



**POWER FINANCE CORPORATION LIMITED'S
Q2 FY 18 EARNINGS CONFERENCE CALL**

07 NOVEMBER, 2017



MANAGEMENT: TEAM OF POWER FINANCE CORPORATION:-

- Mr. Rajeev Sharma - Chairman and Managing Director,
- Mr. D. Ravi - Director (Commercial),
- Mr. C. Gangopadhyay - Director (Projects),
- Mr. N.B. Gupta - Director (Finance)

MODERATOR - Mr. R. Sreesankar - Prabhudas Lilladher Pvt. Ltd.

PARTICIPANTS - List Annexed.

Power Finance Corporation Limited Q2FY18 Earnings Conference Call

- **MODERATOR**

- Good day ladies and gentlemen and a very warm welcome to the Q2 FY18 Earnings Conference Call of Power Finance Corporation Limited hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * then 0 on your touch tone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. R. Sreesankar from Prabhudas Lilladher. Thank you and over to you sir.

- **MR. R. SREESANKAR – PRABHUDAS LILLADHER PVT LTD**

- Thank you Ali. Good afternoon ladies and gentlemen. I welcome you to Q2 FY18 Earnings Conference Call of Power Finance Corporation of India. We have great pleasure in welcoming Mr. Rajeev Sharma, Chairman and Managing Director, Mr. N.B. Gupta, Director (Finance), Mr. D. Ravi, Director (Commercial) and Mr. C. Gangopadhyay Director (Projects), who are there on the call to take all the questions from the investor and analyst side. I would now request Mr. Rajeev Sharma to give a brief comment on the Q2 FY18 results and take this forward. Over to you sir.

- **MR. RAJEEV SHARMA – CHAIRMAN & MD, POWER FINANCE CORPORATION**

- Thank you very much. Good afternoon everyone. I welcome you all to this conference call on our financial results for the quarter ended 30th September 2017. As far as business highlights of first half year versus last year are concerned, we have done loan sanctions of Rs. 62,700 crores in the first half year. Additionally, after 30th September 2017 we have approved sanctions of approximately Rs.10,000 crores. Disbursements saw an increase of 20% to Rs. 26,669 crores from Rs. 22,265 crores. Renewable disbursements saw a sharp increase to Rs.2,372 crores from Rs.471 crores. Net loan asset increased by 8% to Rs. 2,53,500 crores from Rs. 2,34,200 crores. We therefore saw a sound business growth.
- As regards margins during Q2 and H1 of this year,we saw a fall in spread to 2.52% and 2.64% respectively, mainly due to non-recognition of income on certain standard assets and new NPAs in Q2. Currently for first half of this year, our marginal spread is more than 3% and we anticipate maintaining marginal spread at around current levels. As regards asset quality, firstly I am happy to share with you that as indicated in our earlier conference call and other interactions, about Rs.11,000 crores of NPAs got an upgrade in Q2. These were Madhya Pradesh GENCO loans of Rs. 11,000 crores. Out of this amount Rs. 5,400 crores got upgraded to standard i.e. 9.6% reversal of provision and Rs. 5,600 crores got upgraded to restructured standard category i.e. 5% reversal of provision. Therefore, net reversal of NPA provisions in Q2 was at about Rs. 800 crores.
- As far as new NPAs in Q2 are concerned, we added 2 accounts. East Coast energy of Rs.1,193 crores with Rs.119 crores provision. For this project, the positives are locational advantage of fuel (coastal and freight is cheaper), all clearances in place, super critical technology, 2000 acres land available, possibility of adding another 2 units. We have initiated process to file with NCLT. Given the positives of the project, we are in

discussion with various institutions and investors for takeover of this project. Second NPA is Sikkim Power Development Corporation of Rs.38 crores with provision of Rs. 4 crores. This account turned into an NPA as we have extended loan tenure post COD. We could not use RBI 5/25 scheme as minimum loan requirement is Rs.250 crores for this scheme. We expect the borrower to service on restructured terms and after 1 year this account is likely to turn standard in FY18-19. With these two NPAs, the net reversal is Rs. 650 crores on NPA provisions. Against this write - back of approximately Rs.650 crores provisions, we made some additional provisions as a matter of prudence. We made 10% provisioning of Rs. 222 crores on two loans where S4A is invoked i.e. Jhabua project - Rs.38 crores provision and India Bulls Amravati project - Rs.184 crores provision. Jhabua Power is in Madhya Pradesh, 600 megawatts is stressed due to working capital issues and low plant load factor. Positives of the project are power purchases remain 71% tied up, balance on merchant sale. FSA is 87% tied up, balance from open market. Plant is already commissioned. India Bulls Amravati 5X270 megawatts is stressed due to regular back downs by MSEDCL and irregular coal supply. Positives of the project are plant is commissioned since March 2015. PPA and FSA are in place.

