1% and is at 0.86% as compared to 1.15% in December 2022. If we talk about the standalone performance for nine months 2024, PFC's profits saw a 26% increase from Rs.8113 Crores in nine months 2023 to Rs.10,232 Crores in nine months 2024. The rise in profit is mainly due to increase in the interest income on the increased asset base, movement in INR being range bound and stable provisioning due to no additions in the NPA assets. The profit after tax for the quarter is at Rs.3377 Crores which is a 27% increase from the corresponding previous year. Continuing with the endeavour to share our success with the shareholders this quarter also our board has declared an interim dividend of Rs.3.5 per share. With this the cumulative interim dividend for FY2024 stands at Rs.8 per share on the enhanced capital base.

Now coming onto our key financial indicators. If we look at the yield for nine months 2024, it is at 10.02% which is 10 bps increase from first half year 2024 yield. As we have been sharing in our earlier communication,



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the impact of interest rate increase has now started reflecting in our yield. The cost of funds for nine months is within the expected range of 7.47% and if you remember, we have always been talking about the spread and NIM to be within our guided range and accordingly our spread for nine months 2024 is at 2.55% and NIM is at 3.42%. On the capital front our capital adequacy ratio as on December 31, 2023 is at 26.86% with tier one capital of 24.28%.

Now I will discuss our progress on the asset quality. This quarter we have successfully reached resolution in Dans energy loan of Rs.413 Crores. This is in line with the guidance shared earlier. The resolution involved restructuring of the existing debt outside NCLT. After the resolution the asset has moved out of stage three that is the NPA category. I am happy to share that there are no new slippages for the last more than one year in our non performing asset. With this our net NPA ratio is below the 1% mark at 0.9%. This is the lowest net NPA in the last six years. Further our gross NPA has also declined significantly by 69 basis point from 4.21% in the nine months 2023 to 3.52% in the nine months of FY2024. Now after the Dans energy resolution we have 21 stress project of Rs.16,000 Crores approximately under stage three. Of these projects eight projects worth Rs.2174 Crores are being resolved. 13 projects worth Rs.13,899 Crores are being resolved under NCLT, out of which seven projects worth of Rs.2620 Crores are under liquidation process and six projects worth Rs.11,200 Crores approximately are at various stages of resolution in NCLT. Out of the 21 projects, Lanco Amarkantak project of Rs.2376 Crores is in advanced stage of resolution. It is a 1920 megawatt thermal generation project and the resolution is being perused under NCLT. As you might be aware that the lenders backed resolution plan was submitted to NCLT as a successful resolution plan. Subsequent to the submission of lenders



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backed resolution plan in NCLT, multiple parties expressed interest in submitting a better resolution plan for the project. On this NCLT has allowed the lenders to again conduct the Swiss challenge process. The Swiss challenge process has been done on February 6, 2024 and based on the evaluation and after approval of COC the successful resolution plan shall be submitted to NCLT for approval. If we talk about the provisioning, we have maintained 74% provision coverage on stage three assets which we believe is adequate. This quarter we have also increased provisioning on stage three assets considering the current resolution status of the project. This has resulted in an overall increase in the provisions despite positive development like the resolution of the Dans energy project which lead to provision reversal.

Now coming over to PFCs loan book. In the first nine months of the current financial year we have disbursed around Rs.79,000 Crores. Our disbursements have risen by around 1.7 times on a year on year basis. The rise in disbursement is mainly driven by lending to distribution sector under government schemes and lending to the renewable energy sector. The uptake in the disbursements has lead to 16% year on year growth in our loan asset book. Our loan asset book as on December 31, 2023 stands at Rs.4,57,000 Crores. For FY2024, we expect to maintain loan asset growth at similar levels as that of FY2023. Regarding the future loan growth outlook for FY2025 there are two areas which we feel will complement. One the PFC traditional lending business in conventional and renewable energy, this will be supported by the Pradhan Mantri Suryoday Yojana which presents a tremendous business opportunity. As you know that the scheme was announced by our Honorable Prime Minister on January 22, 2024. Under the Suryoday Yojana, 1 Crore household across the nation will get solar roof top. The Suryoday Yojana



