



POWER FINANCE CORPORATION LIMITED
Q-4/FY 20-21
CONFERENCE CALL
15TH JUNE 2021



MANAGEMENT: TEAM OF POWER FINANCE CORPORATION:-

- Mr. R.S.Dhillon - Chairman and Managing Director
- Mr. P.K. Singh - Director (Commercial & Additional Charge Projects)
- Ms.Parminder Chopra - Director (Finance)

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



– **Moderator**

- Ladies and gentlemen, good day and welcome to Power Finance Corporation Investor Conference Call hosted by Prabhudas Lilladher 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 touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta Daptardar from Prabhudas Lilladher Private Limited. Thank you and over to you ma'am.

– **Ms. Shweta Daptardar – Prabhudas Lilladher Private Limited**

- Thank you Aisha. Good evening everybody. Welcome to the Q4 FY21 results earnings conference call of Power Finance Corporation. To discuss the financial performance of PFC, we have with us today Mr. RS Dhillon, Chairman & Managing Director, Mr. PK Singh, Director Commercial and Additional Charge Projects, and Ms. Parminder Chopra, Director Finance. I now hand over to Mr. RS Dhillon for his opening comments, after which we can take the Q&A Session. Over to you sir.

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

- Thank you very much. Good evening everyone. I welcome you all to this conference call. Today we have declared our results for the fourth quarter and financial year ending March 2021. And I have arranged this call to share with you PFCs performance for the period. As you all know that the past one year has been extraordinarily difficult year for all of us, resulting in both economic and social hardship. In spite of all the challenges faced I am proud to say that PFC has been able to withstand the headwinds and has delivered remarkable profits in all the four quarters of FY21.
- The key highlights for the financial year 2021 - On this note I would like to share that in FY21 PFC registered the highest ever annual profit of Rs. 8444 crores, a jump of 49% from FY20. Acknowledging the role shareholders play in our growth, we are happy to share our success with them. Our announcement this afternoon regarding final dividend of Rs. 2 per share stands testament to this fact. Thus in FY21 PFC has given a total dividend of Rs. 10 per share, that is 100%. With this PFC continues with its trend of delivering extraordinary shareholders' return. Further considering the challenging times, our focus this year has been on strengthening our balance sheet. This is demonstrated by the fact that our net worth of 16% growth from FY20, our capital levels improved by more than 180 basis points over FY20 and can be seen that our current CRAR is at 18.83% which is well above the regulated limits. Also I would like to share that in FY21, PFC diversified its lending to new segments in power sector. Recently PFC has extended financial assistance of Rs. 570 crores for deploying 700 electric vehicles under phase 2 mobility platform supported by Government of India and Government of UK. PFC funded one of the largest 1200



megawatt solar, wind, hybrid pump storage hydro project with a sanction amount of Rs. 5429 crores. Thus PFC is constantly focused on exploring new business avenues in the power sector.

