



**“Power Finance Corporation Limited Q1 FY25
Earnings Conference Call”**

August 06, 2024

**MANAGEMENT: MS. PARMINDER CHOPRA - CHAIRMAN AND
MANAGING DIRECTOR
MR. RAJIV RANJAN JHA - DIRECTOR (PROJECTS)
MR. MANOJ SHARMA - DIRECTOR (COMMERCIAL)
MR. SANDEEP KUMAR - DIRECTOR (FINANCE)**

**MODERATOR: MS. SHWETA DAPTARDAR - ELARA SECURITIES
PRIVATE LIMITED**



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Moderator: Ladies and gentlemen, good day, and welcome to the Power Finance Corporation Limited Q1 FY '25 Earnings Conference Call hosted by Elara Securities Private Limited.

As a reminder, all participants' 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.

And I will hand the conference over to Ms. Shweta Daptardar from Elara Securities Private Limited. Thank you, and over to you, ma'am.

Shweta Daptardar: Thank you, Neha. Good evening, everyone. On behalf of Elara Securities, we welcome you all to Q1 FY '25 Earnings Call of Power Finance Corporation.

From the esteemed Management, we have with us today, Ms. Parminder Chopra – Chairman and Managing Director, Mr. Rajiv Ranjan Jha – Director of Projects, Mr. Manoj Sharma – Director of Commercial, Mr. Sandeep Kumar – Director of Finance.

Without further ado, I now hand over the call to Ms. Chopra for opening remarks, post which we can open the floor for Q&A. Thank you, and over to you, ma'am.

Parminder Chopra: Thank you. Good evening and a very warm welcome to all of you. We have declared our Q1 results today. I am happy that I have been able to regularly connect with the investor community quarter-on-quarter basis.

Before I discuss the results, I would like to introduce our newly appointed Director (Finance) – Mr. Sandeep Kumar. He assumed charge on 11 July and brings with him more than 34 years of experience. Sandeep has been instrumental in steering a wide range of financial functions in PFC including



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fundraising, accounting, taxation and trading. He is also earlier announced as the CFO for the company. Also, I would like to share that Mr. Shashank Misra – Joint Secretary, Ministry of Power has joined PFC's Board as Government Nominee Director in place of Mr. Ajay Tiwari.

Now let's turn to Q1 performance starting with consolidated performance:

For Q1, 2025, the consolidated profit after tax stood at 7,182 crores, a 20% increase year-on-year. The group loan asset book registered a growth of 13% and crossed the 10-lakh crore mark. The loan asset book stood stands at Rs. 10,04,735 crore as on 30th June 2024.

On the asset quality:

We continue to see a decreasing trend in the NPA level. The consolidated gross NPA has reached below 3% and is at 2.97% in Q1, 2025 compared to 3.54% in Q1 2024. The consolidated net NPA ratio for Q1 2025 is at 0.84% compared to 1% in Q1 2024.

Now moving on to Standalone Performance:

For Q1 2025, the net profit is at 3,718 crore, a 24% increase on a year-on-year basis. The net interest income also rose by 24% year-on-year. The income growth has been supported by improving yield, stable spread and steady net interest margin. The yield for Q1 2025 is at 10.08%, the spread is at 2.64% and NIM is at 3.55% all within our guided range.

The cost of funds also continues to be within our expected range of 7.44%. Also, this quarter, we did not have any major additions in our provisioning numbers. In Q1, '25, we have created an incremental provision of only around 62 crores. Going forward, we do not envisage any major adverse provisioning impact unless there is any regulatory changes.

On the foreign currency front:



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We have an outstanding portfolio of US dollar equivalent of 8.4 billion. Out of this, around 78% of the outstanding portfolio is US dollar denominated, 15% is yen denominated and balance 7% is euro denominated. Further, 95% of the outstanding foreign currency portfolio is hedged for exchange risk. Out of this, nearly 100% of US dollar exposure and 100% of JPY loan exposure is hedged for exchange risk. So, with the prudent hedging cover, the range bound Forex fluctuations have a limited impact on our profit and loss account.

Through our prudent risk management strategy and stable revenue, PFC delivered a healthy bottom line in Q1'25. Also, our balance sheet remained exceptionally strong with a capital adequacy ratio of 27% and a net worth of 83,265 crores.

Given the robust performance this quarter, we have declared an interim dividend of Rs. 3.25 per share. With this solid foundation, PFC is well positioned to capitalize future growth opportunities.