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has been launched to accelerate the implementation of 40 gigawatt of solar roof tops vision. The scheme will help the country to become self reliant in the energy sector. The scheme will be implemented through the state DISCOM and through SPVs set up by eight central public sector undertakings under the Ministry of Power. Our subsidiary REC Limited has been appointed as the nodal agency to oversee the overall coordination and implementation of the Suryoday Yojana. To achieve the target of 40 gigawatt the total financial layout is approximately to the tune of Rs.2.4 lakh Crores based on the tentative implementation cost of Rs.60,000 per kilowatt. Out of this around 50% on an average funding is expected to come through government subsidiary. This translates to a potential funding opportunity of Rs.1.2 lakh Crores in the coming years. Further the scheme will also create additional lending opportunities for PFC across the entire solar value chain like equipment manufacturing, etc. To leverage these funding opportunities our board has today approved funding to the tune of Rs.1.70 lakh Crores. We believe that the scheme will add to our growth prospects in the coming year. Another potential funding area we see is the continued lending opportunities in distribution sector under the government scheme. In 2022, the Government of India has launched LPS that is the late payment surcharge scheme to provide financial assistance to DISCOMs for clearing their legacy dues as on June 3, 2022. The scheme has been a great success resulting in more than 60% reduction in the legacy dues. Till December 31, 2023 PFC has cumulatively disbursed Rs.33,312 Crores under LPS. Also the approach adopted under LPS has improved the fiscal discipline among the DISCOM by regulating the open access of DISCOMs on nonpayment of dues. To support this numbers, from FY2023 till present, an amount of around Rs.8 lakh Crores has billed to DISCOM. Out of this only less than 10% is currently overdue. To manage these dues PFC is extending up to one year revolving bill payment



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facility to DISCOM. Till December 31, 2023 PFC has cumulatively disbursed Rs.51,000 Crores under the scheme. Next year also we expect funding to continue in the scheme. Additionally we also see pocket of opportunities to emerge around the revamped distribution sector scheme depending on the pace of capex work implementation under the scheme. Leveraging on these promising avenues we see a positive loan asset outlook for the next financial year.

Before I close I want to address two regulatory events. One is that PFC has declared on the exchange about the LCR penalty yesterday. The recent penalty of Rs.8.80 lakh is imposed by RBI. The penalty has been imposed for non compliance with certain provisions of RBI, liquidity risk management frame of NBFC. On this let me assure everyone that this penalty does not reflect PFC overall liquidity position. Maintaining liquidity coverage ratio is a means to have readily realizable liquid assets for potential liquidity. It is not reflective of company's day to day liquidity position. PFC is comfortably placed on liquidity front and is meeting all its obligation without any issue.

Now coming on to why this penalty has been imposed, the penalty arose due to difference in interpretation regarding eligible high quality liquid assets. PFC considered fixed deposits as HQLA while RBI did not consider this as eligible HQLA for LCR computation. This resulted in a gap in LCR for March 2022 leading to the penalty. Now we are aligning our approach with the RBI interpretation to ensure compliance. I want to emphasize that this does not impact our business operation or financial strength. PFC remains committed to the highest standards of regulatory compliance.

Now coming on to the draft circular issued by RBI on January 15, 2024. This circular brings government NBFC like PFC under the purview of RBIs



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credit concentration norms. Now there have been concerns amongst investors that this will impact our lending abilities especially for our government book. Let me assure you that PFC has been proactively managing credit concentration for years. We have been complying with these norms on our private sectors loan book since 2010 and in 2022 we have adopted them for our government borrowers in line with RBI's specific direction. Currently we have ample headroom for lending for our government book also. We have around Rs.12.8 lakh Crores of available exposure on our total government book. For our top 10 borrowers constituting around 40% of our outstanding book, we have over Rs.90,000 Crores of exposure available. Additionally exclusion of state government guaranteed loans from exposure limit provides even more flexibility. Thus PFC is well positioned to support the government lending business and contribute to the power sector growth.

To conclude Q3 has been a stable one demonstrating our commitment to consistent performance and we look forward to building upon this momentum. Thank you for joining the call. Now we are open to the Q&A.

Moderator: Thank you very much. We will now begin with the question and answer session. We have our first question from the line of Shreya Shivani from CLSA. Please go ahead Sir.