- Now sharing some of the key financial indicators - For FY21 the yield is at 7.58%. Although there is a slight dip in the yield compared to FY20, but it continues to be within our targeted range. The dip is due to suppressed interest income on account of refund of interest on interest and delayed charges of around 291 crores charged during the moratorium period in line with the Supreme Court order and RBI directive. Also in the second quarter of FY21, to align with the market, PFC has reduced its lending interest rates across the board by around 25 basis points, maximum 40 basis points. Therefore impact of such reduction is also being seen at yield. Further considering ample liquidity in the market, our cost of funds for FY21 reduced by almost 30 basis points to 7.48% from FY20. Driven by stable yield and reducing cost of funds, the spread for FY20 is at 3.10% and NIM is at 3.54%. Also keeping in view the market scenario, in April this year we have further passed on the interest rate benefit to our borrowers and accordingly going forward we expect the NIM to be around 3%. Further I would like to update that both the domestic and international credit rating agencies have reaffirmed our credit rating. This reflects PFC's strong business fundamentals.
- Coming to the consolidated numbers, at consolidated level also PFC group delivered a robust performance. In financial year 2021 PFC group loan asset book crossed Rs. 7 lakh crore mark. With this PFC continues to be the largest group in India's power sector space. Further, the consolidated PAT for financial year 2021 is at Rs. 15716 crores, a 66% increase from FY20. On the operational front too, both PFC and REC are making concerted efforts to align their policies and operations to achieve business synergies. I am glad to see that PFC has successfully sailed through the pandemic and delivered a strong performance which clearly shows PFCs inherent strength and ability to absorb economic shocks.
- Now turning to PFC's loan asset side. Our loan asset book as on 31st March 2021 is at Rs. 3,70,771 crores. In this context I would like to highlight that in FY21 our distribution asset portfolio grew significantly primarily due to disbursements under the government's Aatma Nirbhar Discom package. Also loan asset growth in renewable energy and conventional generation comparatively slowed down due to the COVID pandemic. Further there has been extraordinary prepayment of around Rs. 20000 crores this year. This is mainly due to prepayment of loans at central and state PSUs on account of clearance of their dues by discoms under Aatma Nirbhar Discom Package and due to refinancing of some of NBFCs renewable loan assets. This has resulted in subdued loan asset growth of 7.5%. After excluding this extraordinary event, PFC loan asset growth is 13%. Going forward we will continue our efforts of tapping new loan assets as the economy recovers. But given the current shrink expected in GDP numbers and the surplus liquidity in the system, as of now we envisage a marginal growth for PFC over the current levels.
- Coming to the loan asset quality. On the loan asset side I am happy to share that even during the economics slow down, PFC has successfully resolved approximately 25% of its stressed asset



books. PFC stressed asset books as on 31st March 2020 was Rs. 27872 crores which had come down to Rs. 21150 crores. PFC achieved successful resolution for Rs. 6844 crores in four stressed projects that is Essar transmission loan of Rs. 438 crores, Suzlon Energy loan of Rs. 915 crores, RKM Power Gen loan of Rs. 5105 crores. And Jal Power loan of Rs. 386 crores which was resolved in Q4 this year. Sufficient provisioning was available against these loans and we do not have any major impact on the P&L. thus our target resolution approach has resulted in lowest NPA levels in the last 4 years. The gross NPA ratio is at 5.70% compared to 8.08% in FY20. The net NPA ratio is at 2.09% compared to 3.80% in FY20. Further we continue to constantly pursue resolution of the stressed assets and I would like to share that currently in two projects for Rs. 2109 crores we are in advanced stage of resolution and we expect the resolution to close soon. These two projects are Jhabua Power loan of Rs. 764 crores. It is a 600 megawatt commissioned projects being resolved in NCLT. The lenders to the project have given in principle approval to the resolution plan and the same shall be submitted to NCLT for approval.

- Essar Power MP loan of Rs. 1345 crores it is a 2x600 megawatt commissioned project being resolved in NCLT. The final resolution plan for the project has been received and is under discussion by the lenders. With the resolution happening in these projects, we expect the NPA levels to come down in the future. Also I would like to update that our standard book has largely remained intact, except for majorly one borrower slipping to stage 3 in Q4 that is Sinnar Power Transmission loan of Rs. 161 crores. On the provisioning front I would like to highlight that due to resolution of stage 3 assets and their upgradation provisioning in absolute terms has decreased against stage 3 assets, but overall provisioning continues, coverage continues to be maintained at 63%. We feel that these provisioning levels are adequate for future resolution. Further provisioning has been enhanced under stage 1 and stage 2 based on our ECL model which is being worked out by reputed external agencies. Under stage 1 as informed in our earlier calls, the increase is majorly due to creation of additional provisioning of around Rs. 600 crores against TANGEDCO on account of shifting of rating from category B to category C. Under stage 2 the provisioning increased especially on account of upgradation of stage 3 asset on resolution wherein 10% provisioning has been maintained as a prudent measure. Further in two loan assets, even though our overdue are beyond 90 days, they have been classified as stage 2 in view of the stay granted by the courts on their stage 3 classification. On these loan assets provisioning has been created similar to stage 3 assets and interest income is being booked on cash basis only. Therefore this has led to increase in stage 2 provisions. Also in government sector loans which have been classified in stage 2 due to payment overdue, additional provisioning as per the ECL model has been created. However currently all dues up to March have been cleared. Plus under our ECL model PFC has sufficient provisioning buffer for stage 1, stage 2, and stage 3 assets.
- Now before we move to the borrowing side, I would like to share a status update on Government of India Aatma Nirbhar Discom Scheme. Under the Aatma Nirbhar Discom Scheme, so far PFC has sanctioned Rs. 67699 crores and disbursed Rs. 38089 crores. For PFC and its subsidiary RFC combined together sanctions stand at Rs. 1,34,782 crores and disbursement stands at 78855



