



मनीष कुमार अग्रवाल  
कंपनी सचिव  
MANISH KUMAR AGARWAL  
Company Secretary



पावर फाइनेंस कॉर्पोरेशन लिमिटेड  
POWER FINANCE CORPORATION LTD.  
(भारत सरकार का उपक्रम) (A Govt. of India Undertaking)  
(आई.एस.ओ. 45001:2018 प्रमाणित) (ISO 45001:2018 Certified)

No: 1:05:138: I: CS  
Dated: 14.11.2024

<b>National Stock Exchange of India Ltd,</b> Listing Department, Exchange Plaza, Bandra – Kurla Complex, Bandra (E) <b>MUMBAI – 400 051.</b>	<b>BSE Limited,</b> Department of Corporate Services, Floor – 25, PJ Towers, Dalal Street, <b>MUMBAI – 400 001.</b>
नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड लिस्टिंग विभाग, एक्सचेंज प्लाजा, बान्द्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (पू), मुंबई-400 051	बीएसई लिमिटेड, कॉर्पोरेट सेवाएं विभाग, मंजिल-25, पी.जे. टावर्स, दलाल स्ट्रीट, मुंबई-400 001

**SUB: Transcript of analyst/investor meet held on November 08, 2024.**

Madam/Sir,

In continuation of our earlier letter dated November 05, 2024 and November 09, 2024 and pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith transcript of Earning call with Investors/Analyst of PFC held on November 08, 2024. This is submitted for your information, record and further dissemination.

Transcript of the above-mentioned conference call has been made available on November 13, 2024 at <https://pfcindia.com/ensite/Home/VS/109> and the same is attached herewith.

Thanking you,

Yours faithfully,  
For Power Finance Corporation Ltd.

(Manish Kumar Agarwal)  
Company Secretary & Compliance Officer  
mk\_agarwal@pfcindia.com



“Power Finance Corporation Limited

Q2 H1 FY '25 Earning Call”

November 08, 2024

**MANAGEMENT:** **MRS. PARMINDER CHOPRA – CHAIRMAN AND  
MANAGING DIRECTOR**  
**MR. RAJIV RANJAN JHA – DIRECTOR PROJECT**  
**MR. MANOJ SHARMA – DIRECTOR COMMERCIAL**  
**MR. SANDEEP KUMAR – DIRECTOR, FINANCE**

**MODERATOR:** **MR. SHREEPAL DOSHI – EQUIRUS SECURITIES**



**Moderator:** Ladies and gentlemen, good day, and welcome to Power Finance Corporation Limited Q2/H1 FY '25 Conference Call hosted by Equirus Securities. 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 star, then zero on your touch-tone telephone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Shreepal Doshi. Thank you, and over to you, sir.

**Shreepal Doshi:** Thank you, Falak. Good evening, everyone. We have the management of Power Finance Corporation to discuss the Q2/H1 FY '25 performance of the company and sector trends. The management is represented by Ms. Parminder Chopra, Chairman and Managing Director; Mr. Rajiv Ranjan Jha, Director (Projects); Mr. Manoj Sharma, Director (Commercial); and Mr. Sandeep Kumar, Director (Finance). I would now hand over the call to Parminder Ma'am for her opening remarks, post which we can open the floor for question and answer. Over to you, Ma'am.

**Parminder Chopra:** Thank you. Good evening, and a warm welcome to all of you. We have declared our Q2 and H1'2025 results today, and I'm happy to connect with all our investors to discuss PFC's quarterly and half yearly performance.

To start with, I would like to highlight some of the key milestones which we have achieved this quarter. In this quarter, we have achieved the lowest Gross



NPA ratio of 2.71% since FY 2019, which was then at 9.39%. This has been achieved with our active resolution efforts. Since 2019, we have resolved around 55% of our stressed asset book. On resolution of these stressed assets on an average, we have achieved a recovery of more than 60%, which is among the highest in the infrastructure financing space.

Also this quarter, I'm happy to inform that PFC has become the first Indian PSU to successfully execute the largest ever foreign currency term loan deal of USD1.265 billion. This landmark transaction was executed through a facility agreement with multiple banks based in IFSC GIFT City, Gandhinagar.

