POWER FINANCE CORPORATION LIMITED

Q-4- FY 19-20

CONFERENCE CALL

24TH JUNE, 2020

MANAGEMENT: TEAM OF POWER FINANCE CORPORATION:-

- **Mr. R.S.Dhillon** - **Chairman and Managing Director**
- **Mr. N.B. Gupta** - **Director (Finance)**
- **Mr. P.K.Singh** - **Director (Commercial & Additional Charge Projects)**

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

Welcome, all, to the Power Finance Corporation Limited Q4 FY20 Earnings Call. We have with us today Mr.R.S. Dhillon, Chairman and Managing Director; Mr.N.B. Gupta, Director Finance; Mr.P.K. Singh, Director Commercial and Additional Charge Project. Without much ado, over to you, sir.

Good evening, everyone. Thank you for joining us on this conference call. I hope all of you are safe and well during this current COVID-19 situation.

First of all, I'd take this opportunity to introduce myself as the new CMD of PFC. I have taken over from Shri Rajeev Sharma after his superannuation in May recently. I look forward to a fruitful interaction with you all in the future.

During this unprecedented situation, during the lockdown, a company-wide effort was made to continue our business as usual. I would like to start this call by talking about the actions taken by PFC to manage the COVID situation. PFC, by quickly leveraging its technological capabilities, has been able to manage all its operations remotely throughout the lockdown period. Therefore, PFC's business functions have largely remained unaffected due to the COVID-19 lockdown, and we have been able to smoothly conduct our business.

This is evident from the fact that PFC has made a disbursement of INR11,000 crores in the last week of March '20 itself. This, in fact, is more than the disbursement made during similar periods in March '19. We are ensuring business continuity by following work from home and running our offices with reduced staff. We are adhering to government guidelines on COVID-19, including social distancing.

Though, on lockdown, there has been a general slowdown in the economy and consequently in the power sector also, but as of now, we have not seen any major impact on PFC business. Now, as the lockdown is easing and as the situation evolves, we will be monitoring the situation to assess the impact on business operations.

In these tough times, the government and various regulators have been responding actively by introducing various measures to keep the economy and the businesses functioning. To ease out the cash flow constraints, RBI has allowed lending institutions including NBFCs to provide six months moratorium to its borrowers on all payments falling due between 1st of March, 2020, and 31st August, 2020.

The Ministry of Power and MNRE have also come up with various measures to ease out the challenges being faced by various power sector entities. Some of them are reduction in late payment surcharge, waiver of fixed charges, and interest rate charges, ensuring “must-run” status to renewable energy generation facilities, etc.

Further, as you may all know, the government has announced a INR90,000 crore liquidity package for Discoms, for which PFC and REC are the key implementing agencies. I am hopeful that this will significantly improve the cash flow situation in the sector. PFC has been actively working on transmitting these benefits to its borrowers.

I would like to highlight that to provide lending against PFC portion of INR45,000 crores under the Discoms package, PFC has already formulated a scheme for extending loans to Discoms. The loans will be extended for a maximum tenure of up to 10 years against the outstanding dues of Discoms. Such lending will be on commercial terms and conditions and subject to it being backed by state government guarantee. Considering lending is with State government's guarantee, it will not have an adverse impact on PFC's capital. Also, in line with RBI guidelines, PFC has provided the moratorium option to its borrowers. Till now, moratorium has been extended to approximately 70% of the dues receivable by PFC.

On the liquidity standpoint, I would like to highlight that PFC's borrowing has been continuing even during the lockdown. Further, during the current FY 2021, we have been successfully able to raise close to INR29,000 crores from the domestic market, majorly through a mix of bonds and term loans. Also, we have INR10,000 crores of line of credit available with us from banks. Further, we have around INR9,500 crores term loan sanction from banks in pipeline. Thus, going forward, I am confident that we will be able to have sufficient liquidity levels to fund our business operations. As a responsible corporate, we have tried to do our part during COVID times and contributed INR200 crores to the PM CARES Fund.