crores. We are expecting the pace of disbursement to pick up as disbursement for tranche 2 are in the pipeline.

- Now coming to the liabilities side. First of all I would like to share that PFC is well positioned in terms of liquidity. PFC has liquidity surplus in all its time buckets up to one year. Moreover we have adopted the RBI liquidity risk management framework for NBFCs wherein from 1st December 2020, NBFCs are required to maintain a minimum prescribed liquidity coverage ratio which is to be gradually increased to a level of 100% by December 2024. Currently PFCs liquidity coverage ratio is within the regulatory limits of 50%. As is evident PFC is actively committed in managing its liquidity profile.
- Coming to the borrowing portfolio, PFC's constant endeavor has been to diversify its borrowing portfolio. In this direction during FY21, PFC tapped into the retail bond market and has successfully raised Rs. 4429 crores through public issuance of taxable bonds. Further as that part of our diversification strategy, we also mobilized USD 900 million from the foreign markets which helps in achieving market diversification. I would like to reiterate that PFC would continue to focus on exploring new funding avenues and tapping new investor base for its funding requirement. Further I would like to emphasize that even during pandemic, PFC faced no challenge in raising funding from domestic and international market. This reflects confidence of the market in PFC's business, and its credit profile. Also you all maybe aware that the pandemic has led to a lot of volatility in the forex market. Therefore considering the risk associated with PFC's foreign currency borrowing portfolio, we have been continuously monitoring our forex positions. Accordingly in FY21 PFC enhanced its exchange risk hedge ratio from 66% in FY20 to 86% in FY21 for portfolio with residual maturity of up to 5 years. Further 100% percent exchange risk for USD loans with residual maturity of up to 5 years has been covered. We believe that with these PFC's bottom line is adequately protected from foreign exchange fluctuation.
- Business going forward: Before I wrap up I would like to share our thoughts on the business strategy going forward. Keeping in view the government's thrust towards renewable and clean energy sources, PFC will continue to focus on funding renewable energy projects. Also PFC is tapping emerging opportunities in e-mobility space. Further being a strategic partner of Government of India, PFC will be an instrumental financial partner in government reform schemes for power sector like the proposed Rs. 3 trillion power reform package Aatma Nirbhar Discom Scheme etc. Thus we believe that PFC has ample business opportunities going forward. To conclude I would like to say that for more than 3 decades PFC has been regularly delivering strong financial performance. We remain confident that with our focused approach PFC will continue to register higher revenue and drive strong results for our shareholders. Thanking you. And now we are open to questions.
- **Moderator**
- Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touch tone telephone. If you wish to remove yourself



from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

– **Ms. Mahrukh Adajania – Elara Capital**

– Hello sir, thank you for your detailed commentaries. Sir actually missed two names. You had named four accounts that were resolved in Q4. Two were RKM and Jal Power. What are the first two and their amounts?

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– So these were Essar Transmission 438 and Suzlon Energy loan 951.

– **Ms. Mahrukh Adajania – Elara Capital**

– Okay sir. And sir in any of these four was there any recovery? You said provisions were adequate. But was there any recovery or...?

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– Yes we were able to recover in the range of around 45 to 65%.

– **Ms. Mahrukh Adajania – Elara Capital**

– Okay and they were not fully provided for?