In earlier calls, we had expressed our vision to expand PFC's global footprint. And in this direction, we had shared that we were in the process of setting up a subsidiary in IFSC GIFT City Gujarat. I'm happy to share that our subsidiary PFC Infra Finance IFSC Limited, has received approval from the International Financial Service Center Authority to commence operations as a finance company in IFSC GIFT City Gujarat.

PFC Infra Finance IFSC Limited is the first finance company in IFSC dedicated to power and infrastructure lending. As earlier shared with you, the company will provide foreign currency loans to domestic as well as international power and infrastructure projects, catering to both government and private players. This strategic move reinforces PFC's position as a leader in the infrastructure financing space.

Now coming on to the numbers, and if we talk of the consolidated performance. For H1 2025, the consolidated profit after tax stood at INR14,397 crores, a 14% increase year-on-year. The Group loan asset book registered a growth of 13% on year-on-year basis. The consolidated loan asset book as on September 30, 2024, stands at INR10,39,472 crores.

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 2.62% in first half



of financial year 2025, compared to 3.40% in 2024 first half. The consolidated net NPA ratio for H1 '25 is at 0.80% compared to 0.98% in H1 2024.

Now moving on to stand-alone performance.

In Q2 2025, we have registered the highest ever quarterly net profit of INR4,370 crores, 14% increase on a year-on-year basis. For H1 '25, the net profit stands at INR8,088 crores, an 18% increase from previous H1. This increase is mainly driven by healthy growth in the net interest income.

The net interest income for H1 '25 saw a 21% increase on a year-on-year basis and is at INR8,736 crores. On the ratios front, we saw a positive trend over H1 '24. The yield rose by around 19 bps from 9.92% in H1 '24 to 10.11% in H1 '25. The spread also improved from 2.51% in H1 '24 to 2.61% in H1 '25. The NIM also improved by 20 bps over H1 '24. The NIM for H1 '25 is at 3.57%.

These ratios continue to remain within our guided range. Further, the cost of funds also continues to be within our expected range at 7.50%. Also, our balance sheet remains exceptionally strong with a capital adequacy ratio of 24.38% and a net worth of INR85,924 crores. Continuing with our endeavor to share our success with the shareholders this quarter also, the Board had declared interim dividend of INR 3.5 per share. With this, the cumulative interim dividend for FY '25 stands at INR 6.75 per share.

Now moving on to asset quality. In line with the guidance shared in earlier calls, this quarter, the Lanco Amarkantak loan of INR2,376 crores has been resolved pursuant to receipt of NCLT approval. We saw a provision reversal of around INR200 crores on resolution.

In addition to above, two loans with a cumulative outstanding of INR 313 crores has been moved out of Stage 3, that is the NPA category. One loan of INR304 crores has been technically written off. There was no impact of this on the P&L as 100% provisioning on this was maintained.



The other loans has been upgraded from Stage 3 on account of resolution. With this, the gross NPA ratio has reduced by 96 basis points from 3.67% in H1 '24 to 2.71% in H1 '25. The net NPA ratio has come down from 1% in H1 '24 to 0.72% in H1 '25. The outstanding NPA book has reduced from INR16,487 crores in H1 '24 to INR13,377 crores in H1 '25, mainly due to resolution of Lanco Amarkantak loan.

Now we have 18 stressed projects of INR13,377 crores under Stage 3. Of these projects, six projects were INR1,861 crores are being resolved outside NCLT. Out of this, two projects worth INR1,661 crores, that is Shiga Energy with a loan of INR522 crores, and TRN Energy with an outstanding loan amount of INR1,139 crores are in advanced stage of resolution.

On Shiga Energy loan, I would like to share that we have received approval from all the lenders. Subsequent to this, documentation and implementation of resolution will be undertaken. We expect the asset to be resolved by the end of the financial year. Currently, we have maintained sufficient provisioning of around 31%.

Further, 12 projects worth INR11,515 crores are being resolved under NCLT. Out of which, seven projects of INR2,612 crores are under liquidation process on which 100% provisioning has been made. Further five projects worth INR8,904 crores are at various stages of resolution in NCLT. Of these five projects, KSK Mahanadi project of INR3,300 crores has the highest outstanding amount. It's a 6\*600 megawatts partially commissioned project.

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 this project. On Stage 3 assets, we continue to maintain a healthy provisioning of 74%.

So now coming on to the loan asset growth this quarter. In last quarterly results, we had shared that PFC from 1<sup>st</sup> April had been implementing a BCG



suggested transformation strategy for improving its business processes. This has resulted in subdued disbursement in Q1 '25.

I'm happy to share that we are progressing well on the transformation strategy. And from this quarter onwards, we are back on track on our disbursement trajectory. This quarter, we have disbursed INR 46,663 crores and cumulatively, our disbursement in H1 '25 is at INR 66,146 crores. With this, our loan asset growth registered a 10% year-on-year increase. The loan asset book for H1 '25 is at INR 493,363 crores. I would like to share that in H1 '25, we have sanctioned around INR160,000 crores worth of projects. So we have a healthy pipeline going forward also.

For FY 2025, we expect to maintain similar growth levels as last financial year. Thank you very much, and now we are open for questions.

**Moderator:** Thank you very much. The first question is from the line of Raghu from Travis Capital. Please go ahead.

**Raghu:** Yes. Actually, my question is regarding the Gujarat IFSC branch which you have opened. What is the projected growth we foresee from that over the next 1, 2 years? And do we really have a plan to fund foreign companies or Indian companies in their abroad projects?

**Parminder Chopra:** See, we have just received the certificate for commencement of business and being a financial company, so we are expecting that we will be disbursing loans to the various infrastructure sector, including power sector. There, we are intending to target domestic as well as the foreign companies.

From IFSC, we can disburse only in foreign currency. And once we infuse capital more and then definitely, we raise debts as funds are the stock in trade for any NBFC. So we will start our operations.

And we have a healthy pipeline, but it will all depend on the -- basically, capital, what we are infusing that how much business we can pick up. But otherwise, we have a lot of interest from various especially power sector



developers in India for taking a foreign currency loan from our GIFT City project.

**Raghu:** Just a follow-up to that. I understand there are some tax benefits if we do that. So generally, our profit margins and all will be much higher once the business there takes off? Is that something I can assume?

**Parminder Chopra:** See, there is a tax holiday of 10 years in IFSC GIFT City. So it's very difficult to answer this question that how our profit margins are going to be there in the IFSC GIFT City subsidiary.

**Raghu:** Okay. And just the last question regarding the same thing. Can we expect maybe something like a 10% loan book at the end of 10 years? Do you foresee something like that from the -- for the foreign borrowings?

**Parminder Chopra:** See, 10%, I couldn't get, 10% of what?

**Raghu:** Of the total loan book.

**Parminder Chopra:** Of the total loan book, see, PFC has a INR5,00,000 crores plus loan book. So it's not a branch. It's a separate independent subsidiary, which will be functioning. So even if we infuse, hypothetically say if we infuse INR1,000 crores as capital, so we can take there are always exposures which we need to take and the capital adequacy we need to maintain. So to start with, I think we have to go a bit slow till the time we build on the capital.

**Moderator:** The next question is from the line of Shreya Shivani from CLSA.

**Shreya Shivani:** I have two questions. First is on the disbursement side. So while disbursements have picked up well after the glitch we saw in 1Q, I wanted to understand, have there been higher repayments in the renewable or the distribution sector because in spite of the disbursements picking up, the loan growth has been at 10% only. So that's my first question.

And second, on the asset resolution, you mentioned about Lanco and two other companies -- two other loans forming up to INR313 crores. But one of





your peers has reported that there were some cash recovery from KSK project approved by NCLT. And that -- doesn't that flow in -- didn't that come to you guys and wouldn't we see some negative credit costs from that as well? These are my two questions.

**Parminder Chopra:** I would like to answer your second question first about some cash recovery from one of the stressed assets. We have not accepted that, and that has remained unallocated, and we are waiting for the final resolution to be achieved before we do allocation in the particular asset. So that is lying in the unallocated funds for PFC.

**Shreya Shivani:** And what's the reason for -- I mean, I didn't understand, what's the reason for not accepting it?

**Parminder Chopra:** See, how much recovery is there, it will all depend on the final NCLT order. Once we receive the NCLT order, then only we can decide that how much is the principal to be adjusted and how much has been accounted for as the interest. So till such, in our view, we can't allocate it right now. It will not be prudent. So we have not done any provision reversal to that extent.

**Shreya Shivani:** Understood. Understood. Sure. And on the loan book ma'am?

**Parminder Chopra:** On the loan book, see, our recoveries were scheduled a bit higher in the first half as compared to in the second half. So that is the reason that you are not seeing the growth coming in the first half even despite we are having disbursed around INR64,000 crores.

**Shreya Shivani:** Got it. So the repayments -- the bigger chunk of repayment happened in the 1H?

**Parminder Chopra:** In the 1H, yes.

**Shreya Shivani:** Got it. Got it. And ma'am just a last follow-up question, a follow-up question. On the conventional generation book, that book has been steady at the same level for the past couple of quarters. Are we seeing any movement on ground in terms of thermal capex, any sanctions that you could talk about?



**Parminder Chopra:** Yes, definitely, the focus of the government is to almost double the capacity by 2030. And for that, a major chunk, maybe around 84 gigawatts is going to be contributed from the thermal or the conventional part. So this, if we talk of the first half of FY '25, we have sanctioned around INR50,000 crores worth of loan to the conventional project. So there is a movement, and it's picking up.

**Shreya Shivani:** Sure. But it's very difficult to give the timeline on disbursements for the INR50,000 crores. Is that fair to say?

**Parminder Chopra:** See, now you can very well understand that if the projects are being sanctioned at this stage, it always takes some time even though, I think the basic infrastructure because these are mostly the expansion projects. So basic infrastructure being always there. But in any case, it's going to take another 3 to 4 years for disbursement to have complete in this aspect.

**Moderator:** The next question is from the line of Manish from PhillipCapital.

**Manish:** I have a couple of questions. I will start with can you quantify the Stage 2 assets? And when is the Andhra Pradesh discom expected to be regularized?

**Parminder Chopra:** I couldn't get your second question.

**Manish:** So it was about Andhra Pradesh discom. We understand that it was in a part of Stage 2 last quarter. So is that account regularized now, like overdues are repaid or still under stage 2?

**Parminder Chopra:** Andhra Pradesh utility, they are regular now in payments. And the Stage 2, as you already know, that we always have most of the 80% of our book is from the state sectors. And in the state, we have never experienced any of the NPAs coming out, there is slightly delays.

So a few of the states, there are around that they may fall in 1 quarter in the Stage 2. But in the next quarter, they are upgraded to Stage 1. So this off and on is happening, and most of the Stage 2 projects are in the state sector.



- Manish:** Okay. Would you want to quantify this number right for the end of Q2 or...
- Parminder Chopra:** I think that it doesn't make much relevance because if all the government sector projects.
- Manish:** Sure. Ma'am next question is on your full year disbursement target. So you have given some sense on loan growth. Can you give us the disbursement target for the full year?
- Parminder Chopra:** See, disbursement, I think it -- why you want to have the disbursement target? It ultimately boils down to the growth. And we have given a very clear-cut guidance that we are expected to have the similar level of growth as we have in the previous years, and it's around 14%.
- Manish:** Got it. And finally, on the renewable side. So.
- Parminder Chopra:** Hello?
- Moderator:** Hello, Mr. Manish? Are you there? As there is no response from the participant, we will move to the next question. The next question is from the line of Shweta from Elara.
- Shweta:** A couple of questions. Can you provide colour on the infra portfolio, infra and others? Yes. Ma'am, I wanted to know if you can provide some colour on this INR21,000-odd crores of infra plus other projects. Like what are these? Are these pure core infra-assets and the like? Can you just allude to these?
- Parminder Chopra:** See, infrastructure around -- we have an outstanding book of around INR21,000 crores. And the major outstanding balances are, one is the HPCL Rajasthan Refinery. And there are, we have also funded the manufacturing facilities to the various private sector developers. And there are small, small other infrastructure segments where the outstanding is around INR9,400 crores. That majorly consists of the various ports, which are there.
- Shweta:** Okay. Okay. Also, ma'am, just a follow-up question. So Q1, you mentioned that the due-diligence process is underway for Shapoorji Pallonji Group loan.



And you also mentioned that the finalization will depend upon completion of the processes. So what is the colour on that? And plus, are we lending to Vodafone Group?

**Parminder Chopra:** Shapoorji Pallonji, we have done a detailed due diligence, but somehow the Board in its wisdom has decided that since it's a new sector for us, so we may not take that high-end exposure.

So finally, we have decided not to go ahead with the sanctioning of the loan for Shapoorji Pallonji. And the other known loan, Vodafone, it was never in the consideration zone in PFC. I don't know from where all these media news are coming from.

**Shweta:** Okay, ma'am. My third question is can you provide sanction breakup across key segments?

**Parminder Chopra:** Sanction in the generation, we have sanctioned, in this financial year, we have sanctioned around INR160,000 crores. Around 60% is in the generation. And distribution constitutes to around 17%, infrastructure, 15%; transmission and other sectors, maybe around 8%.

**Shweta:** One last question. So what is our incremental cost of funds? And the latest FCB borrowings, which you also mentioned in the opening remarks, what is the blended cost?

**Parminder Chopra:** See, blended cost for the raising made during the H1 is around 6.27% if we consider the foreign currency loan. And of that, the foreign currency borrowings without hedging if we consider is around 3%.

**Shweta:** Okay. And the incremental cost of borrowing?

**Parminder Chopra:** This is the incremental cost of borrowing I said, otherwise, the weighted average cost of borrowing is around 7.5%.

**Moderator:** The next question is from the line of Alok Srivastava from UBS.



**Alok Srivastava:** Ma'am, firstly, on assets under resolution. Could you help me with this number on KSK, how may be 100% recovery is on principal or admitted claims in NCLT? Because I understand your admitted claims are higher versus the principle that is there.

And also on Sinnar Thermal Power plant, could you let us know what is happening over there? And what could be the likely recovery from that one?

**Parminder Chopra:** The recovery -- hello?

**Alok Srivastava:** Yes, ma'am.

**Parminder Chopra:** Your first question was on KSK, right?

**Alok Srivastava:** Yes, yes.

**Parminder Chopra:** So in KSK, our recovery is more than the claim amount. And your second question was on?

**Alok Srivastava:** Yes.

**Parminder Chopra:** I couldn't get your second question.

**Alok Srivastava:** On Sinnar, what kind of write-back are we expecting? And is there any timeline when that can happen?

**Parminder Chopra:** Sinnar, we have invited the bids and at one stage we have received the bids but the evaluation process is still on. So I think in a month or so, we may finalize the evaluation and then we will submit it to NCLT after the approval of NCLT only that will be able to adjust it.

**Alok Srivastava:** Okay. Okay. Got it. Ma'am, secondly, on infra projects, as you mentioned that for that particular project, it went to the Board and decided not to do it. But ma'am, how does it work? Do all infra projects go to the Board? And if the Board, whatever Board is saying, is it mandatory for you to stick to what the Board is saying in these kind of projects?



- Parminder Chopra:** See, as per our internal delegation of power, infrastructure project sanctions will go to the Board. And in Board, a collective decision is always done for whatever proposal has been made by the concerned appraising units, then it will go to the Board and Board takes collective decision.
- Alok Srivastava:** And then is it mandatory then for the company to accept what the Board is saying, right?
- Parminder Chopra:** Yes, definitely. Board is the competent authority to approve projects.
- Alok Srivastava:** Yes, sure. Just one more question, ma'am, on the generation disbursement of around INR15,000 crores during this quarter. How much will be renewable?
- Parminder Chopra:** See, generation diverse mix you are asking?
- Alok Srivastava:** Yes. Because the last quarter, I believe you had said 18% of the total was renewable.
- Parminder Chopra:** See, with respect to disbursement, this particular quarter, we have disbursed around 32% to the generation, out of which 13% is towards the renewable and 19% is towards the conventional project. This is about the Q2 2025.
- Moderator:** The next question is from the line of Abhijit from Motilal Oswal.
- Abhijit:** Ma'am I had 3 questions. The first thing is, I mean, a clarification. You already said that for FY '25, we are expecting loan growth to be similar to last year, which is around 14% levels. Again, I mean, I assume that this is in the context of first half where you were implementing a transformation program now that it is over and like you said in your opening remarks, we're going to be embarking on a stronger disbursement trajectory from the second half onwards. So next year onwards, what is the loan growth that we have in mind?
- Parminder Chopra:** See, the loan growth, I think as our base is expanding, so any higher percentage of the loan growth may not be possible. And at this stage also, if



you see the last year disbursements were to the tune of around INR125,000 crores and that's a huge sum.

So it will all depend on how the economy grows and how the infrastructure sector picks up within the overall economic growth of the country. So as you are already aware that we are one of the largest lenders in the infrastructure and especially for the power sector. So our contribution is going to be accordingly.

**Abhijit:** Got it. And the second question I had was on margins. Given that our expectations that, very soon we might be heading into a declining interest rate environment in India as well. Can you just explain with regards to our assets and liabilities. When you look at assets, what proportion of your assets are fixed and what proportion of them are floating? Within floating, at what frequency they come up for repricing? Likewise on the liability side, what proportion of our liabilities are fixed and floating?

**Parminder Chopra:** See, on the liabilities front, we have around 27% as the floating rate liabilities and around 72%, 73% as the fixed rate liability. As you know, that most of our borrowing is from the bond market, and bond market doesn't have the depth and the appetite for the floating rate bonds. Whereas on the asset side, we have around 95% of the assets are on the floating rate as in most of the asset lending, we have either a 3-year reset clause or a 1-year reset clause.

So based on our overall cost of weighted average cost of borrowing, we do fix the lending rate and whatever is the current lending rate, our repricing of the assets is going to happen at those rates.

**Abhijit:** Got it. Ma'am, just to clarify on that. When you say 3-year reset clause or a 1-year reset clause, those resets will depend on your internal card rate, which again is depicted by your cost of borrowings. Is that understanding correct?

**Parminder Chopra:** The average cost of borrowing will be the basis for the internal card rates.



**Abhijit:** Yes ma'am. So ma'am, from a sensitivity perspective, if there is a 25 basis cut in the repo rates, what will that translate into the impact on our margins?

**Parminder Chopra:** See, it's very difficult to say, one, because we are -- our borrowing is not linked to the repo rate, and we have already seen that there has been a downward trend in the bond market. Whereas, if we see that on the bank loan book front, the loans which we have taken from the bank, banks marginal costs are either steady MCLR rate or is increasing.

So there has not -- we have not witnessed any decline in the bank rates, especially in the MCLR rate of the bigger -- and there, we have around 30% of our borrowing from the bank. So how that mix is going to be there and how the market benchmarks are going to be affected with the any cut in the repo, that we have to see before we work out any impact.

**Abhijit:** Got it. And then just 1 last question. I mean, within your infrastructure and others book, if you could just share 1 data point with me, that as part of the outstanding infrastructure and others move that you have, what is the mix of public and private? And likewise, if you look at 1H sanctions that you have given in the infrastructure sector, what is the mix between public and private?

**Parminder Chopra:** For the infrastructure sector, 96% sanctions are for the government sector and only 4% is for the private sector. As we have earlier also shared that we are following a bit, we are following steady and slow process for funding of the infrastructure sector. And we are cautious because it's a new sector for us. And out of the H1 book, if you ask me, so the total sanctions for H1 is around INR23,000 crores, maybe INR24,000 crores, and that too, again, the percentage may be the same.

**Abhijit:** Got it, ma'am. In the interest of time, I just wanted to squeeze in 1 last question. You'll recall that RBI circular on ECL provisions for project financing recently, there has been media coverage. I just wanted to hear from you, I mean, any update that you heard either from the power ministry or from the finance ministry on the RBI circular on ECL provisions on project financing.





**Parminder Chopra:** See, as we understand that PFC, as well as other lenders through their respective ministries and banks also to the Ministry of Finance has taken up the issue with RBI on the infrastructure provisioning circular, what you are mentioning. So we have to see whatever suggestions have been given what finally comes out in the final version of the circular and only then, we will be able to say something. Because there were numerous, I think, suggestions which were made as a part of -- by various lenders on this circular.

**Moderator:** The next question is from the line of Romil Oza from Romil Oza Company.

**Romil Oza:** Ma'am, congrats on a great quarter. So 1 thing that I have been calculating is that on a consolidated basis. Hello?

**Parminder Chopra:** Yes, yes.

**Romil Oza:** On a consolidated basis, our recoveries from the nonperforming assets might be upwards of INR8,000 crores, INR8,500 crores pre-tax. And that is between REC and PFC. Because between KSK Mahanadi, Hiranmaye, and Sinnar, what bids we've been seeing in the newspapers, it means that our provisioning has been quite conservative. So that would add like almost 1/4 of earnings to PFC's earnings for the year. It would be like an additional quarter of earnings.

I mean that would increase our capital adequacy rate, which is already hovering around 25% to a much higher level. And if you go by projections for electricity demand, I think we are lagging as a country in terms of putting up the demand. So should we either -- aren't you going to pay a very large dividend, which I think might be a second priority, given that the growth required, especially from PFC and REC, Power Finance Corporation and Rural Electrification Corporation. Shouldn't that be much higher? Like I know you'd love being conservative, but isn't 14% a very low number?

**Parminder Chopra:** See, I think your observation is correct. We have been conservative in provisioning. And as a result, we have -- we are expecting our recoveries to be good as compared to the provisioning whatever we made.



But on the other side, that we require capital for growth. As you have seen that in the previous quarter, we were at around 27%. And this quarter, we are at 24.5%. And that all depends on capital adequacy. The risk rate, which we assign, that is required to be assigned to each of the asset is very important. We had disbursed a lot of money under various schemes like LPS, LIS, where it was all backed by government guarantee, and a 20% risk rate was required to be assigned to those assets.

If we go for the growth in the current scenario, where a lot of capital works are happening and our disbursements are going to be towards the capital works, that is going to attract and not backed by government guarantees, that is going to attract a 100% risk rate on those assets.

For that purpose and maintaining the capital, I think, for a consistent growth going forward, we need some capital for -- on the regular basis. But yes, to some extent, during the intervening period, we may have some reversals resulting in higher profit. And as you know, what is our dividend policy, we always follow the government of India guidelines for the dividend, and we paid 30% of the profit after tax for 5% of the net worth as dividend, whichever is higher. We are going to follow that policy in the coming future years also.

So in any case, if something is added on to that and that we will be giving as -  
- rewarding our investors and giving them the handsome return.

**Romil Oza:** And ma'am...

**Moderator:** Sorry to interrupt you, sir. May we request you to return to the question queue.

**Romil Oza:** Sure. It's only 1 question. I think my question is very relevant in that I think our company is being quite conservative in its projections, and it's performing far better than the analysts are projecting. So I wanted to ask 1 more question.

**Parminder Chopra:** Yes, tell me.



**Romil Oza:**

I think, ma'am, I know you've been here for 30 years. You've helped grow the company and the country. But I think your growth projection, it's too conservative given the total addressable market. And given the need from the country, to add the power generation.

And what's happening is that the market is not discovering the true value of Power Finance Corporation. And I know you like being humble, but at a certain point, you'll have to reveal that Power Finance Corporation is 1 of the best companies in India right now and probably 1 of the best investments in India right now. And so that's why I was asking you this question.

**Parminder Chopra:**

I think you observed that there is a lot of potential for infrastructure and power sector financing in the country. And looking at the overall target for funding of the power sectors, like it is expected that a 30 lakh crores is expected to be the funding requirement in 2030. So there is going to be a huge requirement.

But with a lot of institutions coming up for infrastructure financing -- in the infrastructure financing space, as you know, that now PFC, REC in any case is there, IIFCL is there, now NABFID is coming up.

Apart from that infra, traditionally, other than power sector, all infrastructure sector is being taken care by the banks. So I think all the institutions have sufficient headroom available for the growth. And that is why we are saying that, okay, we wanted, for the infrastructure sector, as per our earlier guidance, we wanted to be a bit slow and cautious in our approach because it's a new area for us.

The power sector, we agree that we understand the power sector, and I can assure you that the power sector business as much as we can do, we will definitely be doing. And right now, I can say only this much.

**Moderator:**

The next question is from the line of Jigar Jani from B&K Securities.

**Jigar Jani:**

Congratulations. Just data keeping questions, so could you share...



- Moderator:** Sorry to interrupt, Sir. Can you please use your handset?
- Jigar Jani:** Just a moment, is this better?
- Sandeep Kumar:** Yes, yes.
- Jigar Jani:** Yes. So I just wanted to check to data keeping questions, one, on TRN Energy. What would be your PCR here?
- Parminder Chopra:** TRN Energy, we have around 50% provisioning.
- Jigar Jani:** And just confirming, Sinnar would be 80% and KSK would be 55%?
- Parminder Chopra:** Yes.
- Jigar Jani:** And what would be the recovery expectations on TRN and Shiga given that we are very close to resolving them? Any recovery expectations or percentages that you could share?
- Parminder Chopra:** See, I think our provisioning will be sufficient to take care of resolution process. And there would be slightly write-back also.
- Moderator:** The next question is from the line of Nikhil from Bernstein.
- Nikhil:** Just had 1 question. If you -- Adani Power plant supplying power Bangladesh, if you could give some colour on that, what is the exposure? And what is the loan security mechanism? And if there is any stress foreseen on that asset?
- Parminder Chopra:** I don't remember upfront what is the outstanding. But definitely, we have funded the project in the Jharkhand, which is supplying power to the Bangladesh. But there has not been any delay of a single day in our recoveries from this project. And I think the promoter is taking care, and we have heard that they are going to get all their payments from the Bangladesh government soon. But otherwise, there is no delay for the PFC servicing. This is what I guess.
- Moderator:** The next question is from the line of Sanket Chheda from DAM Capital.



- Sanket Chheda:** Yes, congrats on a very good quarter and a strong comeback. My question was on disbursement. This quarter disbursements have been pretty strong. So was it like some disbursements of Q1, which could not be done because of the system change that you went through? Or should we see this run rate sustaining going ahead as well whatever we did in Q2 in terms of disbursement?
- Parminder Chopra:** I think we will be able to keep the pace what we have achieved, and we will be able to get the growth numbers in line with the previous year.
- Sanket Chheda:** Okay, okay. And this is after deciding not to go ahead with Shapoorji, you still think 13%, 14% would be doable for this quarter?
- Parminder Chopra:** You're right, right.
- Moderator:** The next question is from the line of Raghu from Travis Capital.
- Raghu:** Just last thing confirming. Next 2 quarters, so what is the expected write-back we can expect if the KSK Mahanadi and all gets resolved in the next 6 months? Can we assume something around INR1,000 crores?
- Parminder Chopra:** See, the only thing is that once the evaluation is complete, we will be submitting it to NCLT, but we can't say that when the NCLT approval is going to come. Once we received the NCLT approval and the restructuring plan is implemented, what has been approved by NCLT only then we can go for reversal of the provisioning. And I can share you the number that in Shiga, have INR159 crores of provisioning, in TRN we have around INR550 crores provisioning and in KSK, we have around INR1,800 crores provisioning.
- Raghu:** Okay. So I think next 3 quarters, can we expect around INR1,000 crores, maybe including the -- would it be fair?
- Parminder Chopra:** I have given you. It all depends on the stage of resolution. And we are expecting that in TRN and Shiga, we will be able to conclude within this financial year.



- Moderator:** The next question is from the line of Shreepal Doshi from Equirus Securities.
- Shreepal Doshi:** Just a question on margin front. So how do you see the margin trending for us for the second half in case of -- just wanted to understand that part.
- Parminder Chopra:** See, we always have given guidance -- we have always given guidance that our margins are going to remain at around 3% to 3.5% range. And we expect that we will definitely be within these levels.
- Shreepal Doshi:** But ma'am given the current situation, will we be towards -- will we be near to the upper band side of it? Or there could be -- or it could be lower side of the band?
- Parminder Chopra:** It all depends on the growth numbers. And if you see that in first half, we are slightly above 3.5%.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Shreepal Doshi for closing comments.
- Shreepal Doshi:** Thank you everyone for being part of the call and thanks to the management of Power Finance Corporation for giving us the opportunity to host this call. Thank you everyone, and have a good weekend.
- Parminder Chopra:** Thank you. Thank you very much.
- Moderator:** On behalf of Equirus Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.