Now coming to the financial performance; in FY 19-20, we have interest income of INR31,950 crores compared to INR28,432 crores in FY 18-19. Our annual profits after tax is at INR5,655 crores. In this regard, I think it is pertinent to mention the impact of deferred tax asset i.e. DTA re-measurement on profit. PFC has adopted to apply reduced corporate tax rates, which was introduced in September 2019.

Accordingly, corporate tax rates have been reduced to 25.17% from 34.94%, effective from 1st April, 2019. While with this significant tax savings will accrue to PFC from now on, but this will also be accompanied by one-time impact of re-measurement of deferred tax assets at the lower tax rates. The impact of such DTA re-measurement on profit is around INR1,133 crores. Accordingly, after excluding the DTA impact, the PAT for FY 19-20 would be INR6,788 crores compared to the reported PAT of INR5,655 crores.

On our financial indicators, in FY 19-20, our annual yield is at 10.63% and has remained within the stable range compared to the previous year. PFC's cost of funds has also been consistently reducing. In FY '20, the cost of funds has come down by almost 16 bps to 7.79% from 7.95% in FY '19.

Further, with consistent level of yield and reducing cost, the spread has also increased by 15 bps during the span of one year from 2.67% in FY '19 to 2.83% in FY '20. I believe that, going forward, we would be able to maintain our financial indicators within this range.

Another thing I would like to give an update on is PFC's CRAR. The CRAR for FY 19-20 is 16.96% compared to 17.09% in FY 18-19. This sudden dip in CRAR level is due to regulatory change. The key reason for depressed CRAR is the recent change introduced by RBI on 13th March, 2020, for exclusion of any net unrealized gains on fair valuation of financial instruments from calculation of own funds under CRAR, whereas all such net losses should be considered. For FY 19-20 after including net fair valuation gains, the CRAR would have been up by around 40 bps.

Overall, despite various challenges during the year, PFC has been able to deliver a substantial financial performance this year.

Now, coming to the asset quality; over the years, we have been consistently working on resolution of NPA assets and building of sufficient provision buffer. In three years, PFC net NPA levels have come down to 3.8% at present from 7.39% in FY 17-18. This is the lowest net NPA ratio in these three years.

Another positive development this quarter is that we have reached resolution in RS India loan of INR224 crores, which is a 41 megawatt wind project. The LOI has been issued to the successful bidder, and definitive agreement for resolution is under signing. We already have maintained sufficient provisioning against this project.

Coming now to the resolution status of other 28 projects; currently, 16 projects of INR16,138 crores have been resolved through NCLT and the remaining 12 projects of INR11,511 crores are being resolved outside NCLT.

Further out of these projects, I would like to give an update on the six projects, which were near to resolution prior to COVID lockdown, and details of which have been shared in the last earnings call for Q3. The three projects worth INR6,578 crores, which had been resolved outside NCLT i.e. RKM Powergen of INR5,207 crores, India Power Haldia of INR 959 crores, and Essar Transmission of INR412 crores, the resolution plan has been approved by the lenders.

In three projects of INR2,518 crores, which are being resolved through NCLT i.e. Ind Barath Utkal of INR1,368 crores, Jhabua Power of INR764 crores, and also Jal Power of INR386 crores, successful bidders in NCLT have been identified or is under finalization. Resolution of these six projects is expected to improve the NPA levels going forward.

Although due to COVID situation, the resolution process has slowed down a bit, but I can assure you that we are making all possible efforts to resolve them at the earliest. We are hopeful that we would be able to reach resolution in some of the above-mentioned projects in the coming months.

Moving on to the borrowing portfolio front; in FY 20-21, as of now, as per the approved borrowing program, INR90,000 crores of fund mobilization is envisaged from domestic and international markets. So far, PFC has raised close to INR29,000 crores from domestic market since April 2020. In addition, INR9,500 crores term loan sanctions from banks are currently in pipeline.

Further, close to 50% of the annual debt servicing obligations have already been met. Also, in regard to raising, I would like to mention that we are actively focusing on increasing our funding under 54EC capital gain bonds, which have a low coupon of 5.75%. In just three years, 54EC raising has more than tripled from INR292 crores in FY 17-18 to INR1,134 crores in FY 19-20.