Shreya Shivani: Thank you for the opportunity. Madam I have two questions and it is mostly regarding the loan book and disbursements so particularly coming to the disbursements for the LPS scheme? Till September 2023 you had mentioned that for the standalone book the sanctions under LPS has been Rs.705 billion of which disbursements were Rs.315 billion and right now you updated that the disbursements till December is at Rs.333 billion right so what was the reason that the disbursement in this quarter under this LPS scheme



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was lower and effectively half of the disbursements are less right of the amount that you have sanctioned so what is the reason? Should I expect a slower disbursement under the DISCOMs for the next quarter also because that is the only way we can get to the loan growth for FY2024 that you are mentioning that you will repeat FY2023 loan book in FY2024 that is 13% loan book which means we will slow down in the Q4, I want to understand the dynamics of this and madam on FY2025 given that we still have growth drivers with many of the segments probably infra segment also which the disbursements have started happening now can we get any guidance in FY2025 that will it be much better than FY2023 or FY2024 which you are indicating will be at 13% growth so largely my questions are around these?

Parminder Chopra: Yes. Shivani you have asked two questions. Let me address the first question about the LPS scheme. As you might be aware that LPS scheme based on the outstanding amount of the dues has a provision of opting for installments between 12 monthly installments to 48 monthly installments. So wherever the amount of the installment was less there 100% disbursement has already been made so there are a few cases where the option was to go ahead with the installments may be for 36 or 48 installments so accordingly only in those cases the installments are being paid right now and accordingly that LPS disbursement so as and when it is maturing so it is going to be discontinued further and accordingly our disbursements may be lower step by step going forward so that is on the LPS. On the infra sector the total sanctions by PFC till date was Rs.31,222 Crores so there are certain other major sanctions in pipeline and apart from that as you are aware that it always takes some time between the sanction and the disbursements because the borrower has to comply with certain precommitment conditions, then the document which happen and



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then certain pre-disbursement conditions are required and only then the disbursement starts in infrastructure so till now the disbursement in the infra space has been to the tune of around Rs.2726 Crores and we see gradually growing in the current financial year and in the next financial year.

Shreya Shivani: Got it madam and any guidance for FY2025 because as you were saying that LPS scheme disbursements will slow down so FY2024 we should only expect 13% growth anything on FY2025?

Parminder Chopra: See as I told you there are two more schemes, one the Suryodaya scheme which has been announced for the rooftop solar and you might be aware that PFC has been proactively sanctioning even loans for the equipment manufacturing so we are there to promote the Honorable Prime Minister's vision of rooftop solar as well as Make in India concept so we have funded to the top manufacturers or the top companies for the solar equipment plant. One is that and otherwise also we are looking for the opportunity of funding for installation of the rooftop solar also going forward. The other thing is the RDSS scheme. I agree there has been till now there has been the slower pace for the progress under the RDSS but now in most of the cases the award of the contract has already been made Rs.1,28,000 Crores award has already been made under the loss reduction and otherwise also the prepaid meters have also been ordered so once the order is placed, actually execution of the contract starts so eventually whatever are the disbursements under RDSS that we will be going forward and doing so I think that gives us apart from the normal generation be it conventional generation, be it renewable generation, transmission or capex under distribution these two schemes will give us the added advantage and RBPS we already said it is there for the current dues and that we will continue to fund in the short term.



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Shreya Shivani: Got it madam. Just last question how much disbursement in the LPS scheme for the remaining installments is left versus the sanction because this quarter you have not given the sanctions number for LPS scheme?

Parminder Chopra: PFC has cumulatively sanctioned around Rs.61,000 Crores and disbursement of approximately Rs.33,000 Crores has been made so we are expecting that the balance will be over a period from 22 to maximum installment is for 48 months so over a period of next two to three years the balance will be paid.

Shreya Shivani: Got it madam understood. Useful. Thank you so much.

Moderator: Thank you very much. We have our next question from line of Shreepal Doshi from Equirus Capital. Please go ahead.

Shreepal Doshi: Thank you madam for giving me the opportunity and congrats on a good set of numbers. Madam the first question was pertaining to the NCTL resolutions. In case of Lanco Amarkantak you said that there has been a revision in the resolution plan because earlier if we recall like REC and PFC were supposed to form a third party and run the Lanco Amarkantak franchise so what is the change in the resolution plan now?

Parminder Chopra: See as I told you that there has been better offers for the resolution under the resolution plan and you know that PFC and REC as a lender resolution plan has submitted the plan for the value maximization because we were thinking that what the actual realizable value we are not able to receive so we have bided the projected on the estimation that we will do some value accretion and will be able to fetch a better price so based on the tentative quotes which were received the lenders have approach NCLT to allow for the fresh bidding process so that is how that as I informed you that the process has been run on February 6, 2024 and evaluation is being



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done so once the evaluations are over then we will be submitting the successful resolution plan to the NCLT for approval.