- As per High Court order, we retained RKM Power Generation loans of Rs. 5,100 crores as standard in our books. However, as a matter of prudence we made 10% provisioning of Rs. 312 crores. We also made accelerated provisioning on standard assets at the rate of 0.4% and on restructured standard assets at the rate of 5% in Q2 itself though we were required to do it by 31st March 2018. With all this, we made a net additional provisioning of Rs. 100 crores in Q2 FY18.
- With this, the NPA ratios for this Q2 stand at gross NPA 8.33% against Q1 FY18 gross NPA of 12.46%. Q2 gross NPAs decreased by Rs.10,000 crores from Rs.31,500 crores to Rs.21,500 crores. Without state sector NPAs, gross NPA stand at 3.57% as on 30th September 2017. Net NPAs 6.69% in Q2 FY18 and 10.48% in Q1 Without state sector NPAs, net NPA stand at 2.33% as on 30th September 2017.
- Out of gross NPAs of Rs. 21,503 crores (NPA ratio is 8.33%), State sector NPAs of Rs.12,281 crores (i.e. gross NPA ratio of 4.76%) became NPAs in Q4 FY17 due to RBI norms and which will reverse gradually. Other NPAs are Rs.9,222 crores (i.e.gross NPA ratio 3.57%).
- Out of the State sector NPAs of Rs.12,281 crores:
 - 55% or Rs. 6,748 crores NPAs already got an upgrade in Q3 this year.
 - Rs. 6,748 crores of Chhattisgarh Marwa project got upgraded to restructured standard. So a reversal of provision of 5%.
 - 45% or Rs. 5,221 crores will upgrade in next year (i.e.in FY19 with 10% provision reversal) i.e.
 - Rs. 3,566 crores of Rayalseema, it's a project of APGENCO
 - Rs. 1143 crores of Lower Jurala Telangana GENCO loan and
 - Rs. 512 crores cogeneration TANGENCO loan and it is being serviced since 2012.
- With respect to remaining NPAs of Rs. 9,222 crores:
 - Rs. 2 crores of J&K loan was prepaid in Q3. Hence out of our NPA books.

- Rs. 38 crores Sikkim NPA to be reversed in FY18-19 as already explained.
 - Rs. 1,193 crores of East Coast project has positives as explained earlier, we expect project takeover by investors or institutions going forward.
 - Rs. 1,368 crores of Ind Barath Utkal, we are in advanced stage of negotiations for the change of management.
 - For Rs. 1,203 crores, we are in discussion with J&K government for GVK Ratle project and with Sikkim government for Jal Power to take over these projects.
 - Rs. 716 crores Ratnagiri project demerger process is underway for revival. Balance Rs. 4,702 crores recovery proceedings are underway which include exploring NCLT.
 - For Rs.9,222 crores NPAs, already provisions of Rs.3304 crores i.e. 36% are done.
- Restructured assets are Rs.58,982 crores, Government is Rs.41,821 crores and private is Rs.17,161 crores. Regarding restructured accounts with respect to government borrowers, out of Rs. 41,821 crores:
- 67% or Rs. 27,923 crores already commissioned and will reverse in FY 18-19.
 - 15% or Rs. 6,333 crores expected to be commissioned in FY17-18.
 - 18% or Rs. 7,374 crores expected to be commissioned in FY 18-19 onwards.

We would like to reiterate that we do not see any stress in government sector NPAs and restructured accounts and these loans are being serviced regularly.

- As regards restructured accounts with respect to private accounts, restructured book in H1 reduced from Rs. 18,090 crores to Rs. 17,161 crores as one account of East Coast Energy Rs. 1200 crores was classified as NPA. There is no addition to restructured accounts as such. Additional amount is on account of change in outstanding of already restructured assets.
- Regarding Rs. 17,161 crores restructured book (10 projects) with respect to private borrowers:
- 38% or Rs. 6500 crores have already got commissioned.
 - Rs. 1370 crores to reverse in Q3 of this financial year 17-18 itself, a reversal of provisioning of 4.6%. This project is MB Power in Anuppur.
 - Rs. 432 crores to reverse in Q1 FY19, reversal of 4.6% provision.
 - Rs. 4700 crores are under RBI schemes like S4A, SDR etc. and provision reversal against these shall be as per RBI norms.
 - 62% or Rs. 10,660 crores are projects under implementation, where we are in discussion with various lenders exploring options to expedite commissioning.

Regarding PPA status of these 10 projects with capacity of 11,200 megawatts, PPA is available to the extent of 6150 megawatts i.e.PPA is available for 55% of capacity.

- With respect to the stressed assets, we are focusing on improving our asset quality by increased focus on revival of stressed assets. We have created a Stressed Asset Revival group to (i) analyse various options like

5/25, SDR, S4A, IBC and other structuring norms;(ii) to devise project wise strategy for reviving stressed assets. We have also created Asset Review and Monitoring unit with an exclusive focus to identify early signs of stress and generate alerts for immediate remedial measures. To revive stressed assets/NPAs, we have already adopted various measures like projects of Rs.273 crores being recovered through SARFAESI or DRT. Projects worth Rs.3,500 crores were revived by 5/25 scheme. Projects under revival by 5/25 are costing Rs.1,126 crores. SDR underway for Rs.3,929 crores. Outside SDR underway for Rs.503 crores. S4A underway for Rs.2,682 crores. NCLT under IBC of Rs.1,193 crores. Sale of assets - Rs.77 crores. Projects of Rs.4,450 crores are being considered for change in management. Government of India is also exploring ways to revive stressed assets through Prime Minister's Office, Niti Aayog and Ministry of Power. The formation of a joint venture between power sector PSUs is under consideration. Joint venture to take over stressed projects and work towards revival of the project - options like taking over the projects when they are put on sale under various RBI schemes like SDR, OSDR, and NCLT etc. or outside RBI schemes are being considered.