Further, I would like to highlight that PFC, over the past few years, has been strategically focusing on balancing its assets and liabilities portfolio by extending loans for shorter duration and focusing on borrowing for long term. As a result, the gap between weighted average maturity of assets and liability has reduced significantly from 2.39 years in FY 17-18 to 1.4 years in FY 19-20.

On the international raising front, PFC in FY 19-20 had raised $3.05 billion from the foreign markets. Thus, with our dedicated focus on diversification, the foreign currency portfolio now comprises 16% of our borrowing portfolio. Further, considering the risk arising out of the increasing foreign currency portfolio, PFC is also actively focusing on hedging its foreign borrowings portfolio. If we see, PFC has already hedged 66% of the exchange risk for portfolio with residual maturity of up to five years. Thus, we are consistently focusing on protecting our balance sheet from such foreign currency fluctuations.

Now, lastly, on the way forward, given the dynamic COVID-19 situation, we would be able to share a clearer picture of our FY 2021 plan as the situation evolves. However, considering the present situation, PFC is expecting to maintain its loan asset growth at similar levels as last year. Accordingly, to sustain its growth level, PFC is expecting to cross last year's disbursement levels during FY 2021.

Also, considering that new lending opportunities would be limited in view of the COVID-19 situation, the INR90,000 crores Discom credit package is a good business opportunity for PFC to maintain its loan asset growth. In addition to this, our focus would continue to be on renewable business.

Now, we are open to questions.

Questions And Answers

Operator

Thank you very much. We will now begin the question-and-answer session. (Operator Instructions)

The first question is from the line of Rahul Marathe from ICICI Prudential Pension Fund.

Please go ahead.

Question

Yes. Thank you sir for taking my question. Sir, you mentioned that we have an approved borrowing plan of INR90,000 crores. So, does this include the INR45,000 crores of discom package?

PFC Management

See, this INR90,000 crores is original plan. So, we have to borrow slightly more on the basis of this liquidity package, which has been announced by the Government of India, and considering that moratorium has also been extended .

Question

And how would it be the mix would be in terms of bonds and bank borrowings?

PFC Management

See, it depends on the market conditions. We will monitor all the instruments available and the one which is cheapest for PFC , we will mobilize funds through it. But so far, the maximum amount has been mobilized through bonds only.

Question

So this INR29,000 crores, which we raised in Q1 was through bonds.

PFC Management

Not 100%; around 80% is through bonds.

Analyst

Okay. Okay. Thank you.

Operator

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

Question

Hi sir, thanks for the opportunity. I just had a couple of questions. First on Slide 17, you've given an update on the resolution plan. I just wanted to check during the quarter, have we seen any upgrade or any recovery?

PFC Management

So, in this quarter, you know that RBI has announced that asset classification of loan on or after 28 February, has to be kept on the standstill. So we can't change the status of loans after 28th February. So, there is no change after 28th February; whatever the status was there on 28th February, it is the same now.

Question

So, no upgrade or no recovery has happened before 28 February during the quarter.

PFC Management

Last year, we have resolved two or three cases, one was RattanIndia. Second was GMR Chhattisgarh, and third one was Konkan LNG Private Limited. These three project were settled last year. Further, there were few cases, which were on verge of settlement, but due to this COVID situation, it could not be done, which we expect that after sometime should be possible.

Question

Understood. Sir, the second question that I had was if you could just breakdown the loan composition that is given on Slide 19, on the generation side of the INR200,000 crore conventional generation, how much is the government and how much is private? And similarly, if you could break for the renewable energy as well, INR19,411 crores, how much is government and private? That would be quite useful.

PFC Management

See, as we mentioned in one of the slides, out of total loan book, around 83% is to the government and 17% to the private sector.

Question

Right and that 83/17% mix would be true for even this INR2,00,000 crore also

PFC Management

In renewable, most of the funding is to private borrowers. In conventional generation it is a mix, but majority to the government sector only.

Question

Okay. Sir? any approximation on INR2,00,000 crore, approximately, how much will be government?

PFC Management

See, as we mentioned, renewable lending is mainly to the private sector. When we talk about overall generation, we may say 86%-87% to the government, the rest to the private sectors.

Analyst

Okay, thank you.