On the asset quality front:

I am happy to share that we continue to maintain a healthy book. We have added no new NPA asset. The net NPA ratio reduced by 17 bps that is from 1.04% in Q1 '24 to 0.87% in Q1 '25. Similarly, the gross NPA levels saw a 44-bps reduction from Q1 '24 to Q1 '25. For Q1 '25, the gross NPA ratio is at 3.38%.

On the resolution front:

Three projects of Rs. 4,036 crores are in the advanced stage of resolution. Two of these are the same as indicated during our March results that is Lanco Amarkantak with an outstanding loan amount of Rs. 2,376 crores and Shiga Energy loan of Rs. 522 crores.



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The third project is TRN Energy Project Limited with an outstanding loan amount of Rs. 1,139 crores. It is a 600 Megawatt commissioned thermal asset. The resolution of this is being pursued outside NCLT. The resolution plan has been formulated and approval from all the consortium lender is awaited. On resolution of these three assets, our gross NPA ratio will be below 3%.

Also, in KSK Mahanadi project where resolution is being pursued in NCLT, we have received 10 bids last week. It's an 1,800¹ Megawatt partly commissioned project with PFC outstanding amount of Rs. 3,300 crores. The evaluation of the bid is underway and we expect more than 100% recovery against the project basis the current bids received. We have maintained around 55% provisioning on the project.

So now coming on to the loan asset growth this quarter:

The disbursement for Q1 '25 are at similar levels as the previous Q1. The Q1 '25 disbursements are at 19,483 crores. I am aware that this quarter our disbursements were slightly subdued, which has resulted in a loan asset book growth of around 10% on a year-on-year basis. However, I want to assure you that our loan growth targets for FY '25 remain unchanged.

In this regard, I would like to share an important development with all of you. Embracing change is essential for any growing organization to maintain its future growth. As you all know that the power sector landscape in India is changing at an unprecedented pace marked by rapid technological shift.

Concurrently, PFC is also building upon its infrastructure lending business. To navigate these changes, business priorities and to grow in a sustained manner in the future, it is important for PFC to change and adapt to the new business realities.

¹ Inadvertently quoted during call. It is a 6*600 MW project



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With this vision, around a year-and-a-half ago, we initiated a transformation exercise in PFC with the support of Boston Consulting Group. BCG has carved out a detailed transformation strategy including realignment of our lending processes and capacity building for the infrastructure business.

The implementation of the Board-approved strategy has been rolled out from 1st April. To implement the change of this scale requires time, as it needs employees' sensitization, aligning of the existing systems and managing the teething issue.

Therefore, the beginning of the financial years has been strategically adopted to bring in these changes. This gives sufficient time to align the processes and ensure that we are able to achieve our targeted growth level. Currently, we are yet to fully integrate these changes, and it may take another quarter to completely adopt it.

This transformation exercise has temporarily slowed down our normal business operations. I am confident that once the processes stabilize, we will be able to maintain our growth trajectory for FY '25. This transformation is crucial for our long-term success, as it would strengthen PFC's ability to tap the future opportunities in power and infra space.

Talking about opportunities, the recent Union Budget sets the stage for a cleaner, more resilient and economically vibrant India, aligning with India's vision of a Viksit Bharat by 2047.

The initiatives for the power sector, including a focus on energy transition and security, are likely to stimulate demand and capacity expansion. The clear focus on clean and green is encouraging for the sector.

Further, the announcement to formulate a policy for pumped storage projects is a crucial step towards smoother integration of renewable energy, enhancing grid stability and reliability. Also, the steps to develop a climate



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finance taxonomy will be instrumental in attracting capital to accelerate the implementation of clean energy projects.

Additionally, expanding the list of duty exemptions for critical minerals required for equipment manufacturing will help in accelerating the growth of the renewable energy sector. Further, the government's push for innovative nuclear technologies will strengthen the sector's promising future.

Overall, the budget has created a strong ground for CAPEX growth in the power sector, and PFC is well positioned to capitalize on these long-term project financing opportunities.

Before I conclude, I am pleased to share that PFC launched its first ESG report in July 2024. This comprehensive document outlines our ESG vision and our existing practices in environmental, social and governance domain. The report is available on our website. This initiative demonstrates PFC's commitment to sustainability and I am confident that PFC will continue to scale new heights in this domain.

