



POWER FINANCE CORPORATION LIMITED'S

Q-3- FY 19-20

CONFERENCE CALL

12TH FEBRUARY, 2020



MANAGEMENT: TEAM OF POWER FINANCE CORPORATION:-

- | | |
|---------------------|----------------------------------|
| - Mr. Rajeev Sharma | - Chairman and Managing Director |
| - Mr. N.B. Gupta | - Director (Finance) |
| - Mr. P.K.Singh | - Director (Commercial) |
| - Mr. R.S.Dhillon | - Director (Project) |

MODERATOR: MS. SHWETA DAPTARDAR – PRABHUDAS LILLADHER PVT. LTD



Operator

Ladies and gentlemen, good day, and welcome to the Power Finance Corporation Ltd. Q3 FY '20 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in a listen-only mode and there will be an opportunity for you to ask question after the presentation concludes.

I now hand the conference over to Ms.Shweta Daptardar from Prabhudas Lilladher Private Limited. Thank you, and over to you, ma'am.

Shweta Daptardar

Thank you, Faizan. Good evening, everybody. On behalf of Prabhudas Lilladher, I welcome you all to the Q3 FY '20 Earnings conference Call for Power Finance Corporation Ltd. We have with us today Mr.Rajeev Sharma, Chairman and Managing Director; Mr.N. B. Gupta, Director, Finance; Mr.P. K. Singh, Director, Commercial; Mr. R. S. Dhillon, Director, Projects. I would now like to hand over the call to Mr.Rajeev Sharma. Over to you, sir.

Rajeev Sharma, Chairman & Managing Director

Thank you very much. Good evening, everyone. I welcome you all to this conference call. I'm happy to share PFC's performance during the third quarter of FY 19-'20 with you.

First of all, I have some great news for our investors. As we had promised last year, I'm happy to share that PFC declared an interim dividend of INR9.5 per share. I'm thankful to all our investors for the faith they have put in PFC and we believe that we will continue to deliver such stellar returns year-on-year.

This quarter has been all about delivering promises.

On financial performance front, in Q3, our stand-alone net profit is up by 45% at INR1,680 crore from Q2 FY '20. On a consolidated basis, we reported a net profit of INR3,387 crore in Q3, which is an increase of 36% from Q2 FY '20.

On this, I would like to add that PFC has opted to apply reduced corporate tax rate, which was introduced in September 2019. Accordingly, corporate tax rate has been reduced to 25.17% from 34.94% effective from April 1, 2019. Going forward, this will have positive impact on PFC's cash flows due to significant tax savings. But due to re-measurement of earlier recognized DTA at lower rates, there would be reversal of such DTA. This would impact our profits for this financial year. Thus, after considering tax savings and DTA reversals, the net increase in tax expense for nine months is INR319 crore, which is getting reflected in our profits for December quarter.

Further, on the profit front, I would like to highlight that REC recently declared dividend in its quarterly results. Since PFC has 52.63% equity stake in REC, a dividend of INR1,143 crore approximately will be reflected in Q4 profits.

Coming to our financial indicators, as we have shared earlier, this quarter also, we have successfully maintained our yield within the targeted range of 10.60%. Also, we have achieved reduction in cost of



funds on a quarter-on-quarter basis. The cost of funds for Q1 FY '20 was 7.90%. For Q2 FY '20, it was 7.82%. And for this quarter, it is 7.75%. Thus, within a span of nine months, our cost reduced by 15 basis points. Further, due to a stable yield and competitive cost, the spread is also seeing an upward trend. The spread for Q3 FY '20 is 2.91%, which is an increase of 20 bps from Q1 FY '20 and an increase of 13 basis points from Q2 FY '20. I feel that our financial indicators have now stabilized, and we expect them to be maintained within the range.

Another positive development, I would like to share is that our capital adequacy is now back to the level it was before PFC acquired REC. There were lot of concerns on the capital levels when we acquired REC. We had assured then that we will restore our capital adequacy. Now within nine months, PFC has been able to recoup its capital adequacy ratio to 19.32%. In fact, our current capital adequacy ratio is more than the pre-acquisition level. Before acquisition, our capital adequacy was at 18.95%, and now it has increased by 37 basis point to 19.32%. We expect the capital adequacy ratio to further improve in future.