Operator

Thank you. The next question is from the line of Hardik Shah from SBI Mutual Fund. Please go ahead.

Question

Hi, sir. Thanks for having me. Just two questions; what is the recovery rate of collections during these three-four months?

PFC Management

See, as we said that 70% had opted for moratorium. So, 30% we have realized in cash and to rest, we have given the moratorium.

Question

But aren't anybody in the moratorium paying anything

PFC Management

See, either they will opt or they will pay. We said 30% have paid and 70% opted for the moratorium.

Question

Okay, understood. And secondly, sir, any update or progress on the relaxation of group norms for you guys?

PFC Management

See, we have already taken up with the RBI and we are waiting for the response. We are very hopeful that we'll get us some positive reply from RBI.

Question

Okay. And lastly one question, so, over the years now thermal capex is expected to go down. So, which are the other growth opportunities other than the Discom segment, which you will be looking to lend to?

PFC Management

See, as we have mentioned that already the renewable is a good opportunity. We are getting lot of renewable re-financing proposal. Of course, Discoms and this transmission is there. Then we are diversifying to smart city, e-vehicles. So, I don't think there is any issue as far as the disbursement and loan growth is concerned.

The state generating companies and also other private thermal area, they have the revised environmental norms. So, they have to install FGD etc. So, that business we will be looking at. Then we have refinancing of commissioned assets. Then with respect to forward and backward linkage, we are looking at coal mining, energy storage, and also charging infrastructure, sewage treatment plants and the waste-to-energy also.

Question

Okay, sir. Good. Thank you so much.

Operator

Thank you. The next question is from the line of Mahesh Shah from Edelweiss. Please go ahead.

Question

Hi. You mentioned that you would have some increase in your borrowing programs for FY 21. Can you just give color as to how much that would be?

PFC Management

We had a program of INR90,000 crore. Even though the government has announced around INR45,000 crores to Discoms under special package but, we feel that our routine disbursement, it may slow down due to this COVID situation, because of slow down in construction progress in the different sites. So, last year, we made a disbursement of around INR 67,000 crores; definitely, it will be more than last time. But exact figure it is very difficult to say right now because you know that COVID is happening and how situation evolves in future, it is very difficult to say right now. But we are expecting that at least we'll have the same growth what we had last time and maybe better.

Question

Okay. And in terms of when will you decide what the borrowing program would be like and how much maturities do you have during this year?

PFC Management

See, as we mentioned that generally our maturities are front loaded and we have already met 50% of our debt servicing obligations. So, that's why, what we have borrowed i.e INR 29,000 cr. plus INR 9,000 cr. in pipeline, major chunk has gone for the servicing only.

Question

Okay, second coming to your CRAR ratio, so given that, these state guarantees will be there on the new loans; will they have any risk weight? Like how does the risk weight work during that in business?

PFC Management

See, this INR 45,000 cr. lending will be guaranteed by the government and therefore, it will carry a risk weightage of 20% only.

Analyst

Okay. Thank you.

Operator

Thank you. The next question is from the line of Nirmal Gandhi from SBI Mutual Fund.

Please go ahead.

Question

Good evening, sir. Sir, I wanted to ask two questions, one is whether we have a separate NPA policy for the loans we give to government companies or we follow the same policy for all the disbursements?

PFC Management

For both private and state sector, we have the same NPA policy. So, if any state-owned discom has not paid money within the 90 day period, it is classified as NPA and accordingly provisions are being made. But in none of the case, they have crossed this 90 day so far. So, all my state governments, they are either in Stage 1 or 2.

Analyst

Right, right.

Okay. Sir, second thing I wanted to ask you is that there will be many of the companies, who will be borrowing every year from you. The same companies, it is possible that they've borrowed in 2017-18, 18-19, and 19-20. So, how do we ensure that they are not borrowing money just for repayment of our loans?

PFC Management

We are sanctioning and making disbursement under a loans for a particular project. So, only after there is implementation in that project, we are disbursing funds. See, our main funding is for project funding i.e. project assets creation. So, there's no question of duplication of the payment or anything. We also make direct payment to suppliers on the request of our borrowers and which are certified by them.

Analyst

Okay. Okay. Thank you.