- Commissioning status of generation assets. Our gross loan assets is roughly Rs. 2.58 lakh crores. Generation assets Rs. 1.88 lakh crores i.e.roughly 79000 megawatts, out of which government owned projects are 80% of which 75% are already commissioned (i.e.34,000 megawatts). Private owned projects are roughly 20% of which 45% are already commissioned (i.e.16,000 megawatts). Hence 70% i.e. 50,200 megawatt of generation assets are already commissioned. Only 30% i.e. 28,800 megawatt of a portfolio is yet to get commissioned of which 58% is likely to get commissioned in FY 17-18, 37% is likely to get commissioned in FY18-19. We may conclude that 70% is already commissioned and 18% is likely to get commissioned in FY 17-18. Therefore, 88% i.e. 62,400 megawatt of generation portfolio already commissioned or COD is in FY 17-18 itself.
- Regarding private loan asset book, loan assets to private sector is Rs.42,505 crores. Standard assets are Rs. 16,878 crores (i.e. 40%). Private gross NPAs – Rs.8,466 crores (i.e.20%). Provisions already made Rs. 3,017 crores (i.e.36% already provided). Private restructured assets Rs.17,161 crores (i.e.40%). Provisions already made Rs.1,148 crores,(i.e. 6.7% already provided). Total reserve for bad and doubtful debts available Rs. 3,236 crores. So total provisions plus reserves available Rs. 11,000 crores against Rs. 25,627 crores of private NPA or Restructured assets. This means a coverage of 43%.
- Now we come to resource mobilization. As informed earlier, Ministry of Finance allowed Power Finance Corporation 54 EC Bonds. We launched the capital gain bond issue in July 2017 @ 5.25% coupon. Total collection has crossed Rs. 50 crores during the quarter. Apart from this, we raised Rs. 14,400 crores during Q2 at a marginal cost of 6.76%. Total borrowings during H1 FY18 were Rs. 28,000 crores at a marginal cost of 6.96%. We are in the process of tapping international markets to diversify our borrowings. ECB of 300 million dollars is already tied up to be financed by consortium of lenders. We are also planning to raise funds through green masala bonds this year. Capital Adequacy ratio is comfortable at 19.90% and Tier I capital is 16.90% against the RBI requirement of 15% and 10% for Tier I capital respectively.
- Business going forward: Rs. 1.64 lakh crores outstanding sanctions are available to be disbursed over 3-4 years. We are focusing on funding renewables. Our sanctions particularly in renewables in FY17 has increased from Rs.570 crores during FY14 to Rs.7,065 crores during FY17. And our disbursements have increased from

Rs.482 crores from FY14 to Rs.2,754 crores in FY17. And in H1 FY18 we have disbursed Rs.2,372 crores in renewables.

- Refinancing existing commissioned or on nearing completion conventional projects, as informed earlier we have disbursed Rs. 3800 crores to NTPC joint venture Meja in Q2. We are also targeting to disburse around Rs.1,000 crores during the next 2 months i.e. in Q3, in the refinancing proposals already approved. Another Rs. 1,000 crores refinancing proposal is presently under appraisal and disbursement is also likely to materialise within this financial year. Going forward we intend to push refinancing aggressively. We are also making sincere efforts for increasing our focus on transmission and distribution segment. As informed earlier, PFC has already sanctioned loan for smart grid initiatives in Gurgaon. PFC is partnering with Rural Electrification Corporation for funding the project . Developing new policy for funding independent transmission projects and we are actively looking to fund projects under this policy in independent transmission project segment. We are also exploring funding options in SAARC countries with lenders and developers. Thank you very much. Now we can have question/answer session.

- **MODERATOR**

- Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask a question may please press * and 1 on their touch tone phone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. We will take the first question from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

- **MR. KUNAL SHAH – EDELWEISS SECURITIES**

- Yeah sir firstly in terms of asset quality so you definitely gave a good guidance in terms of how the overall restructured and NPL book look like both in the state and the power sector. But just wanted to know maybe anything which could actually slip. So you had given the guidance in terms of upgrades. But anything wherein there is a stress from restructured it could actually slip into NPL or something which is neither there in the NPL nor in the restructured but something which is there in the watch list which could come in the coming quarters.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- For government projects there is no slippage. In private sector there is a project KSK Energy of which two units are already commissioned. It's 6X600 megawatt project. Third unit is likely to get commissioned in December for which we will get a deemed COD for 50% capacity. And we are also trying to change the management. We are working along with the developer but 4 units are already having PPA. They got coal also under the new scheme of coal linkages Shakti. Another project is Lanco Amarkantak which is almost 88% complete and we are working on this along with other lenders to complete the project. So this is the stress. We can't say that we are going out of hand but we are making all possible sincere efforts and when we are fully confident that we will be able to overcome these issues in these projects.

- **MR. KUNAL SHAH – EDELWEISS SECURITIES**

- Okay. And in terms of recognition if things doesn't happen the way..... maybe the positive developments doesn't come through, then in terms of recognition this could....

- **MANAGEMENT - POWER FINANCE CORPORATION**

- As and when the bridge comes we will cross it over. No issue.

- **MR. KUNAL SHAH – EDELWEISS SECURITIES**

- Okay. But the overall exposure to KSK and Amarkantak would be? So how much is the exposure to KSK?

- **MANAGEMENT - POWER FINANCE CORPORATION**

- Maybe roughly 2500 crores each.

- **MR. KUNAL SHAH – EDELWEISS SECURITIES**

- 2500 crores each.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- Yeah.

- **MR. KUNAL SHAH – EDELWEISS SECURITIES**

- Okay. So these two are something which would be there in the watch list. And secondly in terms of margins, so in terms of the yields, what are the incremental yield of assets as compared to that of the reported which is 10.75%. And are we increasingly seeing some competition or maybe with the incurring health of SEBs the rates are dragging down as compared to that of the overall business?