On business growth front, we have seen a growth of 26% in disbursements during Q3 FY '20 i.e. from INR14,648 crores to INR18,473 crores. The loan asset growth accordingly is 12%.

On the asset quality front, I have been sharing with all of you that we have been actively working on resolution of stressed asset. Now our resolution efforts are visible in numbers. Our gross NPA as on December 31, 2019, has come down by 1.13%. That is from 9.47% as on December 2018 to 8.34% as on December 2019. Our net NPA ratio is also coming down quarter-on-quarter. The net NPA ratio for Q3 FY '20 is at 3.94% compared to 4.28% in Q2 and 4.65% in Q1. Also, this is lowest net NPA ratio in the last two years. The improvement in NPA ratio is due to resolution of two stressed assets of INR2,650 crore during the year i.e. GMR Chhattisgarh and the recent one being RattanIndia Amravati with loan amount of INR1,720 crores, wherein resolution has been achieved through OTS. We already had maintained sufficient provisioning against this project. Therefore, we have not taken any additional hit on our profits. These positive developments reinforce PFC's continuous efforts for resolving the stressed assets, and I am hopeful that we will be reaching resolution in few more assets in the coming year.

On this note, I would like to share that PFC is envisaging resolution in six projects of around INR9,078 crores in the coming few months. Now I will quickly update you on resolution status of these six projects. Out of these six projects, three projects are being resolved outside NCLT, and three projects are being resolved through NCLT route.

Starting with three projects, which are being resolved outside NCLT

- firstly, we have 4 x 360-megawatt RKM Powergen projects with loan amount of INR5,163 crore. In this project, the resolution plan has been approved by PFC and five other lenders. Approval from two other consortium lenders is awaited. I'm happy to share with you that from February 1 onwards, power supply to Telangana has commenced from this project for 550 megawatts, as envisaged under the pilot scheme I.
- Another project is Essar Transmission with a loan of INR438 crore. The resolution plan has been submitted by the borrower and lead financial institution i.e. REC who has already approved the plan.



Today, PFC's Board has also approved the plan. Only Axis Bank's approval is left which will be obtained shortly.

- Next project is 3 x 150-megawatt India Power Haldia with a loan of INR960 crores. The resolution plan for this project has been finalized by the lenders and the approval process is underway.

Coming to the other three projects which are being resolved through NCLT. We have 600-megawatt Jhabua Power Project with loan of INR764 crore. Another project is 3 x 40-megawatt Jal Power project of INR386 crores. And the last one is 2 x 350-megawatt of Ind-Barath Utkal of INR1,368 crore. In all these projects, resolution plan or OTS is under approval of NCLT.

On all these six projects we have maintained 47% provisioning, which we feel is adequate. Resolution of these six projects is expected to bring down our gross NPA ratio to around 5% in near future.

Going forward, I am optimistic on stressed resolution front, given various government initiatives. I am happy to share that recently under pilot PPA scheme II, 2,500-megawatt worth PPAs have been allocated to various stressed projects at a discovered tariff of INR3.26. A couple of PFC projects also got PPAs under this scheme, like Essar Mahan and MB Power got 260-megawatt & 150-megawatt respectively.

Now on the borrowing portfolio front, throughout the interactions with you all, we have been continuously emphasizing on our objective to diversify our borrowings. I'm glad to share that our diversification journey continues both with respect to Indian and foreign markets.

On domestic front, in December 2019, government launched Bharat Bond ETF umbrella program, which aims at creation of an additional source of funding for government organizations. PFC had participated in the first tranche of issue of bond ETF and raised an amount of INR2,500 crores. Now through bond ETF, PFC has another funding available in the domestic market. Also, we are seeing a progressive increase in funding under 54EC capital gain exempt bonds, which has a low coupon of 5.75%. Just in past nine months, mobilization under these bonds doubled compared to FY '18-'19.