Thank you and now we are open for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhaval from DSP Mutual Fund. Please go ahead.

Dhaval:

I just had two questions. The first was relating to growth. So, like you alluded, these changes that you brought about in infrastructure lending may have caused some disruption in the overall growth for the quarter. Just wanted to get some clarity in terms of how do you cover up in the next 9 months to achieve your overall growth target of 14%-odd for the full year. So, just if you could give some perspective around that, that would be useful. So, that's the first one.



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And second is, I am sure you would have seen the media reports around the Shapoorji Pallonji account, sort of sanction and exposure, etc. If you could just clarify how much amount if we have given and collateral and the thought process around it, that would be very useful.

Parminder Chopra:

So, with regard to your first question that how do we expect to maintain the growth trajectory which we have given for the FY 2025, so I think our goal is to strike a balance between value and volume. So, we are expected that we will, as per our guidance given earlier, we are expected to achieve the same similar level of growth for the current FY 2025 and we don't see any issues in the remaining part of the year because this is whatever exercise is being undertaken that is to smoothen the process, faster the process and to explore the new avenues what PFC can tap, but otherwise our underlying loan book trajectory is very strong and we hope to meet the targets for the current financial year.

With regard to your second question about the Shapoorji loan, as we have earlier also clarified on the exchange that the diligence process is still underway, and no funds have been disbursed till date. So, we have also declared at that point of time that post the completion of the detailed due diligence, the Board will take a decision on the merit basis and will accordingly decide what will be the outcome of this deal. And I understand that you are referring to some of the media news in the recent past few days. I can say that these media news are speculative in nature and inaccurate.

Dhaval:

Just one follow up on the growth. So, last year we had this benefit on the distribution lending business, part of which may not occur in the current financial year and REC, for example, had talked about generation CAPEX both on the conventional side and the renewable side being a driver or part offset of that growth delta. Is that the same thought process at PFC as well or you think infra will be a far bigger play in the current financial year to sort of see



that kind of disbursement momentum that we are looking at for the rest of the year?

Parminder Chopra: I think we and REC are working in the same space as far as be it the power sector or the infrastructure sector. So, accordingly, the business, what they are expecting, we are also expecting from the similar space.

So, last year also, distribution played a vital role in our overall disbursement and this year also we are expecting that distribution is going to play a major role. If you see even the current Q1 disbursement, so out of the total Q1 disbursement, 59% is coming from the distribution sector and 28% is coming from the generation.

In generation also, we will be focusing more on the renewables and 18% of the total disbursement in Q1 is for the renewable sector. So, infrastructure, definitely the number will be going to be higher than the previous year, but I think we would like to maintain the earlier approach of steadily growing the disbursement for the infrastructure sector.

Moderator: Thank you. The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Ma'am, I have three questions. There was a media article today on KSK Mahanadi which mentioned that probably they will be allowed to distribute surplus cash among lenders or the other way, the lenders are allowed to distribute the surplus cash. So, can you help us understand before any resolution what are these developments happening over there and what will be the impact on us?

Second is, ma'am, just on the loan growth, if I was looking at the different segments, particularly the GENCO and distribution segments, so the repayment rate has been a little elevated in both the segments for the past two quarters. So, DISCOMS, I understand that the RBPF and LPS-LIS



repayment rate may have picked up or repayment cycle may have begun, but what about the GENCO segment? Was there any large repayment that happened in this quarter or any other color that you can give on that?

And third, just a clarification and just curious that if a state ends up not repaying their certain loans and becomes bad asset for one of the lenders, which is your peer company, has that not happened for you because your peers did take an elevated provision on that one state not repaying their or slipping into stage two? So, has that not happened for you and just curious how it plays out between PFC and REC when state repayments happen.

Parminder Chopra: On your first question about the KSK Mahanadi that there is an article about distribution of the cash available, everybody knows that a huge cash is available and the lenders have requested for allowing the early distribution of that cash, but I am not aware that what is the outcome of that case, but otherwise also that the RFP was floated for bidding for the KSK asset and we have received the bids in the last week for that and including the cash available, we have got a very good recovery rate, which is expected to be more than 100% of the principal outstanding for the KSK. So, in any case, since the evaluation is under process and going forward as the evaluation is completed, so that will be post to the NCLT for approval. So, on that front, we are there.