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– No they were fully provided for.

– **Ms. Mahrukh Adajania – Elara Capital**

– Fully provided for and you – okay got it sir. Apart from Jhabua and Essar MP are there any other resolutions in the pipeline? These may happen immediately but any others which would take longer but still happen over 12 to 15 months?

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– So during I think the current year we should be able to look at Dans Energy and Shiga Energy. These are the hydro projects in Sikkim.

– **Ms. Mahrukh Adajania – Elara Capital**

– Which is the second one sir? Second one is which one?



- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Shiga. Shiga Energy.
- **Ms. Mahrukh Adajania – Elara Capital**
- Okay.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Otherwise we have projects in NCLT at different stages. And because of COVID these are slow so we expect that those also will be resolved.
- **Ms. Mahrukh Adajania – Elara Capital**
- Are any big or prominent ones that?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- The Lanco Amarkantak project is there where two units are operating and two have been around 74% completed. So that is one of them. These three units have been commissioned and fourth is under construction.
- **Ms. Mahrukh Adajania – Elara Capital**
- Got it sir. Okay sir thanks a lot. Thank you.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Thank you very much.
- **Moderator**
- Thank you. The next question is from the line of Hardik Shah from SBI Mutual Funds. Please go ahead.
- **Mr. Hardik Shah – SBI Mutual Funds**
- Sir could you guide us about your borrowing plans for the current year?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- This will be around 1 lakh crore.
- **Mr. Hardik Shah – SBI Mutual Funds**



- This is over and above whatever you borrowed so far?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- No this is overall for the year.
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- For the year it is 1 lakh crore as approved by our board of directors.
- **Mr. Hardik Shah – SBI Mutual Funds**
- As of now how much have you done?
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- Till now we have not done except for a very small borrowing under 54 EC.
- **Mr. Hardik Shah – SBI Mutual Funds**
- Okay. Yeah okay that's great. Thanks.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Thank you.
- **Moderator**
- Thank you. A reminder to the participants. Anyone who wishes to ask a question may press * and 1 now. The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.
- **Mr. Kunal Shah – ICICI Securities**
- Yeah sir, congratulations for a full year's financial performance. So firstly in terms of margins given that we have revised the rates across the board quite significantly, sir how should we expect in terms of the repricing to play through because we have revised it from 3 years reset to 1 year reset as well. So how should we expect in terms of the yield or behavior going forward? And this will be more on the incremental loans. It will be even for the existing loans. So if you can just help us understand over the next 1 or 2 years how this entire repricing would play through with the revision in the rates.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So as indicated we have revised our lending rates in April 2021 this year. And this is for the new lending this will be the rates. And for the existing lending whenever the reset is there that will be repriced. So normally we have loans with a larger component in 3 years reset so these will be



repriced over the year, 3 years. And we are thinking of giving an option to the borrower also that if he wants to get that upfront then we are thinking of sharing the advantage to the borrower with certain percentage. So going forward these loans will be repriced and the present NIM which is around 3.5% we are expecting that that will come down to around 3 to 3.25%.

– **Mr. Kunal Shah – ICICI Securities**

– Okay. But the proportion maybe with the 3 year reset what will be the kind of component which can come in for the maturity over next 1 year? And I think still compared to the rate cut we are not seeing so much of a pressure on the margins. It will take some time. It will take at least like 2 to 3 years to at least get reflected in terms of yields.

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– So considering that 3 years reset is distributed over the next 3 years, so one-third of the loan portfolio.

– **Mr. Kunal Shah – ICICI Securities**

– Okay. So broadly one-third can come in for this fiscal and that can get revised...

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– This is the numbers percentage which we are talking about.

– **Mr. Kunal Shah – ICICI Securities**

– Sure, sure. And secondly in terms of the provisioning, so in terms of the existing projects during the quarter, how have we increased the provisioning coverage towards any particular project? Maybe 2-3 projects wherein you would have increased the coverage as given that there are delays in the resolutions?

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– So this I will – Parminder ma'am will be our....