- **MANAGEMENT - POWER FINANCE CORPORATION**

- No we are almost maintaining our margins. It is because two projects, one project, that is east coast slipped into NPA and we are not taking the income from this. And from RKM we are not booking the income.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- See when we disclosed the spreads it is on my total assets. Which includes the assets where we are not earning the income due to NPA. So if we consider assets which are actually earning the income, my spread is more or less same what was earlier.

- **MR. KUNAL SHAH – EDELWEISS SECURITIES**

- Okay. What is the incremental lending rates? What are they?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- It is around 3% on incremental.
- **MR. KUNAL SHAH – EDELWEISS SECURITIES**
- No lending rate, lending rate.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Our marginal lending rate is roughly 10.67% for this half year. So it's pretty good. Because I have been raising funds around 7 -6.9%. So we are almost able to maintain our margins I would say.
- **MR. KUNAL SHAH – EDELWEISS SECURITIES**
- Okay, okay yeah. Thanks a lot.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Thank you.
- **MODERATOR**
- Thank you. We will take the next question from the line of Punit Srivastava from Daiwa Capital. Please go ahead.
- **MR. PUNIT SRIVASTAVA – DAIWA CAPITAL**
- Yeah good afternoon sir. Sir again on this spread part I believe in the last quarter we had a guidance; you mentioned that incremental spread of 3% and even overall spread of around 3% could be maintained. But you also mentioned about these two accounts. But other than that on the outstanding loan book can you just tell us what kind of pressure apart from the SEBs and all, I mean what kind of pressure is coming and what kind of spread is you see there on the outstanding book?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- From state sector we don't have any pressure. We are lending about, 10% plus to all SEB, state power utilities and we are able to maintain our margins. And I don't see any pressure in future also.
- **MR. PUNIT SRIVASTAVA – DAIWA CAPITAL**
- So sir if you are making an incremental spread of 3% now so can we say that for the overall spread we can at least be stable from here or see some improvement?

- **MANAGEMENT - POWER FINANCE CORPORATION**

- See as mentioned earlier the spread is more or less same. Because some of the assets they have fallen in the category of NPA where we are not recognising the income. And when we declare 2.52%, it is from my total asset sides. If I exclude the assets which are not earning income, the spread is around same. It is around 2.78% - 2.80% which was there earlier.

- **MR. PUNIT SRIVASTAVA – DAIWA CAPITAL**

- Okay sir. Just one more question on the banks which are now in the news of this recapitalisation bonds and capitalisation of PSU banks. Sir how do you see the scenario going ahead? Do you see more competition coming from the banks like SBI and all in the power sector? So your opinion.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- SBI doesn't require more capital to compete with us. And smaller banks I don't see them as our competitors. Because they are not very keen to fund in power sector. Otherwise also they have sectoral limits and other things. Rather we will be able to get more funds from them and we are funding in consortium also with the banks. Very recently along with State Bank of India in Neyveli Lignite Corporation, we got a very competitive rate 9.99% for 3X660 megawatts Ghatampur Thermal Power Project. Last week, this week only I think we got it.

- **MR. PUNIT SRIVASTAVA – DAIWA CAPITAL**

- Right sir, thank you.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- Thank you very much.

- **MODERATOR**

- Thank you. Before we take the next question we would like to remind participants that you may press * and 1 to ask a question. We'll take the next question from the line of Aarsh Desai from Vallum Capital. Please go ahead.

- **MR. AARSH DESAI – VALLUM CAPITAL**

- Hi this is Aarsh Desai from Vallum Capital. I just want to ask that your short term loans have shot up from 3% to 8% of your total and your bonds have come down. Any significant reason why there's a shift to short term loans? And also I wanted to ask you about the 8% growth. Do you see maintaining it in the future?

- **MANAGEMENT - POWER FINANCE CORPORATION**

- In fact see it is only 8% which is my short term borrowings. Okay. And we have been lending short term also. So we are trying to match with short term borrowings. Since we have landed in this particular quarter, there is sufficient amount of short term lending which we have met with the same level of borrowings also.
- **MR. AARSH DESAI – VALLUM CAPITAL**
- Correct. And your growth going forward do you think you will be able to maintain the 8% growth?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Yeah, yeah sure, no issue.
- **MR. AARSH DESAI – VALLUM CAPITAL**
- No issue in maintaining. And if you can just give some more clarity in regards with your non-performing loans. By FY20 considering all the reversals that you've spoken about and considering that no new loan NPAs are added, what number should I be looking at for NPAs?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Roughly without considering the state government utilities, Gross NPA ratio will be around 3.75%.
- **MR. AARSH DESAI – VALLUM CAPITAL**
- Alright, alright, thank you.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Thank you very much.
- **MODERATOR**
- Thank you. Before we take the next question we would like to remind participants that you may press * and 1 to ask a question. The next question is from the line of Shreejan Sinha from Future Generali. Please go ahead.
- **MR. SHREEJAN SINHA – FUTURE GENERALI LIFE INSURANCE**
- Yeah thank you sir for taking my question. Sir I wanted to check out of the 27000 crore of the state assets which are under the restructured category, do we have any timeline for the upgrade? I mean when can we expect the upgrade from these assets?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Yeah. 67% of Rs. 27,923 crores already commissioned and will reverse in 18-19.