On the international raisings, PFC in the last month raised USD 750 million through bond issue under GMTN program. The bond has a coupon of 3.95% and tenure of 10.25 years. Further, in line with our diversification goal, with this bond issue, we have been able to diversify our investor base by tapping U.S. markets. We saw close to 42% participation from U.S. markets. Now, foreign currency borrowings are nearly about 15% of our total outstanding borrowings. Considering the increasing foreign currency borrowing portfolio and the risks arising out of the same, PFC is also actively focusing on hedging its foreign borrowing portfolio. If we see, PFC has already hedged 67% of exchange risk for portfolio with residual maturity up to five years. Thus, we are persistently working on insulating our balance sheet from foreign currency fluctuations. Thus, our consistent efforts for diversification, both in domestic and international markets, has led to a reduced funding cost for PFC.

I am aware that in the last few weeks, some news articles are circulating, indicating constraints on PFC-REC merger, credit exposure limits and borrowing limits, etc. On this, I would like to clarify, as per RBI guidelines, the credit exposure limits for lending are linked to lending institution's net worth. Therefore,



if merger is to happen, the lending limits will be seen on the total net worth of merged entity. Therefore, credit exposure limits are not the cause for holding up the merger. We also issued clarification to this effect. Similarly, we also do not see borrowing limits as a restricting factor for merger. The only deal breaker for PFC is the dilution of government equity stake below 51% on merger. We would like to reiterate that government intends to continue to hold management control in PFC and as well as in the merged entity of PFC and REC. Considering various options available, final decision will be taken.

I hope I have been able to allay your concerns on the merger deal. And now we are open for questions.

Operator

Thank you very much. We will now begin the question-and-answer session. (Operator Instructions) The first question is from the line of Gopal Agrawal from DSP Mutual Fund. Please go ahead.

Dhaval Gada, DSP Mutual Fund

Yes. Hi sir. This is Dhaval here. Thanks for the opportunity and congrats on good numbers. Just a few questions related to some of the comments that you made, sir. To begin with, what is the status in Essar Mahan in terms of our exposure and the current status? And similarly, if you could highlight for MB Power, where are we in terms of resolution and our current outstanding exposure?

PFC Management

One, MB Power is a standard asset and we are regularly getting payments. So there are no issues in MB power. As far as Essar Mahan is concerned, lead is ICICI Bank. We were going through the process, but in between, we got an offer from ArcelorMittal, but it was not a firm offer. But again, ICICI is working along with other lenders. And the developer has been asked to give a commitment fee, at least INR35 crores, to show his seriousness and firm commitment. So we are on the right track. And very soon, we should be able to crack this. Essar Mahan has got a 260-megawatt a PPA in this pilot scheme. So it shows a positive development. And we have an exposure of INR1,300 crores in Essar Mahan.

Dhaval Gada

And in MB Power?

PFC Management

MB power is a standard asset and we are regularly getting paid. The exposure is maybe around INR1,000 crores.

Dhaval Gada

Okay. And sir, the other one, the status and resolution process on KSK Mahanadi and our exposure there? How is that moving?

PFC Management

We have around INR2,500 crores exposure and RP has been appointed. I think earlier appointed RP has been changed. So the process is starting now in the NCLT. INR3,300 crores exposure is there.



Dhaval Gada

Okay. So this is NPA for us right?

PFC Management

Yes, KSK is NPA.

Dhaval Gada

Yes. And the other one was, sir, RattanIndia Nasik. Where are we on that in terms of status and our exposure there?

PFC Management

Rattan India Amravati is already closed on December 31. On Nasik, we are working. We are trying to retain 540-megawatt PPA. The problem we are facing is getting bank guarantees from the banks. But continuously, we are making sincere efforts. And we have exposure of INR3,000 crores in Nasik. We are also in consultation with Maharashtra government. Earlier also we tried. But now again we have got some indication of some interest in Nasik. So we are, again, negotiating with them also.

Dhaval Gada

Okay. And lastly, sir, on Reliance Power, what is the status and our total exposure to the various projects?

PFC Management

It's standard. We don't have any issue. We have an exposure in Sasan which is being operated at 96% PLF, cheapest power in India. So we are getting payments on time. We have some exposure in distribution companies. It is also regularly being paid. So we don't have any issue at all.

Dhaval Gada

And total exposure would be how much sir approximately?