Shreepal Doshi: Okay so we will wait for new bidders now for this project?

Parminder Chopra: Yes we will wait for the successful resolution plan evaluation and then we will go.

Shreepal Doshi: Got it and any other account which is in advance stages of resolution apart from this Lanco Amarkantak?

Parminder Chopra: We are also looking for resolving another asset in the current financial year that is the hydro asset that is outside NCLT and we hope to finalize the resolution plan soon.

Shreepal Doshi: Do you mind sharing the name madam like what is the quantum of exposure that we have?

Parminder Chopra: It is similar to the Dans. It is Shiga hydro project where approximately Rs.500 Crores is the PFC outstanding.

Shreepal Doshi: Okay got it and madam the last question was pertaining to growth side so as the earlier participant was also alluding so we are guiding for 13% to 14% for FY2024 or like is there a disconnect there?

Parminder Chopra: See as of now what I can say is for the current financial year it is going to be between this range only which we are expecting is expected for the previous year may be somewhere around 12% to 15%.

Shreepal Doshi: Okay and for FY2025 since there are very largely assessed we should see better momentum so in FY2025 will the growth momentum be better?



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Parminder Chopra: Yes we are expecting it to be in the similar range for the next financial year also.

Shreepal Doshi: Okay that is all. Thank you so much.

Moderator: Thank you. We have our next question from line of Jigar K Jani from B&K Securities. Please go ahead.

Jigar K Jani: Thank you for taking my question. I just wanted to know what was the sanctions that we have done till nine months FY2024 for this year?

Parminder Chopra: Till now the sanctions laid are to the tune of Rs.1,44,000 Crores.

Jigar K Jani: Understood and would it be possible to share what would be our provision cover on Lanco that we are carrying on the books?

Parminder Chopra: May be it is around 50%.

Jigar K Jani: 50% okay and madam just on the growth front again coming back growth we have seen REC our subsidiary grow at a much faster pace and they also are capitalizing on the similar runway that we have on the REC side infra as well as the government projects any particular reason why there has been such a sharp difference in between growth for us and REC and secondly if I have to look at last quarter you had said medium to long term growth would be around 15% to 20% so would now there be a little bit downgrade on the lower side we are looking at the growth for a year more medium to long term somewhere around 15% overall?

Parminder Chopra: See on the growth front I just do not want to compare it with REC because every company has it owns policy but we want to have a sustainable growth over a longer period of time that is what I can say and if you see that we have been talking of and you rightly side in the last call I said 15%



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to 20% growth so till Q3 we have already have a growth of around 16% and you may be surprised that why I am saying 12% to 15% growth but that under Q4 otherwise also our disbursements in the previous years are on a higher side as compared to earlier three quarter so this year as a matter of strategy we have taken care and if you would have seen that even in the Q1 we have very good growth numbers as compared to the previous years so we want to have our disbursements also spread equally over the full year and on each of the quarters so this is the change in the strategy we have done in the current financial year and that is why is I am saying that our growth is going to remain within these numbers and I can assure you that it is going to be there on a sustainable basis for quite a longer term.

Jigar K Jani: Understood madam and just lastly we would maintain our NIM and spread guidance right 3.5% approximately NIMs and 2.5% spreads is what we would be looking at?

Parminder Chopra: Yes that we hope to maintain and our guidance are for those numbers.

Jigar K Jani: Sure thank you so much. I will come back in the queue for any follow-up. Thank you.

Moderator: Thank you. We have our next question from line of Nishant Shah from MLP. Please go ahead.

Nishant Shah: Congrats for the quarter and in part my question has been answered like, the question is around like growth? We are kind of like a little well capitalized right now? You mentioned about like mobilizing more than 1 lakh Crores of fresh kind of funding for the next year? How should we read this? Is it like your anticipating better growth next year some more infrastructure projects getting operationalized and you are preserving



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your capacity for that or how should we kind of let us think about like growth for the next year? This year it is well taken as probably some base effect but for the next year how should we think about growth?