- **MR. SHREEJAN SINHA – FUTURE GENERALI LIFE INSURANCE**
- FY18-19.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- And these projects are Raichur in Karnataka- Rs.8,552 crores, Singareni - Rs.4278 crores in Telangana, Koradi – Rs.9,068 crores in Maharashtra, Malwa - Rs.5,591 crores in M.P., and Nagarjuna Sagar Rs.434 crores in Telangana.
- **MR. SHREEJAN SINHA – FUTURE GENERALI LIFE INSURANCE**
- Okay. And sir in terms of the upgrades that we got in this quarter out of the 11000 crores, about 5600 crores went into the standard restructured. I just want to understand the guidelines regarding this. Why could these not be upgraded to the standard assets?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- See as per RBI norms, the assets first need to be upgraded from NPA to restructured standards. And after that only to standard assets. So I think after 1 year it will be upgraded to the standard.
- **MR. SHREEJAN SINHA – FUTURE GENERALI LIFE INSURANCE**
- But half the assets were classified as standard right?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- See it was number of loans. Because of borrower concept, all the loans to MP became NPA. But the specific restructured loan which was NPA it has come to the category of restructured, otherwise all loans which became NPA due to borrower classification has come to standard.
- **MR. SHREEJAN SINHA – FUTURE GENERALI LIFE INSURANCE**
- Okay got it, got it. Thank you. The other question that I wanted to understand was out of the 9000 odd crore of the private NPAs what is the aging profile of these NPAs? Do we need to provide more going forward?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Already 3304 crores that is roughly 36% is already provided.
- **MR. SHREEJAN SINHA – FUTURE GENERALI LIFE INSURANCE**
- Right. But do we – I mean what’s the aging profile? How old are these NPAs? Do we need any incremental provisioning over the next....

- **MANAGEMENT - POWER FINANCE CORPORATION**
- See, looking at what we have been doing, no. Even this year and in this quarter also, we have increased one case from 20% to 30%. So whatever is required as per RBI norms we have been providing.
- **MR. SHREEJAN SINHA – FUTURE GENERALI LIFE INSURANCE**
- Okay. And my final question is on the disbursement front. How do you expect disbursements to be over the next 2-3 quarters?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- 1.64 crores sanctions are already there. So we don't see any problems in disbursements.
- **MR. SHREEJAN SINHA – FUTURE GENERALI LIFE INSURANCE**
- Okay any ball park estimates that you would like to share?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- It should be better than last year.
- **MR. SHREEJAN SINHA – FUTURE GENERALI LIFE INSURANCE**
- Okay, okay. Thanks a lot sir. Thanks a lot for taking my questions.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Thank you.
- **MODERATOR**
- Thank you. We will take the next question from the line of Harshit Toshniwal from ICICI Securities. Please go ahead.
- **MR. HARSHIT TOSHNIWAL – ICICI SECURITIES**
- Hi sir just housekeeping question. Sir you said that two assets slipped in this particular quarter, Sikkim Power Development was one and can you repeat the other one?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- East Coast.
- **MR. HARSHIT TOSHNIWAL – ICICI SECURITIES**

- The amount and the.....I actually missed that part.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- No problem. East Coast is Rs.1,193 crores and we have provided Rs.119 crores. It's a 2X660 megawatt project located in Srikakulam District of Andhra Pradesh. It's a coastal project and additional land for 2X660 megawatts is available. So we are trying to negotiate this project with institutions and developers. And this project has a locational advantage of fuel, all clearances are in place, super critical technology, 2000 acres land available and we have initiated process to file with the NCLT.
- **MR. HARSHIT TOSHNIWAL – ICICI SECURITIES**
- Okay. And this was earlier restructured or it was standard earlier?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Standard*.
- *Restructured Standard.
- **MR. HARSHIT TOSHNIWAL – ICICI SECURITIES**
- It was standard. Okay sir thank you.
- **MODERATOR**
- Thank you. We will take the next question from the line of Nilanjan Karfa from Jefferies. Please go ahead.
- **MR. NILANJAN KARFA – JEFFERIES**
- Hi sorry sir I missed the initial comments when you were explaining about the recoveries and upgrades which you are expecting. So you know if you can just tell me between now and March 18th and from 1st April 2018 to March 2019 what are the upgrades that you expect from the state NPLs, private NPLs, state restructured and private restructured. I'm so sorry for repeating this.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- No issues. In state sector, NPAs of Rs.12,281 crores, 55% or Rs. 6,748 crores already got an upgrade in Q3 this year.
- **MR. NILANJAN KARFA – JEFFERIES**
- Okay.
- **MANAGEMENT - POWER FINANCE CORPORATION**

- There is Rs. 6,748 crores of Chhattisgarh Marwa project got upgraded to restructured standard. So 45% or Rs. 5221 crores will upgrade in next year that is FY19 with 10% provisioning reversal. Rs. 3,566 crores of Rayalseema APGENCO loan and another one is Rs. 1,143 crores of Lower Jurala Telangana GENCO loan. And 512 crores of co-generation, TANGEDCO loan.
- **MR. NILANJAN KARFA – JEFFERIES**
- Okay.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- And with respect to NPAs of Rs. 9,222 crores, 2 crores of J&K loan was prepaid in Q3 and it is out of our NPA books.
- **MR. NILANJAN KARFA – JEFFERIES**
- Okay.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- 38 crores Sikkim NPA to be reversed in 18-19 as already explained.
- **MR. NILANJAN KARFA – JEFFERIES**
- Okay.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Rs.1,193 crores of East Coast project as positives explained earlier we expect project takeover by investors or institutions going forward.
- **MR. NILANJAN KARFA – JEFFERIES**
- Okay.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Rs.1,368 crores of Ind Barath Utkal we are now in the state of negotiations for a change of management.
- **MR. NILANJAN KARFA – JEFFERIES**
- Right.
- **MANAGEMENT - POWER FINANCE CORPORATION**