– **Mr. Kunal Shah – ICICI Securities**

– Sure.

– **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**

– See the current disbursement in this quarter whatever has been made are categorized under stage one. And as per ECL model we are making the provision. And if we talk of the total including



the projects sir has shared with you where we have increased the provisioning which is falling under stage one, we have on an average 0.40% provisioning under the stage one assets.

– **Mr. Kunal Shah – ICICI Securities**

– Yeah so stage one has been more or less flat quarter on quarter. I was just checking in terms of stage 3, the additional 500 odd crores which has been done in this particular quarter. So which projects do they actually pertain to and would it be like maybe the resolutions which we are seeing getting delayed? That is more or less adequately covered in terms of provisioning.

– **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**

– As sir has said, there has been increase in the stage 3 assets. One we have added a new asset Sinner Transmission Line. Apart from that we have increased provisioning in few of the loans like Sinner Thermal Power also. We have increased the provisioning amount. Apart from that there is an increase in Lanco also and South East also. Since there has been delay in the NCLT process, so based on that the additional provisioning as per our ECL model has been made.

– **Mr. Kunal Shah – ICICI Securities**

– Okay, okay. And what has got resolved because there is an absolute decline of 200 odd crores after this addition. So this would be done or there would be some other assets which has got upgraded from stage 3?

– **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**

– See for fourth quarter it is only Jal Power which has been upgraded.

– **Mr. Kunal Shah – ICICI Securities**

– Only Jal Power na?

– **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**

– Yeah.

– **Mr. Kunal Shah – ICICI Securities**

– Okay, okay got it. And last question in terms of dividend policy so this time we have seen almost 30% kind of a payout there was final dividend over and above the interim. So we would continue with guidelines of 30% payout or 5% of net worth whichever is the higher? How should we actually look at going forward?

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**



- No going forward also we endeavor to meet the DP guidelines of 5% of net worth and 30% of that.
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation.**
- Yeah and in case of any deviation or for any reasons if we can't follow that, then we have to have the specific approval. We can apply for that and we can get that approval from DP.
- **Mr. Kunal Shah – ICICI Securities**
- Okay, okay sure. Thanks a lot. Yeah.
- **Moderator**
- Thank you.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Thank you.
- **Moderator**
- The next question is from the line of Shubhra Trivedi from SBI Life. Please go ahead.
- **Mr. Shubhra Trivedi – SBI Life**
- Yeah thanks for taking my question. So first is I couldn't follow when you said that state government sector there are certain accounts which have moved to stage 2 and as of March all overdue is cleared. If you could throw a bit more light on it. Like which accounts are these? When had they moved to stage 2? And as of March are they completely zero overdue?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So state sectors, sometimes there is delay in making payment because the state Gencos were not covered under the liquidity package. So they have an issue for payment. And like in Rajasthan we had some issues and in AP. So but ultimately they are paid within the 90 days' limit and as on March as indicated there were not much overdue.
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- State sector loan, all dues have been paid whichever was stage 2 as on 31st March 2021.
- **Mr. Shubhra Trivedi – SBI Life**
- As in they are still in stage 2 or they have moved to stage 1 now after payment?
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**



- See that is we are talking of 31st March dues have been cleared by them.
- **Mr. Shubhra Trivedi – SBI Life**
- Okay, okay, okay. And second question was on funds raised during FY21 and how much of it was through bonds?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- That our DF will be answering that.
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- See we have raised – from bonds we have raised approximately 41000 crores.
- **Mr. Shubhra Trivedi – SBI Life**
- And total?
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- Total funds. We have raised 81052 crores out of which approximately 50% was raised through private placement offers. And we have gone ahead with one public issuance of bonds for 4429 crores.
- **Mr. Shubhra Trivedi – SBI Life**
- Okay. So 81000 includes bonds, bank loans, everything put together right? Even the foreign currency debts?
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- Right, right.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- This was the total borrowing.
- **Mr. Shubhra Trivedi – SBI Life**
- Okay, okay. And slippages you mentioned only one account 160 crores that was the only account which slipped in the entire year or there are more?



- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- No this was in Q4. This Jal Power project was in Q4. Sorry, sorry. Sinnar, Sinnar Transmission was in Q4.
- **Mr. Shubhra Trivedi – SBI Life**
- And during the year what was the slippage overall?
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- I don't think we have any other slippages during the year in the stage 3.
- **Mr. Shubhra Trivedi – SBI Life**
- Okay, okay. Just one last question from my side. So from government sector if you can give the stage 2 number outstanding as on date.
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- That upfront figure is not there. So it is we club it with stage 1. If you want we can reply – we can mail it across to you and we can reply.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Separately we can...
- **Mr. Shubhra Trivedi – SBI Life**
- Sure, sure. Thanks a lot.
- **Moderator**
- Thank you. We would request the participants to please limit their questions to two per participant. The next question is from the line of Mahesh MB from Kotak Securities. Please go ahead.
- **Mr. Mahesh MB – Kotak Securities**
- Sir just two questions. One is on the Essar MP resolution what is the kind of recovery rate are you expecting out of that?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So this is under NCLT and the lenders are deliberating on it. So this will be around 45 to 50%.



– **Mr. Mahesh MB – Kotak Securities**

– Okay. And the second question sir of capex which are available on the ground, like the ones which you mentioned, Lanco, Amarkantak, are these assets operational currently? And how do you see these – who are these – how do you see the buyers in the market today? Because unlike steel we don't seem to be hearing about too many buyers for thermal plants. What is your assessment on the ground?

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– So these projects Lanco-Amarkantak they have four units. Two of 300 megawatts and two of 660 megawatts. So 300 megawatt is operational and they have an EBITDA of around 300 crores. So as you said it rightly that there are few takers for these projects who are bidding and you already know the names. So there is limited number of bidders for these projects.

– **Mr. Mahesh MB – Kotak Securities**

– Sorry the question is whether KSK or Lanco, what is the approach which the organization will take if in case you don't find the dust. Do you see a situation where you can operate these assets as current standalone units? Or you will have to look for liquidation as the only option?

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– So these are under NCLT and if we get a good value then we will go ahead with that. Otherwise what you have suggested we will look at that.

– **Mr. Mahesh MB – Kotak Securities**

– Okay, okay. Done. Thanks. Thanks a lot.

– **Moderator**

– Thank you. The next question is from the line of Jignesh Shial from Emkay Global. Please go ahead.

– **Mr. Jignesh Shial – Emkay Global**

– Yeah thanks for the opportunity and congrats for a very good set of numbers. Just confirming it, 86% of your forex loans within 5 years has been covered right? Is that understanding correct?

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

– Yes.

– **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**



- Right.
- **Mr. Jignesh Shial – Emkay Global**
- And what about more than 5 years?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- That are partially covered and...
- **Mr. Jignesh Shial – Emkay Global**
- Okay, can you quantify how much will be covered more than 5 years? Is it possible the bifurcation between less than 5 years and more than 5 years?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So our strategy is that within that zero to 5 years we find time to hedge that issue otherwise we normally let it open from normally if we are at 10 years then for 5 to 10 years we are normally letting it open.
- **Ms. Parminder Chopra**
- See if you ask about the swap structure so 10 years we are not finding it that the liquid structures and we can get a good pricing premium for covering these liabilities. So as sir has said that generally policy or practice you can say that we keep it open till 5 years. Once the 5 years they come under 5 years then we try to cover it slowly, slowly.
- **Mr. Jignesh Shial – Emkay Global**
- Understood, understood. And of the total liabilities which is there with us, is it fair to assume that major portion of it would be maturing within 5 years? Or the split would be equal or more tilted towards more than 5 years?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Almost equal you can say.
- **Mr. Jignesh Shial – Emkay Global**
- So 50% of your liabilities should be within 5 years and of which 86% would be already been covered wherever the forex exposures have been, that way.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Right.