Parminder Chopra: See as I told you that the growth next year also we are looking at the similar numbers. The growth is finally going to come on one renewable. Lot of work is being done on the renewable side on the energy transition and on the equipment manufacturing there is a lot of scope for the equipment manufacturing in India and on the other hand we are expecting that RDSS disbursement and the RDSS sanction is going to pick up from the next financial year so these are the two front. There is another factor if you have heard the Honorable Minister of Power statement that to meet the power requirement of the country to focus on the conventional energy generation also so by that we mean that we will be adding certain new thermal power projects or wherever the thermal power projects were stalled, work will be restarted which gives an opportunity to fund that because historically we have been the major lender in all such projects. Hydro again the government has a lot of focus on the hydro projects. Everybody is talking about the huge capacities coming out in the Arunachal Pradesh and north east so we are working on that and we will be having I think a good share in those activities also. Where ever there is a long term requirement of the funds is there and that too with a longer gestation period and the quantum is higher, I think we are well equipped to fund all those projects. This is on the energy side and now if we talk of the infrastructure slowly as I told you that whatever sanctions we have already done we are expecting it to materialize into disbursement in the next financial year. Further there are a number of proposals is the pipeline be it funding of the metros, we are funding for the ports. Earlier also we have shared that the data that we are funding



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for the waste to energy projects. A lot of energy transition, E vehicle and that all fronts we are working on and we hope to capture our share in all these areas.

Nishant Shah:

Thank you madam. A couple of follow-up questions there? Firstly you mentioned on probably preserving some capacity for thermal and hydro and other conventional like nonrenewable traditional kind of like power financing? Would you be able to kind of like quantify how much should that be and the second part of that question is the renewable we understand is a lower margin or lower kind of yield business? Should we then read this as okay if you do more thermal projects will it come at higher loan spreads because there is added risk over there and therefore how should we think about margins in that context and secondly just more a qualitative question like it is both PFC and REC are now diversifying away from being power sector financiers in to more infra broader infra kind of financiers so could you talk about like what kind of capacity addition you have done in terms of human capital, hiring people from outside for kind of like assessing these non power related projects? Power has been our forte but what about the other projects like could you talk about that a little bit so those are the two kind of follow-up questions to that?

Parminder Chopra:

Okay you talked about the capacities to be added, so as of December 31, 2023 the total installed capacity is around 400 gigawatt which is expected to be doubled in the next five to six years. We are expected to reach to around 800 gigawatt and of which around as per the Honorable Prime Minister's statement around 50% is going to be the renewable capacity. If we see the national electricity plan the total capital investment of approximately Rs.33 lakh Crores is required for if we talk of the 500 gigawatt capacity addition and the battery storage and the capital



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investment for non fossil fuel basis and 19% we are expecting for the investment in the fossil fuel so if we see these numbers and if you see our current market share, we have been funding to the tune of 20% to 25% of the total lending for the power sector on standalone basis so going by these numbers, you can very well work it out. It does not talk of the energy transition. It is basically only funding for the capacity addition which we are talking. If we are talking of the energy that equipment manufacturing, energy transition then the requirement of funds would be much more in the power sector. Apart from this the distribution sector and accordingly the transmission sector is further requiring the capital infusion. With regard to the infrastructure sectors, I think I have shared earlier also initially we are looking at the projects being funded by the banks and taking a share of that. We know that till now we have capabilities only in the power sector but slowly, slowly we are building our capabilities in the other infrastructure sectors may be the road, refineries, metros and ports, etc., so we are building capacity of our existing employees as well as we are looking for sector specific experts also to strengthen ourselves.

Nishant Shah: Understood. Could you talk about like margins on the conventional projects like I am to interpret that if we do more traditional financing does that improve our margins going ahead?

Parminder Chopra: See you know that you rightly said in the renewable space there is always a pressure on the margins because we are facing tough competition and still we are one of the largest financier for the renewable sector and it is being compensated by the existing generation transmission and the distribution sector portfolio and going forward also I agree that conventional generation gives a bit higher margin but now the companies have a lot of avenues for funding so the competitive pressure is always on



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us so that is why we have always been giving that guidance that we will be able to maintain our spread better around 2.5%.

Nishant Shah: That is it from me. Thank you so much.

Moderator: Thank you. We have our next question from line of Sonaal from Bowhead Investment Advisors Private Limited. Please go ahead.

Sonaal: Thank you so much for this opportunity. Madam my question was pertaining to growth and let me give a background why everybody is trying to clarify that? Since the long term guidance is 15% to 20% and we are expecting 13% growth this year and almost similar growth of 13% next year what people were trying to understand is that are we being conservative and this is a generic number we are giving being a conservative management or is it that the growth is going to be significantly back ended and therefore while growth is only 13% this year and next year, the cumulative growth rate is 15% to 20% from a long term perspective and therefore for future years after 2025 the growth rate will be significantly higher? Thank you?