Operator

Thank you. The next question is from the line of Ishank Kumar from UBS Security India Private Limited. Please go ahead.

Question

Hello. Sir, thanks for this opportunity. The first question I want to ask is on spread side. We saw spread improvement this quarter because cost of funds came down, but given that interest rates are coming down and banks are cutting rate, what is the outlook on spread going forward? In the past, you have seen some margin pressure in a declining interest rate scenarios. So, can you comment on that?

PFC Management

See, you know that it is a declining scenario right now, and that we're also getting the benefit of the lower rate of interest. But of course then we have to look at the overall scenario. If this continues, then we may have to pass on the benefit to my borrowers to some extent.

We are hopeful that the spread we are earning right now, we will continue to maintain around this level only.

We also had discussions with Ministry of Finance for creating extra windows for adding up to the liquidity and we have requested for consideration of repo-linked borrowing facilities and also long-term facilities with respect to LIC, EPFO, etcetera.

Question

Okay. But given the fact that almost like INR45,000 crore we will disburse this year at lower spreads, do you have any spread target in mind for FY '21 or any view there?

PFC Management

See, this for this INR45,000 crore lending for 10 years, we have decided the rate of interest of 9.50%. Considering the market scenario today, you can just work out that what is the spread we are earning on that.

Question

Okay, okay. Understood, understood. Second question, sir, was on asset quality. So, we have seen some increase in gross NPA this quarter of around -- slightly more than INR400 crores, so, can you explain that.

PFC Management

See, if we talk about this quarter, there is a very small increase of INR107 crores only. This is due to that deferred payment guarantee, which we have given in one of the project and that on materialization, we have made a payment of around INR100 crores; that is the only case. There is no addition, nothing.

Operator

Thank you. I would request Mr.Kumar to rejoin the queue for follow-up question. (Operator Instructions) The next question is from the line of Anand Laddha from HDFC Mutual Funds. Please go ahead.

Question

Hello, sir. Sir, just wanted to understand, you indicated that there is a change in RBI norms for calculating the capital adequacy. If you can highlight what is the change and what is the impact of the same on our Tier 1 capital?

PFC Management

See, the derivatives are at mark-to-market i.e. we have fair valuation and which is part of my net worth. Now, they said that this is not to be considered as a part of net worth. This has an impact of around INR950 crore on my net worth and has impacted CRAR ratio by around 40 bps. Otherwise, this would have been 17.45% compared to 17.05% last year.

Question

Okay. Okay. Sir, this INR950 crore of fair value change, which is impacting your net worth, is it the mark-to-market loss on currency or is it the mark-to-market loss on the hedge position we have taken?

PFC Management

It is only on hedge position. It is a gain& not a loss. So, earlier this used to be part of our net worth; now it is not part of our net worth.

Question

Okay fine. And sir, we indicated in the presentation some INR9,000 crore of NPA asset are likely to get resolved in coming quarters. If you can put some color, sir, how much is a provision we have made on this exposure? Is there any reversal of provision that can happen post-resolution of these assets?

PFC Management

As we mentioned that this is in the final stage and we have made sufficient provisions. When we work out ECL, it is on the basis of expected loss, so, we have made adequate provision, which is required to settle all these loans.

Question

Okay. So, there is no expectation of any reversal of provision as the asset get resolved? Yes. Okay. And sir,are these INR9,000 crore of asset paying any interest to us?

PFC Management

No, they are not earning interest.

Question

Okay. So, assuming they get resolved at 50% LGD, so on INR4,500 crore we will start earning interest?

PFC Management

Definitely, definitely.

Question

Okay. And sir, there are 16 more asset we indicated, which are into different stages of NCLT. If you can give some color like where they are and I also understand that Rattan Amravati has got resolved. If you can use some color on the status of RattanIndia Nasik plant?

PFC Management

Rattan India is already resolved.

RattanIndia Nasik, there was a Lenders' Meet on 17 June; and basically, it was with respect to operationalizing the PPA which was there from Maharashtra of 507 megawatts. So, that is to be revived and we have discussed with the banks to provide working capital for running the plant and for giving the PG for this PPA to be signed. The PPA is yet to be signed.