Shreya Shivani: So, the cash recovery can actually come earlier than the other recoveries, which will only happen after the full project is resolved, all the bidding and the new promoters come in. Is that a fair way to look at it?

Parminder Chopra: We have represented to NCLT for allowing us to withdraw the cash, if the decision comes, then definitely we will have early access of the surplus cash available in the system. So, on the loan growth, yes, I agree that repayment has been at a comparatively a little faster pace as compared to the previous quarters.



But as you are aware that before the last two quarters, the RBPF scheme was under the sanctioned process, most of the schemes. Now the sanctioning has been done. Lot of disbursement has been done and this is basically sort of a line of credit for them and it's a short-term loan where once they repay back the loan, then they are entitled to draw it again. So, that's the regular process and I think that RBPF is going to continue.

With respect to the LPS scheme, yes, initially the disbursements were at a higher pace because most of the states were covered under the up to three-year category. But now since three years have passed and for most of the states that LPS disbursements have peaked out, so going forward the LPS disbursements are at the lower pace. But the repayment will start only after the moratorium period is over. So, that is how maybe because of the lower LPS disbursements, you may be looking at slightly subdued growth in this under disbursement under this phase.

Shreya Shivani: And ma'am, GENCO, was there any large repayment or anything this quarter in any of the GENCOs?

Parminder Chopra: No major disbursements, no major repayments under the GENCO states. And your last question about the state government, I would like to clarify that none of the states have defaulted, neither for PFC nor for REC. So, we have always been talking that there have been some delays on the part of the state for remittance of the dues, but they have not been categorized as a non-performing asset ever. So, forming part of stage one asset or a stage two asset, this depends on quarter-on-quarter basis. But yes, the 67 crore additional provisioning you are looking at, out of that is a substantial is on account of that state utilities only.

Shreya Shivani: So, even you have increased some provisioning on one state, but are you counting it in stage two now, the entire state or is it some bit of it you started counting in stage two and majority is in stage one? How does that play out?



Parminder Chopra: As on 30th of June, yes, they were forming part of stage two asset. So, I think during the current quarter, some payments have been received and the status might have changed because it is on the basis of past due date, number of days.

Moderator: Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: When we look at it in terms of what can actually trigger the higher provisioning on this deferred payment from the state government, would it be only the reasoning or maybe now we are confident that it will regularize and there is no need for incremental provisioning that could happen?

Parminder Chopra: So, as I told you that for the state sector, it generally happens that at times they are forming part of the stage two asset and maybe in the next 15 days they clear and they again form part of the stage one asset and it keeps on happening. But we try to maintain the provisioning, whatever is there under the stage two, we generally try to maintain for those assets which are habitual going from stage one to stage two.

Kunal Shah: And secondly, with respect to KSK, any timeline that you would want to highlight in terms of when can we see the overall resolution? Maybe cash recovery can happen soon, but overall resolution, how much time would it take? Because that you have still mentioned like it's not in the advanced stage. Was that possible in this fiscal?

Parminder Chopra: See, bids have been received and bids are being evaluated. It all depends on the NCLT approvals. It's a court driven process. So, for that, I think it's very difficult to give timelines. But we are expecting that it should happen within this financial year.

Kunal Shah: Within this financial year. Okay. And lastly, on the growth side, so when we look at it, other than the power sector, when we look at it now, that larger



part of at least the transitioning and the processes are set. So, how should we look at disbursements to ramp up for the entire fiscal and any changes out there in terms of what you have been suggesting and how should we look at full-year disbursements from those segments?

Parminder Chopra: See, infra, if you ask me about the number wise, there may be going to be slightly more disbursements. But still, major component is going to be from the power sector. And we are focusing on distribution as well as the renewable sector for our growth targets.

Moderator: Thank you. The next question is from the line of Manish Agarwal from PhillipCapital. Please go ahead.

Manish Agarwal: Ma'am, I have a couple of questions. One, just a clarification on SP Group. Did we sanction the loan, or the sanction is not yet done?

Parminder Chopra: See, there was at one stage sanction was there, but that was subject to further clarification, and which we are in the process of doing the due diligence on those clarifications. So, the final sanction will be only after those clarifications we achieved.

Manish Agarwal: The other thing I wanted to check was just to get more clarity on the growth. Can you disclose what is the total outstanding sanction which is yet to be disbursed?

Parminder Chopra: See, I don't have that figure right now with me, but you can be in touch with my team and they can give you some information.