Parminder Chopra: See just to throw a number we can throw any number that is a different thing but we are wanting to be a bit realistic. I have not given any number of 13% for the current financial year. I told that it is going to be around 15% for the current financial year as well as we are looking for the similar number for the next financial year also but you should appreciate the fact that on the growing base so if 15% has already increased this year and on the growing base we are assuring you 15% growth so that there will be repayments also so on an average we have an asset book of average life of the asset as six years so on an average you can work out that if we have funded Rs.4,60,000 Crores is our outstanding book. What would be the



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average repayment and on the expanded base how much we have to disburse you can very well work out the numbers so I think we would like to give realistic targets of around 15%.

Sonaal:

Thank you madam for clarifying? Just a counter question to that? Since you mentioned the long term is 15% to 20% and your base will continue to increase in the long term so you talked about between 15% to 20% are we expecting that despite higher base of 15% to 20% growth over the long term because the capacity addition of thermal which happens the growth on account of that will come to us with a lag because that is a long process of the projects being started and then you disbursing as the capex happen?

Parminder Chopra:

I think your concern is right that whatever capacities we are expecting right now to be at but this is not a too longer target. We are looking for next three to five years only. Whatever sanctions as of now we have it is going to mature in the next two to three years and whatever additional sanctions we are doing. I agree that for a new hydro project it is going to take time but there are certain thermal capacities for which only expansion has to be done so it is not going to take time like in case of the Greenfield projects so there is a scope of expansion in the existing projects. There we are looking at adding the new capacities so it is not going to take for the long term and it will be I think can soon be coming, Ministry of Power is expecting that this required capacity will be added in the next two to three years so based on that we think that there is enough opportunity with the energy transition and looking at the new avenues. Everybody knows. You have seen in the budget VGF is given for the offshore wind o there is a new area coming up. There is progress on the hydrogen front so all these taken together we think that it is a sustainable level.



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- Sonaal:** Thank you so much madam for clarifying.
- Moderator:** Thank you. We have our next question from line of Kaitav from Anand Rathi. Please go ahead.
- Kaitav:** Congratulations madam. I had two questions. Number one was if you can highlight what is the competitive intensity right now given that the sector macro has improved so are banks now looking more at this area? What are you seeing on the ground?
- Parminder Chopra:** See you know that under the renewable we are already facing a competitive pressures from the banks and other FIs but if we see that for the thermal or the hydro you know that the cost of project is huge so it will not be possible for any of the lenders to fund it on standalone basis so there has to be consortium and the type of exposures we can take none of the other financiers are able to take so we as a group I think have an upper hand in funding of the thermal project or be it the hydro project so there may be smaller portions which can be taken up by the banks but they have sectoral limits, they have exposure limits, individual company exposure limit so we are I think well positioned to take higher exposure in all such projects.
- Kaitav:** Got it. Madam secondly in terms of cost of funds during this quarter given that several banks have been complaining about tight liquidity conditions what are you seeing on the ground and does that change any guidance in the near term at least? I know long term outlook we still maintain the same but short term does it in any way change here?
- Parminder Chopra:** See you have rightly said that there is a tight liquidity in the market and interest rates are hardening even though there has not been any change in the RBI rates, but if you see that in the current financial year based on



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our increased cost of funds we have reviewed our lending interest rate and we have increased them in line with our increase in the cost of funds. That is why eventually you are seeing that we are able to maintain the spreads over the periods and we hope to maintain those because we are reviewing our interest rates on quarterly basis.

Kaitav: Got it okay. Thank you madam. This is very helpful.

Moderator: Thank you. We have our next question from line of Niharika from Aequitas Investment. Please go ahead.

Niharika: Thank you for the opportunity. So my first question is a follow-up of last participant? You said that our lending rates now we are increasing in line with the increase in cost of funds for us but I believe that our reset period is a bit longer so can you just elaborate on that fact that how much time will it take to actually pass on the rates and will we see some contraction in the margins?

Parminder Chopra: See our reset period in some cases it is one year, it is three years or five years so we have different reset date depending on the option which has been chosen by the borrower so even if it is at one year so whatever is the card rate as on date that will be applicable on the reset so automatically if our cost of borrowing is increasing so all reset will be happening on the revised rates. So apart from the new disbursements which are being done at the revised rates so I hope that will not impact our churns or spreads efforts.