Question

Okay. Sir, post this resolution, this plant is likely to get resolved, sir?

PFC Management

So, see that if the PPA is revived, then there is chances of the two units running. Then the way forward will be that for other units, PPAs will also be available and then the project will be able to revive. But unless this PPA is revived and the working capital is not given by other lenders, there will be a challenge.

Operator

Thank you. I would request you Mr.Laddha to rejoin the queue for follow-up question. The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Question

Yeah. Sir, two questions. Firstly, in terms of the incremental watch list, which if any, we have due to COVID disruption wherein maybe there are no PPA issues, but maybe because of some liquidity or non-payment of Discoms, we are closely monitoring them?

PFC Management

So, under this INR90,000 crores package, the Discoms will get loan from us. If they will discharge the liabilities with the respect to renewable energy plants and also for IPPs and with respect to the central power generating companies and transcos also, this will help in paying the pending dues for the generators.

Question

Okay. And even this moratorium would come down once we release this transitional finance?

PFC Management

No, I don't think so. The moratorium is for the payment of their dues. So, this will not bring down that moratorium. They moratorium will continue.

Question

Okay. And what is the status on TRN Energy?

PFC Management

TRN, this only one unit, actually both the units were not running. Now, one of the unit has come on line. So, there is a payment, which is to be made from U.P. against the project.

Question

Sir, but it is standard for us.

PFC Management

It is Stage 2.

Question

Okay. It is in Stage 2 for us and we have how much of exposure?

PFC Management

We have exposure of INR 1,146 cr.

Question

Okay, INR1,146 cr. And lastly in terms of, I don't know if you shared in the opening remarks, but what is the status on this transitional finance. How much has been sanctioned? What can we expect in terms of disbursement in the next three months? I just missed those opening comments. Yeah.

PFC Management

So, we have received proposals about INR14,000 crores and we are processing that. Further, different Discoms have shown interest and interest for around INR69,000 crore has been shown.

Question

This INR14,000 crore is our share or put together, both tranches and both PFCs and RECs.

PFC Management

No, this is the total amount including PFC, REC, Tranche 1, Tranche 2, both.

Question

Okay. So, we have INR 14,000 cr. proposals.

PFC Management

Right.

Question

And 69,000 is the interest?

PFC Management

Including this INR 14,000 cr.

Question

Including this INR 14,000 cr. Okay. Yes. Thank you.

Operator

Thank you. The next question is from the line of Anirvan Sarkar from Principal Asset Management. Please go ahead.

Question

Hi, sir. Thanks for the opportunity. Just one question. You mentioned that 70% has opted for moratorium; that's number of customers or percentage of total book?

PFC Management

Amount due.

Question

Amount due. Second question is what's your NPA recognition policy? Is it the same as is it on 90 DPD?

PFC Management

After 90 days , we classify as Stage 3 and we don't account for any income on Stage 3 assets.

Question

Okay. So, this 7.39%, I think, you mentioned your NPA is; so, that's the total 90 DPT book?

PFC Management

Yes. Yes.

Analyst

Fair enough. Thank you, sir.

Operator

Thank you. The next question is from the line of Herin Shah from Invesco Asset Management. Please go ahead.

Question

Hi. Thank you so much for your time and taking my question. I have two questions. The first one was, can you please give some color on the movement in the Stage 2 bucket? And the second question was on the funding side.

So, you highlighted that the borrowing program in terms of what you're going to borrow from like bank etc. is largely dependent upon the market conditions. To what extent do you have restrictions in terms of the various buckets, like be it like foreign currency or domestic or even within domestic between bonds, loans etc. That will be useful.

PFC Management

See, as far as foreign currency is concerned, there is a limit prescribed by RBI that is under automatic route. Any foreign currency beyond automatic route, that we have to go to RBI and take a specific approval. But as far as internal mechanism is concerned, there is no limit and we are seeking the cheapest borrowing available to us. And where will we get the cheapest, borrow from that source like domestic bonds, term loan, foreign currency etc.

Question

Okay. And sorry, the other question was on the Stage 2.

PFC Management

See, we have around INR32,000 cores in Stage 2. And the majority loans belong to state government. As two states due to this COVID, they could not make a payment to us , that is why they have shifted to Stage 2. But after March, 90% payment we have received and this will be out from Stage 2 in the next quarter.