Manish Agarwal: And the other thing I wanted to check was what is the status of stage two after Q1? If you can give absolute or a percentage wise, that would be helpful.

Parminder Chopra: See, stage two assets are approximately 11% of the total outstanding, and it is purely government sector utilities which are falling under the stage two.



Manish Agarwal: So, there is an increase on a quarter-on-quarter basis, correct? Because in Q4 it was 7.5%, if I am not wrong?

Parminder Chopra: See, I told you that there are certain utilities which are off and on following under stage two or stage one. So, you may see on quarterly basis their status being changed from stage one to stage two.

Manish Agarwal: And what would be our provisioning policy around this? Because if I look at Q4 number, your stage two provision coverage is lower than stage one provision coverage. So, just wanted to check how should we look at the stage two provisioning on a steady, steady basis.

Parminder Chopra: See, we follow the ECL model. And under stage two coverage, if I say it is 0.92% is on an average, whereas in stage one it is 0.85% on an average. So, I told you that where these are the habitual utilities which are falling off and on from stage one to stage two, we generally don't change their provisioning unless until they are for a bit continuous period that they remain under the stage one. So, that is why you may be finding that there is a gap of, still there is a gap of maybe around 7 bps on an average.

Manish Agarwal: And just final question on the spike in Tokyo overnight rates. So, do you see any impact on your incremental spreads? Because there is a massive spike and we have some borrowing. Obviously, the number is not very high. Do you see any risk there to the incremental spread?

Parminder Chopra: You are talking about the yen borrowing, right?

Manish Agarwal: Yes.

Parminder Chopra: Yen borrowing, we have already 100% hedged. So, we don't, we are not going to have any impact on those, in our case.

Manish Agarwal: My question was on the interest rate side; you might be having the rate impact.



Parminder Chopra: Interest rate side, already their interest rate is, I don't think that there is a significant interest rate on these borrowings. So, it's just so far, TONA is just 0.25. So, I don't think that any increase is going to have any major impact on our borrowings.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Shreepal Doshi: Ma'am, the question was on infra lending side. So, while we aspire to sort of grow this book incrementally, where would we want to keep a cap on this in terms of the loan book mix? So, where would we see this share increasing by the year-end or the next three years timeline?

Parminder Chopra: See, there has been, you know that in infra, the sanctions are generally of a larger quantum as compared to renewable or distribution. But the disbursement under this happens over a period of three to four years. So, I think it is going to gradually build up and it is going to take time for us to achieve the cap of 30% of our total loan outstanding because you know that as our power sector book is also growing, so accordingly 30% share is going to increase. So, it's going to take time for us to hit the highest level. So, I think maybe not for the three, four years at least, which is there in the visibility, I can see that the highest-level touching for the infrastructure sector.

Shreepal Doshi: So, where would we see the share in the next couple of years? Like, while 30% is of course look far, but in the next couple of years, where could this be?

Parminder Chopra: Yes, you can see growing our share gradually for the infrastructure sector. Like if I talk of 30th June 2023, it was only 1,000 crore what we have disbursed under the infrastructure whereas when we talk of the 30th June, 2024, our outstanding is 7,400. So, right now we are at 1.56%, but yes, you will be looking at each year we will be growing for funding of the infrastructure sector as a total percentage of our pool.



Shreepal Doshi: And second question was on the NPA pool. So, we have 21 projects and so just wanted to understand how many of these projects are 100% coverage projects, wherein we have 100% coverage, you know?

Parminder Chopra: So, out of the total number of assets, so out of the 21 stressed assets, in 13 assets we have 100% provisioning. In two assets, we have around 80% of the provisioning.

Shreepal Doshi: That's very helpful, ma'am, actually. So, these 13 projects can get resolved, like, if you want, you can sort of write them off as well. So, what is the status there? Are we seeing any bidding activity there or is there any resolution by then for these 13 projects?

Parminder Chopra: See, most of them are under liquidation. Seven of them are under liquidation. So, slowly, slowly assets are being sold in isolation for that. Once all the projects have been liquidated and we have got a NOC, then we will be writing it off. And for few of the other assets, we are trying to find a resolution and then we will be going ahead. Like, there is one, Maheshwar is there. So, there we are looking for some resolution. There is another, Narasimha Solar. There also we are looking for some resolution. So, we are looking for an individual asset-based finding a solution for each of them depending on the requirements.