PFC Management

Around INR1,500 crores in Sasan.

Dhaval Gada

Okay. Sasan, okay. Understood.

PFC Management

And in Discoms around INR1,000 crores. Both BSES and Rajdhani is INR2,000 crores.

Dhaval Gada

Okay. Perfect sir. Thank you. Thank you so much sir.

PFC Management

Thank you so much



Operator

Thank you. (Operator Instructions) The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra

Yes. Hi sir. Thanks for the opportunity. Sir, can you also talk about JPVL and Lanco, some of the exposures that you may have? And how do you see the resolution there?

PFC Management

In Jaypee, we don't have any exposure. And Lanco Amarkantak is the only project of Lanco where we have exposure. It is in NCLT. And two units out of four units are under operation. They have PPA, one with Haryana, one with Madhya Pradesh. And the process is going on.

PFC Management

And our exposure is around INR2,300 crores.

Jai Mundhra

Correct. But are you seeing some resolution there?

PFC Management

Yes, very much. We have got some expression of interest from very solid parties. I can't share with you.

Jai Mundhra

Sure. Okay. And secondly, sir, on some of the names like Jindal India Thermal, Coastal Energen?

PFC Management

No, we don't have any exposure in any Jindal company.

Jai Mundhra

Okay. And Coastal Energen, sir?

PFC Management

We don't have any exposure, sir.

Jai Mundhra

Sure. And sir, do you have any standard ICA signed up maybe those who are doing good, but they are under standard category and ICA signed, such as Bajaj Hindusthan or Lalitpur Power?

PFC Management

No, no. We are not in Bajaj Hindustan.

But the standard ICA when it was signed by the banks, we also signed there. But for a specific project, we are signing separate ICAs.



Jai Mundhra

Okay. But you would not be with lenders, is that the understanding?

No, we are along with other lenders, we have signed. How can we sign alone?

Jai Mundhra

Correct, correct, correct. So sir, what would be your portfolio of ICA cases where you have signed such as Lalitpur Power, GMR Warora?

PFC Management

Neither PFC is in GMR Warora nor in Lalitpur.

Jai Mundhra

Okay, sir. But where would you be? I mean, what is your portfolio of ICA cases?

PFC Management

In case of projects, which are NPA only, in that case, we are signing ICA like RKM power.

Jai Mundhra

Okay. So if you can name, sir, I mean, what is your ICA portfolio, even though they are NPA?

PFC Management

15 cases are in NCLT. Around INR29,000 crores stressed assets we are having. Around 15* projects, we are trying to resolve outside NCLT and 15 projects within NCLT. So outside NCLT, wherever we are, ICA we will be signing. If all lenders come onboard, we sign. If they don't come onboard, we don't sign. Outside NCLT, it's around INR13,000 crores stressed assets.

**it is 14 projects*

Jai Mundhra

Sure sir. Sure sir. Thank you so much. I'll come back in the queue sir.

PFC Management

Thank you so much. Thank you.

Operator

Thank you. The next question is from the line of Shashank from Tata AIA. Please go ahead.

Shashank Khetawat, TATA AIA

Hi. Thanks for the opportunity. Is there any update on the resolution of South East U. P. Transmission?

PFC Management

Yes, it is yet to be admitted in NCLT. It is in NCLT Allahabad.



We are getting payments for the portion which was commissioned. So UP is regularly making payment, because they are using that line.

Shashank Khetawat

Okay. And has it been taken over by the UP state government?

PFC Management

Not yet. It is in NCLT. We tried our best, but we could not convince them. So we have gone to NCLT now.

Shashank Khetawat

Okay. And any update on Shiga Energy, Dans Energy? Because in one of the earlier calls, it was mentioned that these projects have started making payments. So have they been converted into standard category?

PFC Management

Not yet, but resolution process is in advanced stage. I can share with you that we expect to get our principal as well. It is in advanced stage of resolution, both the projects.

And during the year, we got INR 70.92 crore in Dans and Shiga also around INR 70 crores.

Shashank Khetawat

Okay, okay. And in the presentation, the six projects that you had mentioned about, what are the time lines that we're looking at for the resolution?