Question

Okay. And if you exclude that, has there been anything from the private side, which has increased in Stage 2?

PFC Management

See, in private sector, there is already two or three parties. One we have already mentioned TRN and other are small amount. It has become Stage 2 due to delay in DISCOMS making payments to them. But we are sure that once we release the payment to Discoms, again this will be out from Stage 2.

Question

So, just to confirm like if you exclude those two state government loans, then there hasn't been much movement in Stage 2 basically?

PFC Management

See. Yeah, because there is one more private sector, which I can't disclose due to the court restrictions and that has also moved to Stage 2. It will be around INR1000 crore. Okay, another than these, there's no private sector which in Stage 2.

Analyst

Okay. All right. Thank you so much.

Operator

Thank you. (Operator Instructions) The next question is from the line of Punit Srivastava from Daiwa Capital Market. Please go ahead.

Question

Good evening. Sir, regarding the moratorium, you said that 70% of the dues are under moratorium. Sir, will it be possible to quantify on a loan book basis, how much is it will be?

PFC Management

We have a loan book of INR3,50,000 crore and we have given a moratorium to around the INR20,000 crore only. So, you can work out with maybe around 7%-8%.

Question

Sir, on a cash/due basis, it is 70% but on a loan basis it will be only INR20,000 crores. Because others might be in various stage of funding; that's why, maybe. And sir, this INR 20,000 crore is mostly for discoms?

PFC Management

It is a mix. It is maybe some generation company also, private sector also. I right now don't have the breakup of the mix up.

Question

Right. And sir, would you require any kind of funding for this moratorium, especially if they go up going ahead or you think that there is no need for any additional funding in terms of asset liability requirement?

PFC Management

See, as far as liquidity is concerned, RBI came up with one LTRO scheme. So, we got a good amount in LTRO, which was open only for this moratorium. Otherwise also, there is enough liquid in the market. So, we don't foresee that any problem in raising the funds.

Question

Right sir. And sir, this provisioning amount during the quarter. Can you give me a breakup like, was this largely because of the NPLs?

PFC Management

Ageing?

Question

I mean in terms of the tenure of the NPL sizing, so that's why you have done higher provisioning during the quarter because there was no NPLs like that?

PFC Management

So, we work out provisioning on the basis on ECL model & not on the basis of time.

Question

Right. Okay. And sir, can you quantify the total loans guaranteed by the state government in your portfolio?

PFC Management

State government is around INR2,87,000 crores.

Question

No. I mean, sir, the state government guaranteed loans?

PFC Management

Total government loans are INR2,87,000 and you can consider roughly 20%-22% is guaranteed by the, state government.

Analyst

Okay, sir. Thank you. I'll come back in the queue.

Operator

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

Question

Yeah. Hello, sir. Sir, for the Lanco Group Project what is the status? Has any of them being resolved?

PFC Management

No, it is in NCLT at the moment. We have exposure to one project of Lanco Amarkantak, and that was admitted in NCLT in September 2019 and the RFP has been issued and the resolution plan has been requested till 15th of July. We have received the interest from 11 parties.

Question

Got it and sir just one more follow-up question that in the Jaiprakash Group, what are the exposures that you have? And what is the status?

PFC Management

We don't have any exposures in Jaiprakash Group.

Analyst

Okay. Thank you sir.

Operator

Thank you. The next question is from the line of Jayaprakash Bysani from HSBC. Please go ahead.

Question

Yeah, hi. Thank you for taking my question. I have two questions. What would be the target for dollar bond raising for this year. Last year, you said $3 billion was raised? And second one is, are there any Stage 3 renewable assets currently in the NPLs?

PFC Management

Renewable is very small amount of INR10 crores to INR15 crores only which is in the Stage 3. They are mainly on the generation/transmission side only. Further RS India, which was a renewable project that we were able to resolve.

Question

And any target for the dollar bonds for this year?

PFC Management

We're watching the markets and at appropriate time, definitely we will launch the bonds in the international markets

Analyst

Okay. Thank you, sir.