Shreepal Doshi: Ma'am, just last question, on the project side. So, we have Lanco Amarkantak, KSK Mahanadi, and some of the projects which are in advanced stages of resolution. Apart from that, which are the ones wherein we see we have the visibility that it will get resolved in the next couple of quarters?

Parminder Chopra: See, we have already shared about the Shiga where we have approved the resolution plan, and we are expecting that other consortium members will be approving it. We have TRN Energy, which again outside NCLT resolution we are seeking, and we are expecting to be resolved soon. So, these are the other



two assets and in few of the NCLT assets the RFP has been floated and once the bids are received, then the process will be taken forward.

Shreepal Doshi: Just last question on sanction pool. So, what would be the cumulative sanction pipeline that we have as on 1Q end?

Parminder Chopra: Cumulative sanctions in hand undisbursed you are saying that I have already said that the number is not readily available. We will be providing. You can be in touch with my investor cell people.

Moderator: Thank you. The next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani: So, on the margin front, we have kind of maintained margins at 3.55%. What is the outlook on margins? Because I believe REC was highlighting that their incremental cost of borrowing is even lower than their book cost. So, do we see further upside in terms of margins from these levels or you are comfortable with this margin for the full year?

And secondly, just a question on the write-backs that you are expecting this year given that you have close to Rs. 7,300 odd crores including KSK resolution which we are expecting this year. What kind of write-backs can we expect from these resolutions?

Parminder Chopra: See, on the margins front, we have already given a guidance that we expect due to competitive regime, we are expected to maintain our margins somewhere between 3.25 to 3.5 range and we expect to maintain within this guided range.

On the write-backs, yes, I agree that like I told you that in KSK we are expecting more than 100% recovery, and we have already provided for 55% provisioning. But depending on the NCLT outcome after final approval of the NCLT, we will be writing back the provision.



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Similarly, in Lanco, whatever successful plan has been submitted to NCLT for approval, we are expecting some write-backs in that also which is I think maybe around in the range of 20%. So, once we receive the NCLT approval, we are expecting that to be there.

Jigar Jani: And on TRN trigger, any substantial write-backs expected there?

Parminder Chopra: There could be marginally some write-backs in case of TRN and Shiga also.

Moderator: Thank you. The next question is from the line of Nikhil Nigania from AB Bernstein. Please go ahead.

Nikhil Nigania: My question is on the loan sanction being evaluated for the Shapoorji Pallonji loan. If you could give us some color on the rationale to go ahead for this opportunity given as you said, there are so many opportunities in the power sector itself to lend, and this seems outside the expertise area or the strength of PFC and looks like a holding company loan? So, could you please share a rationale to pursue this opportunity?

Parminder Chopra: I think since PFC has been allowed to fund under the infrastructure sector, I agree that there are enough opportunities in the power sector. But whatever are there in domain for PFC, we would like to explore all those. But saying that since it is an infrastructure project, housing, we would also like to explore that space. I think that is a sufficient rationale for PFC for going forward for this deal.

Nikhil Nigania: If I could squeeze in a second question, just wanted to understand, are we funding the merchant renewable projects as well or is PPA a condition precedent for loan disbursement?

Parminder Chopra: See, historically, we have been funding the projects with a long-term PPA, but yes, looking at the current market scenario, we are funding a few of the projects based on their merit under the merchant power.



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Moderator: Thank you. The next question is from the line of Gaurav Agarwal from Nine One Capital. Please go ahead.

Gaurav Agarwal: Ma'am, for this year, we are guiding for 14% kind of loan growth, right?

Parminder Chopra: Right. I told that we will be maintaining the similar level.

Gaurav Agarwal: Correct. So, ma'am, you mentioned that there are some initiatives which BCG has helped you figure out. So, if you can highlight some of those initiatives which you guys are implementing? And as a result of those initiatives, do we expect higher loan growth in future? And if yes, what is your vision for a three-year or a five-year period, like from the current 4.75 lakh crore, how much can we grow to in the next three to five years?

Parminder Chopra: Initiatives are under two parts. One is improving our internal processes and due diligence process and the other is the potential areas where PFC can venture into. So, we are right now implementing the first phase, improving our processes and improving our due diligence, what is required to be done, but the new areas, as I told earlier also, we would like to go in a steady and gradual manner. So, they have suggested few areas, but we will be exploring them in a time to come.