- And Rs. 1,203 crores we are in discussion with J&K Government for Ratle Hydro Project and with Sikkim Govt. for Jal Power Project.
- **MR. NILANJAN KARFA – JEFFERIES**
- Ratle, okay, okay, okay. Okay.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Rs.716 crores Ratnagiri project demerger process is underway for revival.
- **MR. NILANJAN KARFA – JEFFERIES**
- Sure sir.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- And balance Rs.4,702 crores, recovery proceedings are underway which include exploring NCLT, DRT, SARFAESI etc.
- **MR. NILANJAN KARFA – JEFFERIES**
- Okay, okay. That's very helpful sir. And could you help me understand if we go back to the previous decade let's say between 2006 to 2010, your cost of borrowing has roughly been similar. But then our spreads used to be much, much lower. So basically are we just enjoying this margin because there is no – or lesser competition than it was in the previous decade? Is that a fair assessment?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- No, we have been able to maintain our margins all through. Depends upon our fund mobilisation smartness I would say.
- **MR. NILANJAN KARFA – JEFFERIES**
- If we go back to let's say 2006 to 2008, 09, 10, your total cost of fund used to be roughly similar 8.1, 8.2% something like that.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- If you look into 2013-14, our spread used to be 3.8/3.9%.
- **MR. NILANJAN KARFA – JEFFERIES**
- Right.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- Because now what has happened is there is competition from the banks and after the Uday Scheme etc. all the states are getting at cheaper rates. So we have to realign our interest rates. So it has come down basically if we compare with last 2 years.

- **MR. NILANJAN KARFA – JEFFERIES**

- Basically you are saying that if we are not booking in interest income because of NPAs then essentially what we are charging is actually several times higher than what is getting reported.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- No not several times. Because see my NPA is only Rs.9,000 crores. From state sector we have been getting all the revenue and that has been recognised on the cash basis. So there's no issue as far as the income is concerned for the state sector.

- **MR. NILANJAN KARFA – JEFFERIES**

- Okay.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- So it is only Rs.9,000 crores. NPA of private sector where there is some issues of recognition of income.

- **MR. NILANJAN KARFA – JEFFERIES**

- Okay, okay. Alright okay sir. Thank you.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- Thank you.

- **MODERATOR**

- Thank you. Before we take the next question we would like to remind participants that you may press * and 1 to ask a question. The next question is from Manish Agarwal from Phillip Capital. Please go ahead.

- **MR. MANISH AGARWAL – PHILLIP CAPITAL**

- Yeah thanks for the opportunity. Sir if I look at the CEAs broad status report for September month, now the total private sector power project under construction is somewhere around 25000 megawatts. Out of which almost 12000 odd megawatts the projects are uncertain. So the question is number one when do we recognise this as an NPA for the system as a whole? And what will be the outcome for this project? Because the investment has already been made in some of these projects.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- I could not get your question. But I can give you an idea about private owned projects which we have funded. Our total loan, gross loan assets is roughly 2.58 lakh crores out of which generation assets are 1.88 lakh crores. That is roughly 79000 megawatts. Out of which 80% is government owned.

- **MR. MANISH AGARWAL – PHILLIP CAPITAL**

- No I have those numbers sir. I have heard those numbers. My question was largely to the under-construction project where the status is uncertain. So because if I look at this report almost half of the under-construction projects, power projects in private space is the status is uncertain. So just wanted to understand.....

- **MANAGEMENT - POWER FINANCE CORPORATION**

- I can't say about other projects, but the projects which we have funded we are fully aware about their status whether they have PPAs, whether they have the FSA. If any issues are there we are trying to resolve those issues along with the other lenders. Like I can tell you it's KSK Energy, it's 6X600 megawatt and we are fully aware what sincere steps we should take to keep the projects Standard. Like it has 4 units have got PPA. They got coal linkage under Shakti. Third unit is likely to get commissioned in December. But we are constantly in touch with the developer and we are also trying to find out a good developer. Change of management is also being considered. Similarly another project is Lanco Amarkantak which is almost 88% complete. So we are working sincerely on this. I would say under the available legal framework of RBI on different projects which we have sanctioned. We are fully aware of each and every project what actions need to be taken, how urgent it is and we are also helping them to get coal, to get PPAs, whatever best can be done.

- **MR. MANISH AGARWAL – PHILLIP CAPITAL**

- Okay so just to add to what you have answered now, if you can also give the status of Ratan India Nasik project. How do you see that?

- **MANAGEMENT - POWER FINANCE CORPORATION**

- We have done SDR on that already.

- **MR. MANISH AGARWAL – PHILLIP CAPITAL**

- Okay. And when this stand still agreement gets over? This period gets over?

- **MANAGEMENT - POWER FINANCE CORPORATION**

- 18 months.