Operator

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

Question

Yes, sir. Thank you for the opportunity again. Sir, I have a question with the new CMD, which we will be interested to know like what kind of opportunities you are seeing as a new CMD here in the organization? And what kind of challenges you see going ahead, a very broad perspective if you can give, please.

PFC Management

PFC is a big organization and we would like to continue with the same policies as being done earlier. And with respect to the growth, as I had already indicated, we are looking for new opportunities with respect to charging infrastructure and then refinancing new projects, getting good borrowers in our portfolio. Further, the environmental guidelines have to be implemented , so we would like to fund these FGDs and other environmental things. And we're also looking for the funding of e-vehicles. So, these are the new opportunities. Waste-to-energy also, we would like to do. With respect to solar manufacturing also we have received some applications and we are seeing whether we can fund these projects.

Question

Okay, sir. Thank you. And sir, just one more question if you can chip in. Sir, going ahead, because COVID-related impact, is it possible for you to give some guidance on the provisions in the FY '21 or the credit cost, how do you see that given that possibly the haircuts going ahead, do you think it will be higher than what was anticipated; and in that context, do you see a higher credit cost this year?

PFC Management

So, this stressed asset resolution has been delayed, but going forward, we see that we should be able to get whatever we were getting earlier.

PFC Management

I would like to add here is that we are following ECL methodology that is Expected Credit Loss. We review it on quarterly basis, whenever we make quarterly accounts. So any expected loss we provide is registered in that quarter.

Question

And sir, one last question if I may ask, sir, this again this question on merger with REC, any update is there? And irrespective of the merger, what kind of opportunities you see, sir, going ahead along with REC

PFC Management

So, with respect to merger, we had submitted reports by Deloitte in Ministry of Power and that is being looked at by them. And for making the synergies feasible, we are interacting with REC to have common policies including credits policies With respect to rating also, we have indicated to REC also that we should have the same rating methodology with respect to the state sector. So that things, we are taking forward.

Analyst

Okay, sir. Thank you.

Operator

Thank you. The next question is from the line of Prakhar Agarwal from Edelweiss. Please go ahead.

Prakhar Agarwal from Edelweiss, your line is in the talk mode. Please go ahead with your questions. May we request you to unmute yourself from your handset and ask your question? Due to no response, we'll move to the next question.

The next question is from the line of can be Sundeep Allamraju from L&T Mutual Funds.

Go ahead.

Question

Yeah, hi sir. Thank you. My query was also on this merger status. So while you get some insights on that, specifically what timelines are you looking at? Because somewhere I had read that you're looking at Q1 FY '21 as the timeline. So, there any challenges that you foresee, just bit more color on that, sir?

PFC Management

We cannot tell any timeframe as of now related to the merger, because it is a Government of India decision.

Question

Okay. But just in terms of progress, anything.

PFC Management

As I told you to bring in synergies, we are in dialogue with REC for aligning our policy, aligning our rating methodology and with respect to the projects also, we are seeing that how we can cooperate and fund projects. On Borrowing also, we are interacting with them, so that we see that the borrowing is also coordinated in a better way.

Analyst

Okay, okay. That's it from my side.

Operator

Thank you. The next question is from the line of Chirag Sureka from DSP Mutual Fund.

Please go ahead.

Question

Good evening sir. You, in the start you mentioned that 66% of your foreign borrowings are hedged; is it because you hedge only up to five years? Did I get that right?

PFC Management

Not necessarily. We prefer to hedge only those loans which have a remaining maturity of five years. Because if you see that there is not a good appetite in the market for hedging for long duration, so generally prefer only those loans, which has remaining maturity of five years or less.

Question

Okay, sir. And one more question on the international rating agencies have highlighted that the capital adequacy is on the lower side. So, is there any thought process on the capital raising front?

Question

See, as far as capital adequacy is concerned, why only equity; there are other options available to us, like we can raise through perpetual bonds also. So if at appropriate time, we feel that there is a requirement of further capital, we'll explore that option.

Analyst

Okay, sir. That's it from my side. Thank you.

Operator

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

Thank you. On behalf of Prabhudas Lilladher, I thank the management of PFC. Thank you all.

PFC Management

Thank you.

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