PFC Management

Some of them may be resolved by 31st March . Like for Essar Transmission, today, our Board has approved the resolution plan. REC is the lead. They approved it. I think only one lender is left, Axis Bank. They will approve in the next Board meeting,. So this is done. Another one is this Haldia, IPG. It is a thermal project in West Bengal. So REC is the lead. They approved it on 4th. And today, we have approved it. So it is in the process now. It's a formality.

Other four projects are RKM Powergen, which I mentioned that from February 1 onwards, they started supplying 550-megawatt power to Telangana. And our Board has already approved resolution plan and REC Board will approve in the next meeting. And we are in touch with Bank of Baroda.

So only REC and Bank of Baroda is left. I'm constantly in touch with them. REC has assured me that in the next Board meeting, it will be approved. Agenda is ready. I am in touch with CMD, Bank of Baroda also. They will also approve. So this is about RKM Powergen.

Other one is Jhabua, in which NTPC is a successful bidder. We are preparing all the modalities, and we will go to NCLT. NCLT takes two or three hearings to accept. So it is in the process. So another one is Jhabua.

Other is Jal Power. It's a hydro project in Sikkim, and NHPC is a successful bidder. So all the formalities are being completed. And I'm sure within two to three hearings, it will close. I think next hearing is on 14th . So generally, in NCLT our experience is that within two to three hearings, resolution process closes. So we may close by March 31, or we may close in quarter one also. But it is on the right track, I can say.



Another one is Ind-Barath Utkal, in this also, JSW is the successful bidder. So all the modalities are being completed, and it should also be closed by March 31 or by first quarter of the next year. I think all four I have mentioned. Okay.

Shashank Khetawat

Okay. So would it be fair to say that in the next two quarters or maximum three quarters, we can see all of them moving to standard category?

PFC Management

Yes, they will be out of my book and my gross NPA will come down as well as the net NPA also. And my capital adequacy will also improve.

PFC Management

See, as we mentioned, the total gross NPA is around INR 27,000 crores. And the 6 projects are around INR 9,000 crores, which is around one third of my total stressed assets. Today, we have the gross NPA at 8.34%. So one third of this will be reduced. So ultimately, 5% to 5.5% will be NPA on resolution of these six projects.

Shashank Khetawat

Okay. And specific to IPCL Haldia, if I remember correctly, in one of the earlier quarters, it was upgraded to standard. And then again, it moved to NPA category.

PFC Management

No, no, no, it was never upgraded.

Shashank Khetawat

Okay. All right. Thanks a lot.

PFC Management

Thank you very much.

Operator

Thank you. The next question is from the line of Shankar Narayan Rama Subramanian from Deutsche Bank. Please go ahead. Sir, your line is in talk mode, please go ahead.

Shankar Narayan Rama Subramanian, Deutsche Bank

Hello, can you hear me?

Operator

Yes, we can hear you. Please go ahead with your question.



Shankar Narayan Rama Subramanian

Yes. So on your foreign currency borrowing target for this year, so you have increased it to USD3.7 billion. So, so far this year, you have cumulatively borrowed about USD2.8 billion. So which indicates an extra USD borrowing of around USD900 million. So are you planning to issue a bond or a loan for this?

PFC Management

See, we have a total exposure of around USD 6 billion in foreign currency. This year, we have raised USD2.8 billion. So what is exactly your question is?

ShankarNarayanRama Subramanian

I think today in the Board resolution, you have increased your borrowing limit to USD3.7 billion. So that extra USD900 million borrowing for this year, will you be doing it via bond or alone?

PFC Management

See, that we'll take a decision at appropriate time. But what we have done is that we have taken additional borrowing power of INR19,000 crores in this financial year. And on the basis of market conditions, we'll decide whether we have to go for an international market or on the domestic.

ShankarNarayanRama Subramanian

Okay. Got it. Okay. And on this merger, sir, if you could give us any time line, since there has been talk going on this from last April onwards? So like any rough time line, could you give us when this will happen?