Niharika: Okay that was helpful and my second question is on Dans energy so did we have any write back on the provisions or basically how much was the provision and how much was the recovery on that?



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Parminder Chopra: See there has been a provision reversal of around Rs.79 Crores during the current quarter. So in this case I think 90% recovery rate was there.

Niharika: My other question is on Lanco so I just want to understand management's view on it so if we are getting better bid for it are we still bidding from our side and still we are okay to take it again on our books? Are we basically submitting another bid not as a lender but as takeover of Lanco Amarkantak in our books?

Parminder Chopra: I think till the time evaluation is done I would not like to share this information and I think earlier I would like to correct myself. Earlier we said that we are maintaining a provision of 50% in case of Lanco but actually it is 76% we are maintaining the provisioning in case of Lanco Amarkantak and we are expecting reversals in case this new plan is accepted by the NCLT.

Niharika: Okay and I am not sure if this was answered or not? What is our sanction book as on date as on December 31, 2023?

Parminder Chopra: See current year sanctions are approximately Rs.1,44,000 Crores and I think from the previous year we are continuing may be around I do not have the figure right now but it may be somewhere between around Rs.1.5 lakh Crores.

Niharika: Okay and basically again on the interest side how are we planning to basically manage the cost of funds? Basically are we planning to take more foreign loans because the interest costs are hardening particularly in India?

Parminder Chopra: See if interest rates are hardening in India and I think there is similar situation if we borrow it from the international market also so if we see as



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on date we have 18% borrowing in the foreign currency. 19% is the RTL from the banks FIs and the domestic bond constitutes 58% so major are these sources but we always try to optimize the mix to ensure that our overall cost of borrowing remains within the range so it all depends on the market whether the bond market gives us that opportunity and we as earlier said we have always told that we wanted to maintain around 20% of our borrowing in the foreign currency market. Last year we have raised funds in the JPY. This year we have raised funds through the syndicated loans in dollars also so it is around 12.42% borrowing in these nine months which has been done in the foreign currency. Bonds constitute approximately 44%. You know that we have also launched public issue which gave us the Rs.2824 Crores. RTL also this year we have raised lot of them and constitute around 25% of the total borrowing.

Niharika: Okay that was helpful. That was it from my side. Thank you.

Moderator: Thank you. We have our next question from line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good evening madam. Most of my questions have been answered. Just for the Q4 what is the expected disbursement and the kind of disbursement growth rate that you are assuming for the next year?

Parminder Chopra: See we have said that we will be able to maintain loan growth of 15% so we will be able to maintain that. This is what I can say.

Sarvesh Gupta: Understood madam and secondly on the infrastructure side you had said that the disbursements are only Rs.2000 Crores as of now so what are the plans for the next year in this particular segment?



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Parminder Chopra: See as I told you that this year we have till now sanctioned around Rs.33,000 Crores in the infrastructure sector so we are expecting the disbursements to pickup may be few disbursements we will be able to make in this current quarter but most of them is going to go in the next financial year so it is going to take time for this converting into disbursements.

Sarvesh Gupta: Understood and finally you said that sanctions that you have done this year are Rs.1.44 lakh Crores and last year cumulative sanction which was not disbursed was Rs.1.5 lakh Crores so are we in total is there around Rs.3 lakh Crores which is sanctioned by not yet disbursed or what will be the value as of now?

Parminder Chopra: See I do not have the numbers. I told you I had just given my guess work. I do not have the numbers right now for the sanctions which are yet to be disbursed for the previous year.

Sarvesh Gupta: No as of now do you have cumulative sanctions which are not yet disbursed?

Parminder Chopra: No that number I told you that I do not have that number but current financial year Rs.1.44 lakh Crores has been sanctioned but for the previous year it is just my estimate that it is around Rs.1.5 lakh Crores.

Sarvesh Gupta: Understood madam. Okay thank you.

Parminder Chopra: The number may not be correct also because I do not have.

Sarvesh Gupta: Sure madam. Thank you.

Moderator: Thank you. We have our next question from line of Himanshu Dhyawala from Elara Capital. Please go ahead.



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Himanshu Dhyawala: So basically I just want to know about like how going forward about the renewable portfolio, the traction we are seeing and good opportunity we are seeing in the future about the FY2025 or FY2026?