Gaurav Agarwal: Ma'am, if I can just question and follow up, because in any organization, whenever you take certain initiatives, in the beginning, there are a lot of challenges because of which in the short term, the loan growth or the business growth might be a bit low. But once these initiatives are implemented fully, once the organization is accustomed to all these initiatives, the growth strategy becomes higher and better. So, with that perspective, I wanted to ask if 14%-15% is a kind of growth that we would want to grow in the coming years or our aspiration can be of 18%-20% also, once these initiatives are fully implemented?



Parminder Chopra: See, I think in the shorter term, we would like to maintain that we will be growing at around 14% as we have given the guidance earlier.

Moderator: Thank you. The next follow-up question is from the line of Dhaval from DSP Mutual Fund. Please go ahead.

Dhaval: Ma'am, just a couple of follow-ups. First is on this Maheshwar. The outstanding is about 1,600 odd crores only or it has changed in this period.

Parminder Chopra: No, it is 1,600 crores.

Dhaval: And what is our coverage on this specific exposure?

Parminder Chopra: See, it is around 1,600 crore and 100% has been covered.

Dhaval: And the other one is relating to, ma'am, on the generation side, so when NTPC recently highlighted this large CAPEX plan over the next few years and overall, REC has also been talking about 92 Gigawatts of conventional power addition in the next 6, 7 years. So, from that standpoint, and they have been talking about the market share of roughly 35% of X of NTPC portfolio. So, how does PFC sort of see its opportunity in this space? And if you look at our disbursement, largely they have been flat at about 30,000 crores, give or take, for the last 10 years in conventional generation. So, do you see in this cycle, given what is happening in the power demand side and capacity constraint on peak power, can we see bigger numbers in the coming years and that should support medium-term growth for PFC? Any thoughts around that?

Parminder Chopra: Yes, definitely. The Government of India is expected to double its installed capacity from what it is at the present level. And from there, we are looking at even adding some of the capacities in thermal also, maybe around, as you said, around 96 or 80 to 96 Gigawatts, out of which NTPC is expected to maybe around 25 to 30 Gigawatts and the balance is going to be either in the state sector or in the private sector. And we are expecting that our share in



the state power sector generation and private is going to remain as we are there as of now.

Dhaval: And ma'am, in the sanctions, you see right now some of these state GENCOs, are the proposals when already being under discussion or they are still at a very early stage? I mean, where are we in terms of, like, can we expect some sanctions this year on some of these thermal generation projects?

Parminder Chopra: See, primarily these projects are coming on the basis of capacity expansion, wherever the existing capacities are available. So, expanding those capacities from where these prime numbers are coming in. So, we are in the process of, these are all brownfield projects. So, for a few of them has already been forged and we are in the process of sanction. So, I think we are also going to have a sufficient pipeline for this thermal power generation project. But definitely the focus is going to be on the renewable. So, percentage may remain different. But yes, this is where we are going to fund these projects also.

Dhaval: And ma'am, just one last thing on renewables. So, we have seen the battery storage projects, sort of some initial traction has been gained and prices have been coming down there as well. How are we sort of looking at battery opportunity and similarly on pumped storage while not so much traction yet, but just if you could talk a little bit around these two opportunities within renewable, that would be useful.

Parminder Chopra: Our Director (Project) would like to answer your question.

Rajiv Ranjan Jha: I think, yes, you are right when you say that the battery prices are coming down. And last time when it was bid by Gujarat, it was 10 lakh per Megawatt for battery storage. Now recently it has come down as low as 5 lakh to 6 lakh. So, we are expecting a reduction in price and that would help a lot in renewable energy sector with the battery energy storage system becoming most cost effective.



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But your statement on pump storage, I think a lot of pump storage projects have actually taken off in private sector. And we are one of the first lender in power sector where we have lent to Andhra project in private sector. And this is about to get commissioned by next year March. And there are many other projects which are taking off the ground.

So, pump storage is also coming. And these battery storage and pump storage together would be very, very useful in making a renewable energy source as a continuous source of energy to the grid and provide more stability to the grid. So, we always are keen to be a part of that as a lender.

Moderator: Thank you. Ladies and gentlemen, we will take this as a last question. And I will hand the conference over to the management for closing comments.

Parminder Chopra: Thank you very much for hosting the call for us, and thank you, everyone, for joining in. Thank you.

Moderator: Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect.