



पावर फाइनेंस कॉर्पोरेशन लिमिटेड
POWER FINANCE CORPORATION LTD.

(भारत सरकार का उपक्रम)

(A Govt. of India Undertaking)

(आई एस ओ 9001 2015 प्रमाणित)

(ISO 9001:2015 Certified)

No: 1:05:138: I: CS

Dated: 20.05.2026

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

SUB: Transcript of analyst/investor meet held on May 13, 2026

Madam/Sir,

In continuation of our earlier letter dated May 8, 2026 and May 13, 2026 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 Investors/Analysts meet held on May 13, 2026.

Transcript of the above-mentioned conference call has also been made available at <https://www.pfcindia.co.in/ensite/Home/VIS/109> .

This is submitted for your information, record and further dissemination.

Yours faithfully,
For Power Finance Corporation Ltd.

(Manish Kumar Agarwal)
Company Secretary & Compliance Officer
mk_agarwal@pfcindia.com



Power Finance Corporation Ltd

Q4/ FY2026 Results

Investor Meet

May 13, 2026

MANAGEMENT OF POWER FINANCE CORPORATION:-

- **Ms. Parminder Chopra - Chairperson and Managing Director**
- **Mr. Rajesh Kumar Agarwal - Director (Finance)**
- **Mr. V. Packirisamy – Executive Director (Commercial)**

Moderator:

We should be commencing shortly. In the meanwhile, may I also request you to kindly ensure that your mobile phones are switched to the silent or the buzzer mode during the course of this event. Thank you.

Ladies and gentlemen, on behalf of Power Finance Corporation, we feel honored and privileged to welcome you all to this Investors Meet. Today, the Company announced its Financial Results for the Year 2025-26. PFC is always aiming to connect with its investor and build a strong and positive relationship with the investment community. With this objective, today's event has been organized to discuss PFC's Financial Performance with the current and prospective investors.

Now, I would like to introduce PFC's Management on the dais. We have to my immediate left, Shri Rajesh Kumar Agarwal – Director (Finance), Smt. Parminder Chopra – Chairperson and Managing Director, and to my extreme left, Shri V. Packirisamy – Executive Director.

The program for today's Annual Investors Meet will start with PFC's CMD speech, which will be followed by a Q&A session. Now, I would like to invite Smt. Parminder Chopra – Chairperson and Managing Director, to address the gathering.

Smt. Parminder Chopra:

Good evening, everyone and a warm welcome to all of you and thank you for joining us today. We truly value your continued trust in PFC. At PFC, our investor communication is built on three T's: **“Timeliness, Trust and Transparency”**, and we remain fully committed to it. Today's investor meet is another step in strengthening our engagement with the investor community.

Before I begin, I would like to introduce our newly appointed Director (Finance), Mr. Rajesh Agarwal. Mr. Rajesh brings in more than 31 years of experience across the power and the finance sector. He has handled the key areas like treasury, banking, taxation, fund raising and corporate accounts. We are happy to have him here at this moment, an important stage of

PFC's journey. On my left, Mr. V. Packirisamy – Executive Director (Commercial), is there. As you know, our Director (Commercial) also retired on 31st of March 2026 and he has been shortlisted and we are awaiting the formal appointment for him. He also has more than 30 years of experience in the power sector and infrastructure financing.

Now coming to the highlights for Financial Year '26. Financial Year '26 has been an important year for PFC. It was a year of strong performance, big milestones and also global uncertainty. But despite this, PFC remained steady, resilient and growth focused. If I have to describe Financial Year '26 in one line, it was a “Year Where Resilience Met Results”.

With this, I would like to start with one of the landmark strategic development, which is the restructuring of PFC and REC. As you know that this was announced by Hon'ble Finance Minister in the Union Budget on 1st of February 2026. And as you all know, PFC already holds 52.63% stake in the REC since the acquisition in 2019. We believe this is a defining step which can create long-term value for all stakeholders.

As India moves towards the vision of “Viksit Bharat 2047”, the power sector will be a key growth engine. A unified institution will help unlock better scale, strong capital efficiency, faster decision-making, deeper sector reach and larger financing capabilities. The combined entity will be positioned as a single window financing partner for India's power sector.

We have already started the process. Both PFC and REC boards have already given in-principle approval for restructuring in the form of merger of PFC and REC. We have also appointed legal advisor, transaction advisor, merchant bankers and registered valuers. On the government shareholding front, for the merged entity, it's intended to maintain its status as a government company. And the detailed structure is currently under discussion. Further, we are also working on the valuation and the draft merger scheme. We are targeting for the merged entity to come into existence by 1st of April 2027. And this shall be subject to regulatory approvals from MCA, RBI, SEBI, cabinet approval, presidential approval, which is required in terms of our Articles of Association.

Further, from a business integration perspective, there is already large alignment between PFC and REC. Both the companies have a very similar business model and similar regulatory

frameworks across all functions. Over the last few years, we have aligned many of our policies across lending, pricing, accounting and operational processes. So, the foundation is already strong. Further, as we progress on this journey, we will continue to update investors on the key milestones.

With this, I would like to share some highlights on the consolidated performance for Financial Year '2026. On a consolidated basis, we have the largest NBFC loan book at around INR 11.64 lakh crore. As a group, we continue to maintain the leadership position in the renewable energy financing with one of the largest renewable book of INR 1.65 lakh crore. Our consolidated PAT is the highest among NBFCs at INR 33,625 crore. At the same time, our asset quality continues to remain strong with net NPAs at around 0.13%. With this size, balance sheet strength and sector experience, we believe that PFC and REC restructuring will create a financial institution of significant scale and strategic relevance.

Coming on to the PFC's standalone performance. I am happy to share that for Financial Year '2026, we reported our highest ever net profit of INR 20,051 crore with a 16% increase year-on-year basis. This was driven by a healthy net interest income growth of 13% along with provision reversals of around INR 1,800 crore during the year. With this, PFC continues to remain the highest profit making NBFC in India.

Further, even in a challenging environment on both assets and liabilities side, PFC maintained business resilience supported by strong capital base. As on 31st March 2026, CRAR is at 23.44% with Tier-1 capital at 21.93%. These levels give us a comfortable headroom for future growth. Our net worth also crossed a major milestone of INR 1 lakh crore, with a 13% year-on-year growth.

Our strong financial performance has also enabled us to consistently reward our shareholders. The Board has proposed a final dividend of INR 3.95 per share with this total dividend for Financial Year '2026 stands at INR 18.55 per share. The final dividend shall be paid after the shareholder's approval at the AGM.

Now, coming on to the key financial indicators. The yield for Financial Year '2026 is at INR 9.96%. Cost of funds at 7.50% The spread at 2.46% and NIM at 3.55%. All of these are within

our expected range. Looking ahead, the trend of these indicators need to be seen in the context of current market environment. Keeping in view the business environment, PFC from time-to-time has been continuously calibrating its lending rate strategy. In Financial Year '2026, due to lower interest rate cycle in India and increasing competition, we consciously priced our lending at competitive rates to support business growth. As a result, the impact of this will be reflected in our yields numbers in Financial Year '2027. On the cost of funds side, while we did benefit from the lower domestic interest rates, the impact of volatility in forex market led to some pressures on the overall funding cost. Going into Financial Year '2027, keeping in view the movements in yield and uncertainty in the forex markets, we expect our spreads to be in the range of 2.40% to 2.50%.

Now moving on to the asset quality. In line with the guidance being shared earlier, we have successfully resolved Sinnar Thermal Power Project of INR 3,001 crores under NCLT route. We have recovered 42% of the principal amount. Further provisioning of 80% was provided on this asset. So, the resolution resulted in provisioning write back of nearly INR 670 crores during the quarter. In addition to this, as shared earlier, we have resolved TRN Energy Loan of INR 1,139 crores wherein we saw a provision reversal of around INR 160 crores. With successful resolution of both Sinnar Thermal and TRN Energy during Financial Year '2026, our asset quality has further strengthened. Our net credit impaired asset ratio is at new low at 0.15%. Gross credit impaired asset ratio is at 1.09%.

Here I would like to mention that 80% of our NPA book has been resolved from its peak level. With this, our Stage-3 book is now at INR 6,323 crores comprising of 19 projects. And out of these 19 projects, 10 projects worth INR 5,469 crores are being resolved under NCLT of which 6 projects of INR 2,603 are under liquidation. The remaining 9 projects of INR 854 crores are being resolved outside NCLT and of which one of the major projects is the Shiga Energy loan of INR 522 crores, where approval from co-lender is awaited. I would also like to share that out of these 19 projects, on 16 projects of INR 4,680 crores we have already created 100% provision. Also, on overall basis, coverage on Stage-3 assets remain healthy at around 86%.

Talking about provisioning in Financial Year '26, we saw provision reversals of around INR 1,800 crores. As mentioned earlier, INR 800 crore reversals were due to resolution of Sinnar Thermal and TRN Energy. The other major provision reversals was around INR 1,000 crore. In

January '26, 14th Annual Integrated Rating of Power Distribution Utilities was released. In the report, ratings of 18 DISCOMs have been upgraded while 9 DISCOMs have seen a downgrade. Accordingly, based on the improvement in DISCOM rating, a provision reversal of nearly INR 1,000 crore on PFC's DISCOM book has been done under ECL framework.

Now let me turn to the loan asset book. During Financial Year '26, we disbursed INR 1,65,414 crores. In renewables, as India is moving towards firm and dispatchable green power, major disbursements were in hybrid solar wind projects. On distribution front, lending was driven by short- and medium-term funding requirements. In conventional generation, we capitalized on refinancing opportunities, especially in the government sector. With this, our loan book closed at around INR 5.8 lakh crore, reflecting 7% growth during the year.

You know that starting February 2025, RBI started with rate cut and the repo rate saw an overall reduction of 125 bps, leading India into a lower interest rate cycle. For a NBFC like PFC, in a low interest rate cycle, generally there is a prepayment pressure, which is a well accepted and known risk.

In Financial Year '26, with the strategy of 3 'Rs', "**Realistic, Resilient and Robust**" loan growth, we had shared our loan growth guidance. However, considering the declining interest rate cycle, competitive pressure from banks, the prepayments were disproportionate to that which was factored in, particularly in the commissioned segment, as banks aggressively refinanced these assets. Without these prepayments, our loan asset growth would have been within our guided range of 10-11%. For FY27, we do not expect any further rate cut from RBI. This is reflected in the fact that RBI has kept repo rate unchanged at 5.25% for the second consecutive meeting and maintained a neutral stance during its first MPC for FY27. Therefore, we believe that prepayment pressures should moderate going forward.

On the sectoral front, I am proud to share that India ranks third globally in terms of renewable energy installed capacity. The power sector continues to remain one of the strongest growth stories. India's total installed capacity has now crossed 530 GW, primarily driven by renewable editions. During FY26 alone, India added around 55 GW of non-fossil fuel capacity, and this is the highest increase in any year. The electricity demand in India continues to remain strong. Peak power demand touched all-time high of 256 GW in April '26.

At the same time, rising electricity demand is creating the need for firm renewable power. For this, focus is on adding hybrid renewable projects, renewable energy with storage solutions such as battery and pump storage, etc. In Financial Year '26, nearly 40% of the tendered renewable capacity included storage component while another 30% related to hybrid project. I am happy to share that PFC has already started sanctioning energy storage solutions. Cumulatively, we have sanctioned around INR 16,000 crores towards battery and pump storage projects. This gives us an early mover advantage in financing new and emerging technologies.

On the distribution side, DISCOM performance continues to see improvements. AT&C losses have reduced to 15.04%, moving closer to 12-15% target under the RDSS scheme. Further, for the first time at an all-India level, DISCOMs have reported positive profit after tax of approximately INR 2700 crore.

From the lending perspective, currently we largely see opportunities in short to medium term loan requirements of distribution companies. In conventional energy space, we see opportunities emerging across thermal and nuclear capacity expansion aligned with the national goals. Additionally, lending in the infrastructure sector will also contribute incrementally to our loan asset growth. Overall, our future growth will be driven by a diversified mix of opportunities across the sectors. Accordingly, considering the above and keeping in view the incremental lending on our large asset base and the payment cycle, we are targeting a loan growth of around 10% in Financial Year '27.

Now moving on to the borrowing side. As of 31st March '26, the total outstanding borrowing stood at INR 4,88,500. The domestic-foreign outstanding mix continues to be 80:20 respectively. Further, out of the total borrowing, 65% are fixed rate liabilities. This provides stability to our balance sheet even during volatile market conditions. As on 31st March '26, our outstanding foreign currency borrowing is at USD equivalent to 10.3 billion. The foreign borrowing portfolio remains well diversified, with 61% being US-dominated, 23% JPY and 16% EUR. If we see, around 97% of our total foreign currency portfolio is hedged against exchange rate. The hedging is being done through various derivative structures with defined protection ranges.

FY26 was one of the most volatile years for global currency markets in the recent year. Trade tariffs, delay in India-US trade deal, emergence of Middle East war, all these have led to sharp depreciation in Rupee as against USD and EUR during the financial year, which resulted in higher translation losses. Currently, the critical event to monitor is the Middle East crisis. Any positive movement of resolution of this conflict is likely to support Rupee. I would like to assure you that we are closely monitoring the situation and taking appropriate risk mitigating actions as required from time-to-time.

Now to conclude, I would like to reiterate that our balance sheet remains strong, our liquidity remains robust and our funding access remains well diversified across domestic and international markets. We remain focused on sustainable growth, prudent risk management, operational excellence and long-term value creation.

Thank you once again for joining us today and for your continued trust and support. We can now go ahead with question and answer session.

Moderator:

Thank you Ma'am. Before we go ahead with the Q&A session, I would like to first raise your hand, we will have somebody come up to you with the mic, identify yourself and the company that you represent. Try and stick to one to two questions so that others also get an opportunity to engage. Thank you.

Abhijit Tebrewal:

Abhijit Tebrewal, Motilal Oswal, two questions from my side. First thing is during your opening remarks you said that this year in a declining rate environment, repayments were elevated which is where we saw lower loan growth than what you had guided in the beginning of the year but more importantly we also saw disbursements this year also declined YoY in FY'26. So, what has changed in the last 12 months where disbursements are weak, repayments as you explained are elevated, is it competitive intensity? Other players who were earlier not doing power financing, infra financing, have started doing these loans now, which is where the pressure or is it predominantly some of the larger PSU banks which are leading to disbursements also remaining weak?

Smt. Parminder Chopra:

On account of disbursements, I think we are more or less at par with the previous year. Last year it was 168,000, this year it was 165,000, so it is not a major. The main issue is the nature of disbursements which have been done. Earlier the DISCOMs were more and more were taking the RBPF loan, which has a shorter tenor, 6 months average maturity and they keep on revolving that, so automatically disbursements gets elevated, if you see. So, that has changed this year, now they are resorting to taking medium term loans, so that has maturity ranging from 3 to 5 to 7 something like that. So, you will not see that rolling over of those facilities, so RBPF loan has majorly reduced.

On the front of competition, yes, I agree competition is there, banks are looking at the commissioned assets, so are we. We have also refinanced few of the major generating assets specifically of the state DISCOMs. But I think there is sufficient scope in the market and looking at the overall funding requirement of the power sector that there is sufficient headroom to grow for all the institutions if I exactly say.

Shreya:

Hi, this is Shreya from Nomura. My question is on the sanction pool, if you can give some details about FY26 particularly segment wise. And a follow up on that is a big portion, almost half of our sanctions between last 3-4 years remain undisbursed. So, there are a lot more files that we have which are yet to be disbursed. So, in that context the loan growth guidance of 10%, if you can help us understand why do we feel that a big chunk of that we may not be able to disburse in the coming year. And my second question is actually to do with the merger. Now both the entities had some 600-700 employees doing similar roles. So, what is the trajectory over there, how are we planning to as a combined entity the same person, there will be two people looking at the same account. So, what is the plan over there and any details around that would be useful. Thank you.

Smt. Parminder Chopra:

See for the current year your question was first about the sanctions. Let me address this first. The current year sanctions are around INR 2.85 lakh crore. For any infrastructure financing,s

I think sanctions to convert into disbursement always takes time. It could be we sanction the loan, we put certain pre-commitment conditions, which are required to be fulfilled before documentation. Then certain approvals are required for the disbursements. So, when we talk of the infrastructure loans, lot many environmental conditions and other now you have the land acquisitions to be done. All such conditions are required to be fulfilled before the disbursement starts. And in the initial year of construction, the disbursements are generally at a lower pace which picks up as the project progresses and coming to the commissioning. So, that is the reason where you will see the difference.

If I talk of the current year sanction, out of INR 2.85 lakh crores I think around INR 80,000 only has been disbursed. So, everything is spilling over to the next year. It's not that we are not going to disburse it in the future. So, that is a normal trend I think. If we do refinancing, then definitely I agree that immediately disbursements happen. But for a construction project, it takes time. On your next question of merger can you repeat that? About the employees you said.

Shreya:

Yes, I mean it's same set of 600, 700 employees on both sides probably looking at similar profiles. So, I know the combined entity will be 11 lakh crore loan book, etc. But what kind of structural changes will employees be moved around across departments, etc. Any details on that?

Smt. Parminder Chopra:

See right now till now we have not worked out on the broader portfolios. But what I can say that PFC and REC both have lean manpower. If you compare with any other organizations, we are just 520 and so is the number for the REC. So, we are just 1000 employees and looking at the portfolio. We would try to strengthen our functions where we need more focus. As we grow and since we are going to have the larger loan book there has to be specific focus on monitoring. On I would say the relationship management. So, all these are going to be the focus area where both of us were already planning to hire more man power. So, beyond a certain stage I agree that you can't have a proportionate to the loan book. But there are areas

where you need to strengthen. Compliances we need to strengthen as you know that regulatory compliances are increasing day by day. We have a GIFT City subsidiary. Over a period of time, that GIFT is going to pick up. So, the staff will be aligned there. Also REC has number of regional offices. So, if we want to have the regional presence and more focus and decentralize our sanctions and disbursement. Then definitely more staff need to be posted there also. So, I think we will be able to fully rationalize the man power.

Piran Engineer:

Piran Engineer from CLSA. My question is also regarding the merger. So, first thing you mentioned ma'am that after the merger you will try to maintain the status as a government Company. But in a share swap scenario the government shareholding will fall to 41%-42%. So, how are we thinking about maintaining that 50% limit as per Companies' Act. And second is as a combined entity and this is more probably for DF sir. That when we are borrowing from capital markets or banks as a combined entity. We might hit the limits that our creditors have the internal limits. So, are we thinking about borrowings from that point of view also. That's it, thanks.

Smt. Parminder Chopra:

On your second question about the exposure to be taken for the combined entity. In 2019 when PFC has acquired Government of India stake in REC. We both were individually borrowing exposure was 20% for the majorly for the banks. So, after that we formed a group. So, 20 plus 20-40 has reduced to 25%. And now if from the two entities the merged entity comes into picture, the borrowing limit is going to reduce from 25% to 20%. I would like to clarify that as on date if you see the overall capital of the banking sector. We have exposure only with few banks which has been utilized till now. With the increase in the banking you know that the networth are increasing. They are financially becoming more and more sound. So, they have the with some repayments and with the new exposures being available. I don't think that is going to be the challenge in this regard.

Government Company status, yes, everybody knows that the plain swap ratio application and SEBI rule everybody knows. So, the Government of India stake is going to be below 50%. But

the Government has committed that they are going to maintain the status of the merged entity as the government Company. So, modalities and how, when all these things are yet to be decided. Whenever we have more clarity definitely, we will be sharing with the investor.

Manish Bedia:

Hello. This is Manish Bedia from Family Office Saswat Vridhi. So, my first question is you have guided for 10% AUM growth here. But seeing the power demand I mean can this be the wall or it can exceed from here in the medium term. The second is on the dividend policy. So, if you look at you have 30% payout ratio, but you have to pay on the standalone. So, basically you paid 9% of REC dividend that you received because 30% and 30% standalone is counted. So, when the merger will be done so basically PFC dividend will go up in that sense. I mean of course there will be more share count but still I mean. So, this is second one. And the third one also wanted to check on your ROE profile. Because in the past I mean you have issues the gross NPA and things like that. Obviously, you got back most of the money. But now I mean things are improving on the distribution side. So, from that perspective, plus also on the merger the cost benefit will be there. And also I think the leverage can go up I mean it's 7.7x, 7.8x. So, that can also help you strengthen the balance sheet. So, in that sense what is the ROE profile that we should look at something like 17%, 18% or you can guide here. The fourth one basically wanted to check the spread between the cost of borrowing on the domestic side and the foreign side. So, basically with the hedging cost of course. So, now I mean things are changing here. So, do you still want to have 20% exposure from the foreign borrowings here. Thank you so much.

Smt. Parminder Chopra:

Lot many questions in one question. So, on the guidance front as I told you that there is always more and more competition. Our loan book is growing and on the growing loan book we expect that our guidance is that around 10% growth will be there. On the dividend front right now yes dividend is taken as a part of PFC's income directly adding to the profit and 30% of profit is going. So, effectively 9% is coming to the investors. And once the merged entity is there profitability of both the companies are there. Larger group of shareholders will be there. But you will see, we are going to follow the DIPAM dividend policy and whatever are the

consolidated profits or the merged entity profit, dividend will be declared on that. And DIPAM policy says 30% of the profit to be shared as dividend. But this is subject to the RBI guidelines also because for the NBFCs RBI has also issued guidelines for declaration of dividend.

On the NPA recovery we already shared that of the total 80% of the NPA has been resolved from the peak. And now we are left with very little number- out of the major portion is already under liquidation. We are not expecting much from that. And 100% provisioning has already been done against that.

For NBFC we generally focus on the spread. So, for the spread we have already given guidance of 2.40% to 2.50%. And the volatility remains I agree about the foreign currency numbers. That how the global market or how the rupee behaves over a period of time. For borrowing by PFC we generally diversify our sources. And as of now 60% has been borrowed from the bond market, 20% from the term loan from the banks and 20% from the way of foreign currency. For each borrowing we do consider what is the scenario in the domestic market and what is the scenario in the bond market. So, we have in consideration one the cost optimization and other is the diversification of the funds. These we try to balance between these two aspects before we decide borrowing from any source. And going forward also we are going to continue with the same practice. So, spread is being worked out on the weighted average cost which constitutes both the domestic as well as the foreign borrowings.

Chintan Shah:

Thank you for the opportunity. This is Chintan Shah from ICICI Securities. So, there are two questions. Firstly, on the cost of hedging reserve. So, that has kind of substantially moved to around 34 billion versus 1 billion in FY25. So, given that on the hedging cost was quite substantial in this year and so assuming another depreciation of 4%-5% in FY27. So, are we accordingly well positioned or we could see some similar sizable hedging cost in FY27 as well. And also, if you could give some impact Rs. 1 or Rs. 2 movement in the INR how much that could impact your P&L. So, that's question 1. And secondly ma'am as you mentioned there were around 2.5 lakh of sanction versus which there was 80,000 disbursements towards that which is around one-third. So, kind of how much time would it take for the remaining sanctions or is it possible that once the projects which we have already sanctioned and given

the loans, once they are commissioned it could be refinanced, does that risk also persist? Those were the 2 questions. Thanks.

Smt. Parminder Chopra:

To start with your last question first, there is always a risk of competition which is there. This is the market. So, everybody is free to refinance any of the assets. But what we are seeing that banks are more willing to take or do refinancing on the renewable portfolio. Reason being the gestation is low, it turns out commissioning happens early, cash flows are certain and specifically these are the low-ticket size loans. So, you will see most of the refinancing happening in the renewable space. So, if you are in the market you have to face competition. So, that threat will always be there. On the hedging cost, there are various instruments of hedging. We have hedged 97% of our portfolio. But yes, because the risk has been covered in the specified range. Whenever there is an abnormal movement in the exchange rate, it is always happening this way. However, the actual loss is depending on the date of the maturity of the liability. If I say that whatever we are booking it is a notional loss in most of the cases, except where it is on the maturities which are falling within the financial year. So, actual loss or gain will be known only at that time. But we are regularly monitoring and wherever required the coverage range is being expanded to take care of the future volatility. So, that regular monitoring is being done. So, I think that answers your question.

Namit Arora:

Thank you for your detailed comments. I am Namit Arora from InGrowth Capital. I have two questions. One is in terms of your target market. Are you looking at expanding that in terms of other sectors? For example, nuclear is supposed to be promising over the next 5-10 years. And also, within the whole solar value chain, there is a lot of attempts by players for backward integration, forward integration, etc. So, just trying to look at your target market, how do you look at that over the next 5 years? And my second question was the impact of the geopolitics over the last 3 months. There might be a lag effect over the next many quarters. So, in terms of your loan portfolio, have you done some analysis of there might be some stress which might come up because of the delayed impact of the geopolitical situation on the companies that you lend to? Thank you.

Smt. Parminder Chopra:

On the target market, our mandate allows us to fund for the power sector, backward and forward linkages, energy efficiency, energy transition and also the infrastructure. So, when we talk of the nuclear, solar value chain, all these are nuclear I think for the financing, any proposal is yet to come. Because a lot of groundwork is being done for the nuclear projects. Solar value chain, we are already into the manufacturing of the solar and wind equipment where we are focusing on the Honorable Prime Minister focus for the Atmanirbhar Bharat so that the value chain is available within India. So, we are there. We are funding for the battery, battery equipment as well as the battery storage projects, pump storage projects. Apart from that, we are also working on the bioethanol side which helps to reduce on the basically petrol and more and more reliance on the petrol and diesel. And with the recent announcement by the Honorable Prime Minister that the focus is going to be on the electric vehicles, we are already there in funding of the electric vehicles and with this announcement, I think the requirement of power is going to increase substantially. Because as on date if we see, we are self-sufficient in coal, solar and wind, we have the equipment manufacturing lined up. We have the storage, we have the hydro where all equipments are majorly indigenous. So, power sector is one which can take care of the future requirement and replace energy wherever possible. So, we are open to all this and other infrastructure we are already funding even though we are taking small, small steps. We are not going in a big way and in a rush to fund for the infrastructure projects. On the geopolitical situation, again it comes to the same thing. I would say, shouldn't say but it's positive for the power sector. Because power sector is going to help take out of the crisis situation for India as a whole. So, on the borrowing, yes, something negative is there because of the volatility of the exchange rate. Otherwise, we don't see if some of the promoters have lined up some equipments or some supplies from other countries, that could be adversely impacted but that's not going to have huge impact. And we are funding for the projects within India. So, we don't see any major challenge.

Namit Arora:

Thanks a lot for your detailed thoughts and all the best to the entire team. Thank you.

Moderator:

Thank you so much. And yes, please go ahead.

Ananya Shukla:

Hi, I'm Ananya Shukla from Quest Investment Managers. So, my question is related to how are you seeing loan asset mix changing in medium term? It will be very helpful if you can please give the figures as well. Thank you.

Smt. Parminder Chopra:

So, on the medium term, what we are seeing is that we have been funding since our inception. So, our focus area was the conventional generation at that point of time. And the conventional generation you see was majorly focused in the thermal area. Hydro, we still have not much capacities within India. So, we are seeing our mix changing from the fossil fuel to the non-fossil fuel category and next is to the distribution sector. There was at one point of time PFC's overall lending may be around 75% was towards the conventional generation. Now we have moved from there to around 50% to the generation of which 16% is the renewable and the balance is the conventional generation. And major next is the distribution sector. So, there has been a shift and going forward also if we see the installed capacity which is coming up in future, we can easily say that it's going to be around 70-30 mix of the conventional or we say thermal projects vis-à-vis renewable. And so will be the focus of PFC.

Ramesh Bhojwani:

Yes. Madam Ramesh Bhojwani from Mehta & Vakil. You have made an all-encompassing presentation today touching every aspect of power generation, distribution, renewables and so on. You have mentioned one thing that the transmission and distribution losses have been now contained to 15.04%. I think this has happened because of the deployment of smart meters. Going forward, can we look to a distribution and transmission loss getting halved from this 15%?

Smt. Parminder Chopra:

See, I agree as a part of RDSS Scheme there were two portions. One is improvement in the distribution infrastructure and the other was the installation of the prepaid meters. Prepaid meters have come up only in few states. Others have ordered but the installation is yet to be done. The DISCOM losses were majorly coming from, apart from the collection and the billing efficiency, were coming from the legacy subsidy dues and the legacy dues where the government departments were using the power. So, they were huge and as a part of RDSS scheme, the nodal agencies and the criteria for RDSS scheme puts a condition that subsidy has to be received in advance by all the DISCOMS. So, I can't say that everybody is paying in advance but it is not being delayed in general beyond one quarter. So, that has helped them to reduce their operational costs. On the government department dues, most of the government departments have been instructed to put prepaid meters because then in such case there will be no issue of recoveries. So, that is one part. And more and more solarization. There is a KUSUM scheme which is solarizing the pump sets in the agriculture area. Even though initial capital outlay is required, but however in the longer run it is going to reduce the burden of the subsidy of the state governments also. So, all these are the collective reasons and improvement in the infrastructure under RDSS scheme. So, these are the collective reasons for improvement in the AT&C process.

Moderator:

That gentleman in the front.

Ashok Shah:

Thanks for taking my questions. I am Asok Shah from Eklavya Invesco. Madam, last year RBI reduced interest by 100 basis points. So, due to that I think our profit has increased. So, currently geopolitical situation and war and everything, next year if the RBI increases again interest rate by 100 basis points and our all the loans has been restructured to lower rates. So, what will be situation and how Company will be facing the situation?

Smt. Parminder Chopra:

For PFC, 65% borrowing is at fixed rate and that too at a longer tenor. If we say 60% borrowing is from bonds, so the reduction in the interest rate doesn't help us. Because there we don't

have the flexibility to reset our rate. On an average the liability period is around 5 to 6 years. So, our liability, which has been as on date, which is at a higher rate, it will take 5 years to retire. For PFC it is always the impact of whether you talk of increasing interest rate scenario or decreasing interest rate scenario, it's not sudden like banks, it is always a gradual movement. So, the decreasing interest rate scenario that is why we were saying that we have a huge prepayments because our interest liability figures are not that flexible in line with the market. So, that was the reason we have to face in the decreasing interest rate scenario huge prepayments. So, being 65% at fixed rate that gives us stability also. That even when the increasing interest rate scenario is there, so the gradual transformation of the rates is going to happen.

Ashok Shah:

So, how you are going to face the next year interest rate, RBI may increase because the situation is different.

Smt. Parminder Chopra:

So, when RBI increases, it will slowly come on our balance sheet to the extent our repayments are happening. Our interest rate is not going to immediately react to the RBI rates, only the fresh borrowing, I agree, the marginal borrowing which we are going for year-on-year basis, that is always on the current rate, whether it is increasing or decreasing. However, two-third of my book is going to be at the older rates. So, this is and whatever is our weighted cost of borrowing, our lending rates are decided on that. So, we, for any I think for all the financial institutions this has been the trend. That the lending rates are based on their overall cost of borrowing, so is ours.

Moderator:

Yes, the lady over there behind.

Asha:

Ma'am, Asha from Shubhkam Ventures. Ma'am, my question is particularly for the repayment. What is the repayment in FY26 and it will be helpful if you split between renewable energy and the other parts. And my second question, the same with the last one, is like as you mentioned about the spread for FY27, 2.4 to 2.5, vis-à-vis earlier we used to guide 2.5. So, I just wanted to know, as you mentioned like we have liabilities like repayment in between 5 to 6 year. So, going forward in FY27, 2.4 spread is just because of the cost of fund, because marginal cost of fund is right now increasing. And like we see the pressure on the lending rate as well. It's like competition bidding from the PSU and the other NBFC as well. Thank you.

Smt. Parminder Chopra:

Definitely, there is a competition pressure and prepayment pressure. That is where we are seeing that our new guided range is going to be somewhere around 2.4 to 2.5. And I don't think that it has drastically reduced. This year we have 2.46 in spite of the huge volatility in the forex. So, had that not been there, so that would have been a different scenario. On the repayment fronts, we have, during the financial year, we have INR 1,28,000 crore worth of repayments from our borrowers. So, I don't have the bifurcation between the renewable and the other segments.