PFC Management

Very difficult to give the time line. Our owner is Ministry of Power. We were asked by Ministry of Power to appoint a consultant to examine the pros and cons and the synergies in merger and the issues involved. So we appointed Deloitte. Deloitte prepared a very comprehensive report on pros and cons and synergies. They made presentation before PFC management and then in Ministry of Power also. We have submitted that report to the Ministry, and Ministry is examining. Ultimate call is to be taken by the Ministry. They are our owner. So I can't give you the time line. Time line can be given by Ministry, because ultimately, call is to be taken by the government, not by us.

ShankarNarayanRama Subramanian

Okay. Fine. Got it. Thank you. That's it.

Operator

Thank you. The next question is from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

Mahrukh Adajania, IDFC Securities

Yes. Hi sir. Sir, just one clarification. RKM Powergen is not an NPL, correct, it's standard?



PFC Management

See, in our book, it's in Stage 3. Because after this Ind AS, we are classifying the asset into stage one, two, three. So we have classified this RKM in Stage 3.

Mahrukh Adajania

Okay, sir. Sir, and the other thing is that there have been reports on Reliance wanting to sell out from their distribution company, the Delhi distribution that is. Sir, any progress on that? Or anything that --

PFC Management

We are not aware. I also read somewhere in the media reports that they are in the process of selling up, but we are not aware.

Mahrukh Adajania

But they have to keep you in the loop, right, if you are a lender?

PFC Management

They will require our approval, but they have not yet approached us. I have not received any request. But it will be good for us, if a good party comes. Like, I was told Adani and Torrent are in queue. I also came to know from the market. But till date, it is a Standard asset, and we are regularly getting paid, so no issue at all.

Mahrukh Adajania

Got it sir. Okay sir . Thank you.

PFC Management

Thank you.

Operator

Thank you. The next question is from the line of Punit Srivastava from Daiwa Capital. Please go ahead.

Punit Srivastava

Yes. Good evening sir. Just, sir, some more clarification on the merger, because line also got disconnected in between. Sir, you said that the exposure limits, the news that came on the newspaper that is not correct, right? That's what we heard.

PFC Management

Yes.

Punit Srivastava

So the exposure limit of 20% versus 25%, that is not relevant and the only issue is that of course, the government holding .



PFC Management

Exactly, exactly, because that exposure depends on the net worth.

Punit Srivastava

So I'm talking, sir, about the bank's net worth. Because for bank, RBI has a limit that banks cannot lend more than 25% to the group entities and 20% to the single entity.

PFC Management

That is true, that is true. That is for our borrowing. For REC and PFC, it was 20% earlier. Now REC is my group company, so it is 25% now for us. And if it is merged, then it will be 20%, because it will be a single entity.

PFC Management

But one thing which you have to appreciate is that what is my total exposure. So my total borrowing from the bank is around 15% only. Earlier, we were not borrowing from the banks, but only last year we started. So still, a lot of cushion is available to PFC and as well as to REC to borrow from the banks.

Punit Srivastava

So basically, sir, that means the exposure by banks through bonds and debenture, will that be counted in 20% or not?

PFC Management

Most probably yes. But still, the banks are coming to us. They want to give the limit to us.

PFC Management

Many banks are still untouched. We have not tapped many banks.

PFC Management

And still the existing ones are coming to us and they're providing more facilities to us. So on exposure, as of now, I don't think there are any issues.

Punit Srivastava

Okay. So that will not be problem.

PFC Management

All the media reports were regarding lending of PFC not borrowing.

Punit Srivastava

Okay, okay. And one clarification we needed was that assuming that the merger happens, what really happens with this INR14,500 crores of investment? Will it need to be knocked out immediately? Or you can amortize it? Is it possible to get any clarification on this?



PFC Management

That rule of consolidation is very clear. If two entities are merged, then that will be knocked off. That INR14,500 crores is my investment, that will be knocked off on the reserves and the equity.

Punit Srivastava

Okay. So it will have to be knocked out immediately?

PFC Management

Yes, yes.

Punit Srivastava

Okay. Understood, sir. And sir, how much was the actual recovery in this current resolution out of the INR 1,700 crores, how much was the recovery of this amount?

PFC Management

Amaravati?

Punit Srivastava

Amaravati, yes. Sorry, RattanIndia Amaravati, yes.

PFC Management

RattanIndia Amaravati. Around INR4,200 crores, around.