- **MANAGEMENT - POWER FINANCE CORPORATION**

- 18 months and in the meantime we are also talking with Maharashtra GENCO if they can take over this project. I had 2-3 meetings with their principal secretary energy and CMD of Maharashtra GENCO. And I have sent another reminder to them. So we are working on different fronts to revive these projects.
- **MR. MANISH AGARWAL – PHILLIP CAPITAL**
- So when this settlement gets over sir? Just the time frame?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- See we have declared sometime in September.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- 26th September 2017 we have declared. So we have 18 months with us.
- **MR. MANISH AGARWAL – PHILLIP CAPITAL**
- Sure, sure. Thank you that's helpful.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Thank you so much.
- **MODERATOR**
- Thank you. We will take the next question from the line of Andrew Lundstrom from WindAcre. Please go ahead. Andrew your line is unmuted. Please proceed with your questions.
- **MR. ANDREW LUNDSTROM – WINDACRE**
- Thank you. You mentioned that competition from banks and Uday Scheme has forced realignment of interest rates. Can you explain that further? And please discuss how much further your lending rates on existing loans might drop to be competitive with banks. Also are your financing costs resetting more slowly so that this is a temporary pressure or is this a permanent pressure? Thank you.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Particularly the assets which we had funded for state power utilities, after Uday Scheme we had to reprice those assets. They were roughly 1,80,000 crores. It has already been done and there is no pressure. Rather we got a positive in our fund mobilisation scheme with our sincere efforts of the management of PFC we could get 54 EC bonds which are getting at about 5.25%. So our cost of borrowing will come down. We are also trying to diversify our borrowing and we have already finalised 300 million of ECB this week itself. And we are also exploring the possibility to raise green bonds for 10 years.

- **MR. ANDREW LUNDSTROM – WINDACRE**
- Thank you.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Thank you very much.
- **MODERATOR**
- We will take the next question from the line of Shekhar Singh from Excelsior Capital. Please go ahead.
- **MR. SHEKHAR SINGH – EXCELSIOR CAPITAL**
- Just wanted to know like this 90 day provisioning norm are we following it fully or still there's some way to go?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Right now we were following 4 months' policy. And by 31st March it will be 90 days.
- **MR. SHEKHAR SINGH – EXCELSIOR CAPITAL**
- So currently what portion of your book you are having at 90 days?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Right now we are following 4 months' policy.
- **MR. SHEKHAR SINGH – EXCELSIOR CAPITAL**
- 4 months okay.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Yeah. So by 31st March it will be 90 days.
- **MR. SHEKHAR SINGH – EXCELSIOR CAPITAL**
- And can you just tell us like roughly what can be the impact of that?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- We don't expect much impact of that. Because we are already prepared for that.
- **MR. SHEKHAR SINGH – EXCELSIOR CAPITAL**

- Okay. And lastly like in terms of dividends what is the plan? Like you plan to continue with the dividends or increase it or something?
- **MANAGEMENT - POWER FINANCE CORPORATION**
- It's very difficult to predict today.
- **MR. SHEKHAR SINGH – EXCELSIOR CAPITAL**
- Okay, okay. Right thanks a lot sir.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Thank you.
- **MODERATOR**
- Thank you. We'll take the next question from the line of Punit Srivastava from Daiwa Capital. Please go ahead.
- **MR. PUNIT SRIVASTAVA – DAIWA CAPITAL**
- Thank you sir. Just one question on the commissioning you have been talking about the substantial portion of the loans that have got commissioned over a period of time. Now we have moved from 30% to 70% almost in last 2 years or so. Sir I just need to know how the – I mean what kind of rate movements have we seen given that the interest rates supposing remain same. I mean post-commissioning have you seen the rates declining and to what is extent? If that is possible sir.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- So competition may come but we are refinancing projects which are commissioned. And we are providing them a very attractive interest rate. But keeping our margins intact.
- **MR. PUNIT SRIVASTAVA – DAIWA CAPITAL**
- Okay sir thank you.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Thank you.
- **MODERATOR**
- Thank you. As there are no further questions from the participants I now hand the conference over to Mr. R. Sreesankar for closing comments.

- **MR. R. SREESANKAR – PRABHUDAS LILLADHER PRIVATE LIMITED**
- Thank you Mr. Sharma, thank you Mr. Gupta and the entire team of Power Finance Corporation for taking time out to attend this conference. And thank you all the participants for attending this Q2 FY18 Results Conference Call of Power Finance Corporation.
- **MANAGEMENT - POWER FINANCE CORPORATION**
- Thank you very much. Thank you so much.
- **MODERATOR**
- Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.



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Conference Name: Power Finance Corporation Limited Q2FY18 Earnings Conference Call

Time: Nov 07, 2017 15:00 Hrs India Time

Main Speaker(s): Management - Power Finance Corporation Limited
Mr. R Sreesankar - Prabhudas Lilladher Pvt. Ltd.

Total 113 Participants including the Speakers.