Moderator:

Yes, go ahead.

Shreepal Desai:

Hello ma'am. Shreepal Desai from Equirus Securities. My first question was on credit cost of provisioning. The last few years, we have seen benefit of our NPAs resolving and that's why the provisioning has been negligible. However, incrementally, wherein large number of NPA accounts are broadly resolved, how do you see the credit cost moving? Especially on, let's say, standard accounts provisioning.

Smt. Parminder Chopra:

Standard account provisioning, we have an ECL policy where we say on an average, we provide for 0.4%. On under construction, we have 1% and 0.4, that is the minimum, subject to ECL. So, we work out the expected credit loss also and that. So, eventually, that is, I think, broadly in line with the RBI guidelines. So, I agree that we do have resolved all the NPAs and brought it to the lowest level. So, going forward, we will not have the benefit of, like you were saying, that this year we have INR 800 crore benefit from the resolution of the non-performing asset. But definitely that the spread which we are working and managing of our borrowing cost is going to help us.

Shreepal Desai:

Got it. Madam, second question was on the disbursement front. So, what is our target for FY27 in terms of the disbursements?

Smt. Parminder Chopra:

See, it's very difficult to say about the disbursement figure because it all depends on the nature of the loan being disbursed. If suppose any of the distribution companies is coming to me for disbursement under RBPF. So, it will be once they take and after 6 months they roll it over. So, the disbursement will be counted twice.

Shreepal Desai:

Got it. But madam, this year we have taken the borrowing limit approval, if I am not wrong, INR 1,60,000 crore. So, is it fair to assume similar disbursements for the full year?

Smt. Parminder Chopra:

See, this year we have, as compared to the earlier years, the scheduled repayments are comparatively lower. So, that is how you are taking, seeing that we have taken INR 1,60,000 crore, considering that there is going to be a 10% growth.

Sagar:

Good evening. Sagar here from CleverWeight Capital. A couple of questions. First, I wanted to know what is the total unsanctioned book? Not for FY26 but total, whatever the spillover from FY24-25. So, total unsanctioned book today and out of which how much are you looking to get converted, let's say next 3-4 years because of the gestation time of the projects. And the second one would be the new ECL norms which would come from next April. What would be its effect on our books and the way we are accounting stuff?

Smt. Parminder Chopra:

So, on your second question of ECL, RBI norms are, if we say since we are under IndAS, so they are not applicable to us directly for the purpose of profitability. But definitely RBI says that IRAC norms are to be followed for creating, that IRAC provision is required to be maintained. But however if we see our current policies, broadly they are overall basis, as of now they are in sync with RBI. But we have been calculating ECL project wise separately. And our ECL provisioning is going to be governed by that policy. And whatever is the additional provision or appropriation from the profit we need to maintain, that we will be maintaining. I don't see much of the difference. And I think it's very difficult for us to give the sanctioned but not disbursed amount. But broadly if I say it may be around 2.5 to 3 lakh crores will be the figure. But I am still not sure, I am broadly saying.

Moderator:

We will take one final question before we wind up for the day.

Analyst:

Ma'am, there was certain media articles which talked about some virtual PPA and then in the middle of the year there was an Electricity Draft Bill by the Government which said CERC will be appointed to find a solution to the PPAs. Now that we are no longer financing long-term projects, there are shorter-term projects as well etc. So, if you can help us understand what is happening from the regulatory government front on making PPAs more flexible because that obviously helps you in disbursing your sanctioned loans faster.

Smt. Parminder Chopra:

See, I think on the PPA front there has not been any major change. Virtual PPA is for the solar project where they want to have the renewable energy certificates and all those things. I think few of the multinational agencies have entered into such type of virtual PPAs. But on an average, there is the practice is which is earlier also, the PPAs are being signed by the respective states and the states somehow are in a realignment mode. Earlier it was purely solar and wind projects. Now we are talking of the hybrid projects. Now we are talking of the compulsory storage. So, all these changes in the regulation. So, states are also trying to align those requirements and that is how it is taking some time. But I don't think that from the policy perspective there has been any change on these PPAs.

Analyst:

And we are still only disbursing those which have PPAs, right? Not the ones where those projects are linked to the network, but they don't have a PPA. Our rule is still the same, right? We want PPAs for disbursals.

Smt. Parminder Chopra:

We have exposure on some merchant powers also depending on the strength of the promoter. Not all but yes on case-to-case basis we are concerned.

Moderator:

Thank you very much. Thank you ladies and gentlemen for your active participation and thank you ma'am. And a very big thank you to the PFC Management Team as well. And ladies and gentlemen I would like to take this opportunity to thank each and every one of you for taking time out of your busy schedules to be with us this evening. Thank you once again and do join us for tea.