- **Mr. Jignesh Shial – Emkay Global**
- Correct? And secondly just as you said, there is Jhabua which is supposed to be getting covered and you gave one more name right? Was it Essar?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Essar MP, Essar Mahan.
- **Mr. Jignesh Shial – Emkay Global**
- Essar Mahan. Where you are expecting 40 to 50% of the recovery right if I am correct?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- 45 to 50%.
- **Mr. Jignesh Shial – Emkay Global**
- 45 to 50%. Perfect sir. Thanks a lot and all the best. I will come back to the queue. Thank you sir.
- **Moderator**
- Thank you. The next question is from the line of Sanket Chheda from B&K Securities. Please go ahead.
- **Mr. Sanket Chheda – B&K Securities**
- Yeah hi sir. Am I audible?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Yeah.
- **Mr. Sanket Chheda – B&K Securities**
- Sir my question was on the MBED, the market based economic dispatch which was announced by the union government ministry some days back which would maybe in a way help discoms in procuring the power at an optimized cost. So how do you see that in conjunction with the recent infusion that we also did in discoms? So are we heading towards structurally change space for discoms? And also are we not seeing any other quality headwinds that is why discoms are concern for the meaning full time now also? One on that. And the other on dividend. Last year we paid around similar amount of dividend about Rs. 9.5 and also from REC it was Rs.11. This year profits have been much, much, higher than last year due to actions of credit costs and also margins have



been pretty steady. So why the dividend was capped at the same level? Yeah these were the two questions.

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

- Coming to the first one, the market based economic dispatch, so at presently I think these state level merit or dispatches is happening. So within the state wherever they have a PPA, so the lowest variable cost plant is being dispatched. So this provides efficiency for the state. But now what is being proposed is on a national level. So the cheapest power can be sourced from anywhere over the country and that will even if they don't have a PPA, so that will going forward reduce the cost procurement cost for the discoms, and it will be a win-win situation because efficiency would be the paramount importance parameter. And the efficient plant will be dispatched more and the discoms will get lower cost of power. So it is a good thing which is happening and I think I believe that NTPC plants are already under this as a pilot thing which is going on. So this will be a positive thing for the financial health of the discoms as a whole. And the second question with respect to the dividend, so we have paid almost the same level as you had indicated, but this was based on the capital levels which we have. So we have to see that for our business growth and to see that forex fluctuations also. So these and the provisioning. So we have to take the view with respect to that and based on the DP guidelines we have provided the dividend this year also.

– **Mr. Sanket Chheda – B&K Securities**

- So sir barring this year wherein the growth was relatively high, do we expect the high growth to continue next 2 years? I suppose growth was likely to get muted as we head into FY22.

– **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**

- So last year there was COVID and the implementation of the projects were slower. But we got this liquidity infusion scheme and we were able to disburse to the discoms for clearing their Genco dues. So some of the disbursements in tranche 2 will happen in this year also. And we believe that the implementation of the renewable especially the renewable projects will pick up during the current year. And we should have a reasonable growth going forward. I hope that answers.

– **Mr. Sanket Chheda – B&K Securities**

- Okay sure sir. Thanks. Yeah, yeah.

– **Moderator**

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



- **Mr. Punit Srivastava – Daiwa Capital Markets**
- Yeah good evening. So my first question is on this prepayment that happens on this 200 billion around 20000 crores. How much was it during this quarter Q4 and how much was it previous quarter?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So it mostly happened in the third and fourth quarter. As I had indicated because of the liquidity package, the general sector Gencos got their dues cleared so they were in a position to repay their loans. And some of the renewable assets also, there was some prepayment. But that was smaller compared to the...
- **Mr. Punit Srivastava – Daiwa Capital Markets**
- Yeah so my question was that apart from this prepayment that happened due to the liquidity thing, was there other reasons for which some renewables also got prepaid? And how do you see the trends in FY22 in terms of prepayments? And in that regard you also mentioned that the loan growth will be just about slightly higher than the current level which is already very low at 7.5. So do you expect this to touch like double digits in FY22?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So we are expecting good growth this year as I indicated the liquidity package scheme some disbursement happening this year and the revival of the renewable projects. And I could not first question was? Yes so as we had indicated that we had revised our interest rates and we have made it competitive with the banks. And going forward we believe that the state sector projects may not prepay us. And that is the hope with which we had reduced the interest rates.
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- Yeah the prepayment primarily happened because one due to the liquidity available under the Aatma Nirbhar Scheme with Gencos. And the other reason was that there was ample liquidity with the banks. So in few cases the banks have refinanced the loans which sir is referring to. And since we have reduced our interest rates, so we are expecting that there will not be any major prepayments going forward.
- **Mr. Punit Srivastava – Daiwa Capital Markets**
- Okay ma'am. My question was also like of this 20000 crores how much was coming because of the liquidity scheme and how much is there in that?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**