Participants List

Sr. No.	Name	Phone	Company
1	HOST: Management	1123456944	Power Finance Corporation Limited
2	HOST: R Sreesankar	2266322214	Prabhudas Lilladhar
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4	Abhiranjan Gupta	2271258020	HDFC Ergo General Insurance
5	Abhishek Seraf	2271804221	Deutsche Bank
6	Akhand Pratap Singh	2240278991	Way2Wealth Securities
7	Amey Sathe	2266578262	Tata Mutual Fund
8	Ami Parekh	8082466052	FEGML
9	Amit Premchandani	2266786728	UTI Mutual Fund
10	Andrea Lou	12038101000	Factset
11	Andrew Lundstrom	16508677175	WindAcre
12	Ankit Choudhary	7961909580	Equirus Securities
13	Ankit Jain	2233704399	BNP Paribas
14	Ankul Mishra	2240987102	Angel Broking
15	Apoorv Bahadur	2266377419	ICICI Securities
16	Ashok Choksey	2226240533	PhillipCapital
17	Ashutosh Mishra	8850041733	Reliance Securities
18	Ashwini Agarwal	2230741072	Baroda Pioneer Mutual Fund
19	Avnish Tiwari	2240907140	East Bridge Capital
20	Bunty Chawla	2240317276	B&K Securities
21	Chandana Jha	2267720576	Principal Mutual Fund
22	Chandra Prakash	2266171765	Alchemy Capital
23	Chetan Shah	2267310154	Invesco
24	Deepak Agarwal	2261648523	Elara Capital
25	Devesh Tokwal	2233035068	Reliance Life Insurance
26	Digant Hariya	2240313422	Antique Stock broking
27	Dipanjani Ghosh	2243360888	Kotak Securities
28	Drashti Shah	2261367456	Investec Capital Services
29	Elesh Gopani	2267700475	Gopani Securities
30	Ella Thone	7200785855	S&P Global
31	Ella Thorne	8438502066	S&P Global
32	Gajendra Devpura	2262446000	Exide Life Insurance
33	Gaurav Chamadhamaria	7021824134	HCL Corporation
34	Gaurav Duwa	2266104635	Sharekhan Ltd.
35	Gaurav Jain	8383842544	Individual Investor
36	Girish Raj	2224066725	Quest Investments
37	Gopal Agarwal	2266578219	Tata Mutual Fund
38	Gurvinder Wasan	2267720569	Principal Mutual Fund
39	Hari Ravi Shankar	85237933001	Ishana Capital
40	Harish Subramanian	2267516103	HDFC Standard Life Insurance
41	Harshad Borawake	2267800358	Mirae Asset Management Company
42	Harshit Toshniwal	2266377230	ICICI Securities
43	Hemali	2240317134	B&K Securities
44	James Mordon	6565134101	Santa Lucia Asset Management
45	Jamil Ansari	2249711564	Renaissance Investments
46	Kalpesh Parikh	2266322243	Prabhudas Lilladhar

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47	Kamal Verma	2266505004	CLSA
48	Kamlesh Kotak	2243435222	Asian Market Securities
49	Karan Gupta	2261964367	BNP Paribas
50	Karan Singh	9920531069	JM Financial
51	Kiran Chheda	2224394482	Chheda Investment Consultancy
52	Kishan Gupta	3344880043	CD Equisearch
53	Kunal Shah	2266203076	Edelweiss Securities
54	Kushan Parikh	2266242431	Emkay Global
55	Manish Agarwal	2262464125	PhillipCapital
56	Manish Bandi	9967576081	Roka Capital
57	Manish Karva	2271804212	Deutsche Bank
58	Manisha Porwal	2266242741	Taurus Mutual Fund
59	Manogyna Parimi	2243568084	Birla Mutual Fund
60	May Cruz	7418012145	S&P Global
61	Mayur Gadhani	2243471882	Om Portfolio
62	Meghana Lutra	2266221016	Daiwa Capital
63	Namesh Chhangani	2266481474	Avendus Capital
64	Navin Bansal	7819812346	Vishal Ispat Private Limited
65	Neelesh Surana	2267800357	Mirae Asset Management Company
66	Nikhil Jalan	2267196483	Barclays
67	Nikhil Valecha	2266303027	JM Financial
68	Nilanjan Karfa	2242246118	Jefferies
69	Nischint Chawate	2243360887	Kotak Securities
70	Nishit Shah	2240044744	ViSolitech Investment Advisors
71	Pathik Gandotra	2267314330	Drone Capital
72	Peter Nelson	16613804733	Citigroup
73	Praful Kumar	2262154018	MSD Partners
74	Pramod Pandey	2222864531	Reliance Treasury
75	Pranay Agarwal	7003144032	Udyog Capital
76	Prashant Kumar	9987413191	Sunidhi Securities
77	Pritesh Bumb	2266322232	Prabhudas Lilladhar
78	Punit Srivastava	2266221013	Daiwa Capital
79	Pvk Mohan	2267720564	Principal Mutual Fund
80	Raghu Garimella	8143372162	Individual Investor
81	Rahul Singh	8369352604	Feduciary Euromax Capital
82	Rajat Jain	2267720560	Principal Mutual Fund
83	Rakesh Bansal	7506406260	Ratan India Finance
84	Rishabh Vasa	2267526646	Almondz Global Securities
85	Rupesh Patel	2266578225	Tata Asset Management
86	Rushabh Sheth	2262327201	Karma Capital
87	Sachin Gamre	2261047509	Idea Investments
88	Sachin Motwani	2267314033	Param Capital
89	Sam Jones	15595158686	UBS Group
90	Sameer Dalal	2242134422	Natverlal & Sons Stock Brokers
91	Sapna Laha	2239500541	Bajaj Holdings
92	Sejal Doshi	2226593009	IL&FS
93	Shekhar Singh	9820608453	Excelsior Capital
94	Shiv Kumar	4428332719	Unify Capital
95	Shivang Ahoja	3340326405	SKS Capital
96	Shreejan Sinha	2243410705	Future Generali Life Insurance
97	Shubhanshu Mishra	2261291540	Motilal Oswal Securities Ltd.
98	Shyam Kumar	9449154034	Individual Investor
99	Siddhartha Bhotika	2230431051	Aviva Life Insurance
100	Siddhesh Mhatre	2240439000	SPA Securities
101	Sohail Halai	2267048066	Systematix Shares & Stocks
102	Srinivasan R	2239209311	IDBI Federal Life Insurance
103	Subramanian Iyer	2261182234	Morgan Stanley
104	Sudesh Malya	8041243101	Mirabilis Capital Ltd
105	Sujit Kavatkar	2261961124	ICICI Lombard
106	Sunil Kumar	2266392055	SBI Life Insurance

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110	Vikesh Mehta	2243251133	Axis Capital
111	Vinay Shah	2233037069	Reliance Mutual Fund
112	Vinod Chari	2240969776	Dolat Capital
113	Yash Agarwal	2243347015	Crest Capital