Punit Srivastava

I mean, sir, for PFC?

PFC Management

About 50%.

PFC Management

Around 50%. And we did not make any additional provisioning, because we had already made adequate provisioning.

PFC Management

The write-off is around 40%. So by way of cash and other OCDs, we'll be getting around 60%.

Punit Srivastava

Okay, okay. So that's why if you see the gross NPAs have come down by INR1,700 crores, but net NPAs have come down by only INR800 crores.

PFC Management

See, we had a 50% provisioning, so the net will come out 50% of that only.



Punit Srivastava

Yes. Okay. So it's because of that only. Okay. And sir, I just need to understand, you have around INR27,000 crores of NPAs, and of course, INR9,000 crores of recovery is also expected. But at the same time, the provisioning requirement may increase because of the aging of the NPAs. So if you can just give us some guidance on what kind of provisioning may be required in next year?

PFC Management

I think we don't expect any additional provisioning, because we already have average provisioning of 53%,.

PFC Management

See, earlier under the RBI rules provisioning was on the aging basis. But now we are following ECL model. It is not on aging basis. It is on the basis of future expected cash flows, and we don't expect that any further provisioning is required. We have made 53% provisioning and we feel it's adequate. And it is a reality also that whatever we have resolved, so whatever provision, which we have made, is sufficient.

Punit Srivastava

Okay. And on this INR9,000-odd crores of resolution, which you're expecting where you have made 47% provisions, which you say is adequate, what is the reason? Like you think because the haircut will be lesser than 50%? I mean, how have you estimated this.

PFC Management

See, we have no actual figures in our hand. The resolution is taking place. And we know how the resolution is taking place, we have the figures. And we have worked out based on that and we feel that whatever provisions which we have made is sufficient.

PFC Management

In all six cases, we have already reached the resolution. Formalities are being completed now. We know, in NCLT case, who is a successful bidder and how much amount we are getting. And in resolution, under restructuring plan, we know how much we are losing. So every number is with us. Only in all six cases, due formalities are being completed, and that process will take some time. That's why I'm saying, either by March 31 or by next quarter the process will be completed.

Punit Srivastava

Okay, sir. And just one last question on this RBDD, the amount has come down quarter-to-quarter. So can you just explain that why it has happened?

PFC Management

So the two projects just settled **now and earlier**, we were making provisions on them. See, what happens is that once we write-off., so whatever the cash implications on that settlement, it has now been transferred from RBDD to general reserve. That's why the RBDD is coming down.



Punit Srivastava

Okay. Thank you sir.

Operator

Thank you. The next question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.

Dhaval Gada, DSP Mutual Fund

Yes. Sir thank you once again sir. Just a couple of more things I wanted to clarify. Any resolution on this Athena, Bhavanpadu and KVK Nilachal. And the other one was the status on Essar Turi, if you could just provide? Thanks

PFC Management

Athena one, that is East Coast, in that the NCLT liquidation process is on.

PFC Management

And we have made 100%* provision, sir.

**The provisioning on East Coast is 90%*

PFC Management

KVL Nilachal is also in NCLT. In Turi, we fortunately have not sanctioned anything.

Dhaval Gada

Okay. And sir, you mentioned around the resolution of India Power Haldia. So what was the resolution? I missed that part. So our exposure is INR960 crores. But what is the resolution that we are seeing right now inside?

PFC Management

It's a restructuring and REC is another lender. REC Board has already approved. This project has PPA with West Bengal Power Distribution Co, and they got coal under SHAKTI. So they are ready for generating power from two units. Third unit, they are not commissioning. So after restructuring is approved by all the lenders. I think only two lenders are there, REC and PFC. So after that, they will start generating power.

Dhaval Gada

Understood. And what would be our haircut in this case and Essar Transmission? Final ultimate write-off would be how much?

PFC Management

In Essar Transmission, there is almost no haircut, because we are getting full principal, full interest, except waiving of some penal interest. That's all. This Essar Transmission is a commissioned project, interstate transmission line it is. They have got a tariff for Phase 1 from CERC and provisional tariff for Phase 2 also. So it's a commissioned project, and there are no issues.



Dhaval Gada

On India Power Haldia, any haircut?