- For that exact figure we would not be having. But...
- **Ms. Parminder Chopra – Director Finance, Power Finance Corporation**
- It is very difficult to....
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- For state sector it was divided between quarter 3 and quarter 4.
- **Mr. Punit Srivastava – Daiwa Capital Markets**
- Right sir. Sir on this margin front you mentioned that it should come down to around 3% levels. So in that regard is this like you are expecting something like in FY22? Or you are seeing more in the medium term? Like how do you see margins moving in FY22 and even forward?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So in the medium term we expect this range to be maintained between 3 to 3.25. And last year it was a little bit higher.
- **Mr. Punit Srivastava – Daiwa Capital Markets**
- Okay sir thank you.
- **Moderator**
- Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.
- **Mr. Vipul Shah – Sumangal Investments**
- Hi sir. My question was regarding this resolution. So that is slide number 18. I think so what is the recovery over and above the provision for all these four accounts?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So it is.
- **Mr. Vipul Shah – Sumangal Investments**
- Hello?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Hello?



- **Mr. Vipul Shah – Sumangal Investments**
- Yes sir.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So you are mentioning about slide?
- **Mr. Vipul Shah – Sumangal Investments**
- Yeah 18. The four projects was Rs. 6844 crores resolved during FY21. So my question is what is the recovery over and above the provision for these four projects?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So it was almost, the recovery was almost similar to the provisioning. I think in some projects the provisioning was little bit more as far as I...
- **Mr. Vipul Shah – Sumangal Investments**
- So no substantial recovery was there?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- No not substantial recovery. We had made provision at a higher level. So as I indicated that around 45 to 60% was the recovery and naturally in Essar Transmission, we had 100% principle recovery. So that was a figure which – average figure which I have indicated.
- **Mr. Vipul Shah – Sumangal Investments**
- Yeah so in some projects it was more, some less. Got it. Okay sir. And my another question is what is your collateral when you lend to distribution companies?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- So like in this liquidity package scheme we got a government guarantee.
- **Mr. Vipul Shah – Sumangal Investments**
- No, no that is one time. But generally when you lend to a distribution company what is your collateral? That is my...
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- We have a policy that we have a principle security. We take charge on assets or state government guarantee. And plus escrow account in both these cases.



- **Mr. Vipul Shah – Sumangal Investments**
- Okay so you don't lend to the distribution companies without any of these things, whether escrow or stage government guarantee.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Yeah so that is what security we have.
- **Mr. Vipul Shah – Sumangal Investments**
- Okay sir thank you and all the best for the future.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Thank you very much.
- **Moderator**
- Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.
- **Ms. Mahrukh Adajania – Elara Capital**
- Hello again sir. Sir I had one follow up question. Sir do you know the status of Lalitpur Power? Would you have any investment there?
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- No we don't have any investment there.
- **Ms. Mahrukh Adajania – Elara Capital**
- Okay, okay sir. Thank you.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**
- Thank you.
- **Moderator**
- Thank you. That was the last question. I would now like to hand the conference over the management for closing comments.
- **Mr. RS Dhillon – Chairman & MD, Power Finance Corporation**



- So thank you for this opportunity. We have posted stupendous results. And going forward also PFC would be giving good results. Thank you very much.
- **Moderator**
- Thank you. On behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us.