Parminder Chopra: I think if we see on overall basis as on date our renewable portfolio is approximately 12% so we are looking for I think in the next two to three years it may be around 20% of the total portfolio.

Himanshu Dhyawala: Okay great. Thank you so much.

Moderator: Thank you. We have our next question from line of Nilesh Jethani from Bank of India Mutual Fund. Please go ahead.

Nilesh Jethani: Good evening and thanks for the opportunity. My first question was on the MOU which we signed in July of last year for around Rs.2.4 lakh Crores in Goa what is the status of that? Where are we in that stages?

Parminder Chopra: So that was a combination of equipment manufacturing, few of the borrowers were intending to borrow for the hydrogen. They were certain simple plain wind renewable projects so if you see our sanctions to the wind and disbursements is increasing day by day and so at that point of time MOU has been signed. Equipment manufacturing if we talk we have sanctioned the project even for the Adani, all the big players in the market we have sanctioned equipment manufacturing facility which is going to be a big push for the Make in India so slowly, slowly all those MOUs and all those MOU we are sanctioning as and when the borrower is ready with the DPR.

Nilesh Jethani: So any number which you can quantify out of 2.4 what has been sanctioned till date?



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Parminder Chopra: Right now I do not have those numbers. We will share with you separately.

Nilesh Jethani: Okay my second question was on the infra side so today of course we have sanctioned amount of Rs.33,000 Crores but on the softer aspect wanted to understand until sometime back you were improving or increasing our capacity with hiring sector experts for the sanctioning, etc., for a deep understanding of the projects and sector so where are we today in that? Do you think have we filled the gap? Going ahead the FY2027 onwards can we expect a decent growth rate as far as infra lending or sanctioning is concerned so what is happening on the ground level at PFC level?

Parminder Chopra: See at PFC we have been sending our employees for the advanced training programs to build their capabilities for appraisal for the infrastructure sector. If we talk about of few of the sectors like biomass, we can talk of the refineries, and we can talk of the ethanol projects. Our employees have appraised a number of projects and have build the capabilities to appraise it. On roads we have sanctioned a number of projects so we are adding to the capabilities of the employees and wherever required we do take the help of the external experts as of now and we are planning to have those experts on our rolls also going forward.

Nilesh Jethani: Got it and my last question from my side is I just wanted to understand on the competitive intensity? Of course you touch based on it in the previous participants question but since five years before and a lot of the PSU banks balancing for a lot of its capacity to higher value versus today so can you help me understand five years back out of Rs.100 loan disbursed to power sector what was the PFC and REC or power financiers market share



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what is today after five years and what is your assessment of this going forward?

Parminder Chopra: See earlier also I think the assessment was made when we acquired REC, Government of India holding in REC. At that point of time it was assessed that around 20% to 25% market share PFC has and a similar share is there for REC also. That is why if you remember we have taken the approval of the competition Commission of India at the time of acquisition and if you talk today also so today we have not assessed but that we may be maintaining the same market share as of now also.

Nilesh Jethani: The market shares are expected to be same so wanted to understand with this 50 gigawatt of renewable expected per annum for the next seven to eight years? Why are we anticipating a lower growth rate going forward because if I see solar capacities has been in the range of 40 gigawatt to 50 gigawatt additions per annum in the past but now you are talking about at least 50 gigawatt in renewable space so what is stopping us from giving that higher guidance or are you assessing something else which we are unable to understand?

Parminder Chopra: I am not assessing something else but the only thing is that whenever there is something on the ground and it is in my hand only then I will be able to share any guidance so giving any number and not able to fulfill the expectations of the investors I really do not want to commit any such number.

Nilesh Jethani: Okay but in general you expect market shares to remain similar?

Parminder Chopra: Yes. That is there and I have shared with the expected capex in the sector also the numbers that I have shared so this is what I can say at this point of time.



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- Nilesh Jethani:** No problem madam. That was helpful and thank you so much.
- Moderator:** Thank you. Due to time constraint that was the last question for today and I now hand the conference over to Ms. Shweta Daptardar for closing comments. Over to you madam.
- Shweta Daptardar:** Thank you Manav. On behalf of Elara Securities Limited, we thank the management of Power Finance Corporation to provide us the opportunity to host this earnings call. Thank you team. Thank you all.
- Parminder Chopra:** Thank you very much. Thank you.
- Moderator:** Thank you. On behalf of Elara Securities Private Limited that concludes the conference. Thank you for joining us and you may now disconnect your lines.