PFC Management

It is not possible to give a number, but we have restructured it. The project will start generating power. We have extended that repayment period. So I think, at this juncture, I will not be able to exactly quantify how much haircut will be there, but we already have made sufficient provisioning.

PFC Management

We have made 31% provisioning.

PFC Management

31% provisioning is already there.

Dhaval Gada

Understood. Okay sir. Thank you. Thank you so much sir. Thanks. All the best.

PFC Management

Thank you.

Operator

Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra, B&K Securities

Yes. Hi sir. Thank for the opportunity again. Sir, can you specify the haircut or expected recovery from RKM Power, sir?

PFC Management

Sir, we have 45% provisioning. That is enough.

PFC Management

Very difficult to quantify, but fortunately, we have to see the positive things. Number one, 550-megawatt new PPA they got under pilot scheme. They have started supplying power from February 1 itself. Yesterday, I was in UP and requested them to make a payment for their receivables and to make certain arrangement. So you have to see the better side of this. So maybe around 40%. I'm not sure because we are restructuring it.

PFC Management

See, we have already given you an idea on that six projects, which we are resolving. On that we have already made adequate provisioning, and we are not expecting any more haircut on these projects.

PFC Management

Sure, sir. 40% to 50% should be a broad range, right?



PFC Management

We have already made 47% provisioning that we have already informed you.

Jai Mundhra

Correct. Correct, sir. Okay. And sir, you do not have any exposure to Rosa in Vidarbha, right, as you said.

PFC Management

No, sir. In Vidarbha, REC has. In Rosa also, we don't have any exposure. Only Sasan we have and their distribution companies.

Jai Mundhra

Correct, sir. And sir, I mean, would it be possible for you to share the rest of the projects? I mean we have, let's say, 15 plus 14, 29 projects, which are under stress. And you have mentioned about the six. And you probably have mentioned a couple of the names. But would it be possible to share other names too.

PFC Management

Others, we are trying resolution. Some of them we are trying to resolve outside NCLT like Shiga and Dans Energy, these are commissioned hydro projects. Last year, we got INR70 crores from Dans and also INR70 crores from Shiga also. So they are in advanced stage of resolution, I can share with you. Similarly, KSK Energy is in NCLT. And RP has already been appointed. The process is starting now. Since NTPC has come in Jhabua, they may be very keen to take over this KSK also. So we expect a good competition. Now good players and buyers are available in the market once NTPC has joined the race.

Jai Mundhra

Correct. And sir, just the last question, sir. This Essar Transmission, you said that the resolution plan is the restructuring by the existing borrower, right?

PFC Management

REC and PFC and Axis Bank are lenders. Today, our Board has approved it. REC Board approved it earlier. So now after Axis Bank approves, so the restructuring is done.

Jai Mundhra

Correct. No, no, I'm saying the resolution plan is the restructuring by the existing borrower.

PFC Management

Yes, yes, yes.

Jai Mundhra

So until unless you receive the 20% of the payment, you probably will not be able to reverse the provisioning. Is that understanding correct or no?



PFC Management

See, we have to examine that from Ind AS accounting point of view, and then we'll take a decision accordingly.

Jai Mundhra

Sure sir. Thank you so much sir. Thanks so much.

Operator

Thank you. The next question is from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

Mahrukh Adajania, IDFC Securities

Yes. Hi sir. Sir, I also wanted to check on RKM Powergen. That's also restructuring, right? So when do we upgrade it?

PFC Management

Yes, correct. According to the Ind AS guidelines, we will have to see.

PFC Management

See, once that resolution takes place, then we'll see that what are the guidelines, and then accordingly, we'll show in the books of accounts.

Mahrukh Adajania

Okay. Thank you sir.

PFC Management

Thank you very much.

Operator

Thank you. Ladies and gentlemen, due to time constraint, that was the last question. I would now like to hand the conference over to Ms. Shweta Daptardar for closing comments.

PFC Management

Thank you, Faizan. On behalf of Prabhudas Lilladher, we thank Power Finance Corporation team for the opportunity. Thank you all.

PFC Management

Thank you very much for giving us this opportunity. Thank you so much.
