



**POWER FINANCE CORPORATION LIMITED'S
FY 17-18 & Q4
CONFERENCE CALL
25TH MAY, 2018**



MANAGEMENT: TEAM OF POWER FINANCE CORPORATION:-

- **Mr. Rajeev Sharma - Chairman and Managing Director**
- **Mr. D. Ravi - Director (Commercial)**
- **Mr. C. Gangopadhaya - Director (Project)**
- **Mr. N.B. Gupta - Director (Finance)**

MODERATOR: Mr. Kunal Shah – Edelweiss Securities Limited



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Moderator: Good day ladies and gentlemen and a very warm welcome to the conference call of Power Finance Corporation Limited to discuss the financial year FY2018 and Q4 FY2018 Earnings hosted by Edelweiss Securities Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Shah from Edelweiss Securities. Thank you and over to you Sir!

Kunal Shah: Thank you Ali and good afternoon everyone. This is Kunal Shah from Edelweiss. Today we have with us Mr. Rajeev Sharma, Chairman & Managing Director, Mr. N. B. Gupta, Director (Finance), Mr. D Ravi, Director (Commercial), and Mr. C. Gangopadhyay, Director (Projects) from Power Finance Corporation to discuss their financial year FY2018 results. Over to you Sir!

Rajeev Sharma: Thank you very much Kunal. Good afternoon everyone. I welcome you all to this conference call. I called this conference call to share with you PFC’s FY 2017-2018 performance and PFC’s asset quality in the context of new RBI circular on February 12, 2018.

Firstly I will share a few highlights on PFC’s performance. On business growth front, we have shown robust loan growth of 14% in FY 2017-2018, as loan assets grew from Rs.2,45,500 Crores to Rs.2,79,000 Crores. Strong loan growth was due to high disbursement of Rs.64,400 Crores in FY2017-2018. Strong



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disbursements in FY2017-2018 have come from 100% jump in loan refinancing of Rs.13,750 Crores compared to Rs.6,900 Crores last year. This will give impetus to our commissioned loan asset portfolio. Further we saw 260% jump in renewable business of Rs.9,000 Crores compared to Rs.2,500 Crores last year.

In my earlier conference calls, I had indicated that we were looking to diversify our borrowing portfolio. Accordingly, we raised US\$800 million through syndicated loans during December 2017 to March 2018 in addition to US\$400 million raised through green bonds in December 2017. We raised FCNR (B) loans of US\$460 million during December 2017 to March 2018. We also raised Rs.5,000 Crores through a structured deal with LIC at very competitive rate. Also, we refinanced existing external commercial borrowings of US\$450 million in March 2018 reducing the effective cost of interest to PFC. Further, refinancing of another existing ECB of US\$250 million is at final stages and the reduced rate of interest will be effective from June 2018. Repricing of existing ECB of JPY 43,668 million is also being explored. We continue to tap 54 EC bonds on a regular basis for further reduction in cost, which is being issued at a coupon of 5.75% for a period of five years. Based on our efforts to diversify our borrowings and cost reduction measures our average cost of funds reduced by 23 basis points from 8.41% to 8.18%. Our capital adequacy ratio is comfortable at 20% against RBIs requirement of 15%.

On profitability front, our profit in FY2017-2018 has shown a growth of 175% with profit at Rs.5,855 Crores as against Rs.2,126 Crores profit of last year.



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Our spread for the year is 2.77%. We saw a fall in the spread due to competitive pressure and also due to our efforts to tap more commissioned assets, which entails lower spreads. However, we expect to maintain profitability through increased volume of business.

The profit for FY2017-2018 got positively impacted due to provision reversals on upgradation of assets, which is in line with the guidance we shared with you in our earlier conference calls. However, on the other hand, due to additional provisioning on account of applying RBI circular dated February 12, 2018 as a matter of prudence, though it was not applicable to us, our profit got impacted adversely. The adverse impact was due to additional provisioning and income reversal. Based on all these and other normal provisions made, our profit stood at Rs.5,855 Crores.

Let me explain why we have applied RBI circular dated February 12, 2018 though it is not applicable to NBFCs like PFC. We being a consortium lender with banks to most of our stressed assets, we have aligned with our consortium lenders and applied RBI circular of February 12, 2018. As a result of which additional NPAs were declared and related provisioning was made in Q4, hence we have seen a dip in Q4 profit. By applying RBI circular, additional six NPAs were declared in Q4, which amounts to about Rs.12,000 Crores. With all this, NPA ratios for the year stand at –

- gross NPA's with RBI circular of February 12, 2018 - 9.57% and without applying February 12, 2018 RBI circular - 5.28%, which is an improvement from 12.5% of the last year.



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- Net NPAs with RBI circular of February 12, 2018 - 7.39% and without applying February 12, 2018 RBI circular - 3.52%, which improved from 10.32% last year.

With RBI circular our net NPAs increased by 3.87%. Otherwise our actual net NPA is only 3.52% without RBI circular of February 12, 2018, out of which 1.60% belongs to government sector and balance 1.92% belongs to private sector.

Now let me explain our loan asset book. We have a total loan asset portfolio of Rs.2,79,000 Crores out of which government sector loans are Rs.2,28,000 Crores i.e. 82%. Private sector loans are Rs.51,000 Crores i.e. 18%.

Regarding government loan book of Rs.2,28,000 Crores - government sector borrowers are servicing dues regularly. Further we are not envisaging any stress in respect of government sector borrowers. Government NPAs will be almost nil by FY2018-2019 with reversal of Rs.4,600 Crores.

In case of private sector exposure of about Rs.51,000 Crores, Rs.20,000 Crores private sector loans, that are 7% of loan book, are regular in servicing their dues and we see no stress.

Therefore, 89% of our total loan asset book is not having any kind of stress.

Balance private loan assets of Rs.30,750 Crores are stressed for which provisions of Rs.9,524 Crores are already in place i.e. 31% is provided for.

Now I will share with you the revival measures underway for some of the major stressed assets as we have already shared the



revival measures for all the stressed assets in the presentation uploaded on our website.

- GVK Ratle a hydro project, where PFC has an exposure of Rs.817 Crores. Borrower has agreed for a one-time settlement and also started paying the installments and currently we are in the process of executing the settlement agreement,
- DANS Energy and Shiga Energy are hydro projects in Sikkim, where PFC has a total exposure of Rs.1,000 Crores. PPAs for these projects have been signed with Haryana DISCOM now and shortly they will commence power supply, hence these projects are likely to be out of stress.
- South East UP transmission project, where PFC has an exposure of Rs.2,476 Crores, talks are on with UPPTCL(UP Power Transmission Corporation Limited) for project takeover. We do not expect any significant haircut on this account.
- In Rattanindia Nasik project, PFC has an exposure of Rs.3,000 Crores. We are in talks with Government of Maharashtra for project takeover.

Four major thermal power projects are already under bidding for change of management where PFC has an exposure of Rs.6,300 Crores. These projects are:

- GMR Chhattisgarh - where five bidders already submitted non-binding offers. Binding offer documents to be released today.



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- KSK Mahanadi - where 15 expression of interest were received, 13 got qualified and RFP is to be issued for bidding.
- Essar Mahan - where expression of interest is to be floated in a week's time.
- Jhabua Power where expression of interest was floated on May 15, 2018, today is the last date of submission.
- RKM Powergen thermal project with an exposure of Rs.5,000 Crores. Borrowers submitted restructuring plan, which was discussed in the lenders meet. We are likely to finalize the terms of restructuring by the end of June 2018.
- Nine projects are being resolved under NCLT route with exposure of Rs.8,100 Crores. These are under various stages of resolution.

Now let me share with you the business going forward.

- We have signed MoUs with the state sector utilities for about Rs.60,000 Crores.
- Our focus will continue to be on refinancing business to add more commissioned projects to our asset base. Renewable business will also be our focus area. Our high disbursement level of Rs.64,400 Crores is reflection of the changes we made to our policies, products and procedures.
- We will continue to align for better market offerings to capture business.



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Our efforts to diversify borrowings will also continue to reduce our cost of funds. Now, we are open for questions. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

Mahrukh Adajania: Good afternoon Sir. I just wanted to check the status of Lalitpur Power?

Rajeev Sharma: We are not a lender in Lalitpur.

Mahrukh Adajania: My other question is that you mentioned that Government of Maharashtra are discussing for project takeover, is there any precedence of the state governments taking over, does that happen?

Rajeev Sharma: Precedence is not there, but a committee has been constituted by the Principal Secretary Power of Maharashtra. In the meeting, I was also there. This task force has met twice. They have already appointed SBICAP for asset valuation and NTPC for technical due diligence. In the vicinity of Nasik project, there is one Eklahare Project of Maharashtra GENCO, which is 37 years old and they are going to phase out that project. And Nasik is a load center, so they want a project. If they can get cheaper project then the new Greenfield project, it is good for the state government.

Mahrukh Adajania: Sir in all these projects where there is bidding or even in Rattanindia where there is project takeover, what would be the rough haircut?



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Rajeev Sharma: It is very difficult. I am not an astrologer, but definitely haircut will be there. It will vary from project to project depends on the project status.

Mahrukh Adajania: Got it Sir. Thank you.

Moderator: Thank you. The next question is from the line of Amit Rane from Quantum Securities. Please go ahead.

Amit Rane: Thank you for the opportunity. Sir I have one question that is how much is the interest reversal for FY2018 and Q4 FY2018 on account of the slippages?

N. B. Gupta: In Q4 for earlier period we have reversed Rs.265 Crores. We will come back to you for the year.

Amit Rane: Sure Sir and one more question that is on yield on earning assets. It has come down by 64 basis points, so going forward where do we see this number from 10.96% currently?

Rajeev Sharma: We will be able to maintain that.

Amit Rane: Sure Sir. Thank you.

Moderator: Thank you. The next question is from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.

Sangam Iyer: Thank you for the opportunity. Sir I just wanted to understand, you said that you have signed a MoU of Rs.60,000 Crores for refinancing and other things put together, so could you just throw some light in terms of what is the kind of disbursement and loan book growth that we are looking at for the next financial year?



Rajeev Sharma: This year we disbursed Rs.64,400 Crores, so definitely it will be more than that.

Sangam Iyer: Because last time in November-December when we had a call, we had indicated a 10% growth in loan book, we have done pretty well in terms of the loan book growth, so should we see something similar to what we have done this year, what I am trying to understand is, are we now moving towards the growth trajectory coming back?

Rajeev Sharma: Loan growths will be in the range of 10% to 15% because this year it is 14%.

Sangam Iyer: Correct Sir, so should it should be similar to what we did this year?

Rajeev Sharma: We will be able to maintain this between 10% to 15%.

Sangam Iyer: Sir on the provision requirement going forward if you were to look at it, how should one be looking at the overall provisioning given that now the additional stressed private sector is recognized?

Rajeev Sharma: We have made provisions almost for all the stressed projects except two - RKM Powergen, which high court has given us a stay, but we are making a provision, but we have not declared it NPA and another is transmission project in UP -South East transmission. Except these two projects, we have already provided for all the stressed projects and declared NPA also in line with February 12, 2018 circular though it was not applicable to us, so it is a very, very prudent practice, which we are following.

Sangam Iyer: Right Sir, so going forward how should one look at the overall provisioning for us because this year we have taken all the pain in



terms of the NPA being recognized, the provisioning also being done, which to a certain extent got helped through the restructuring reversal. So going forward how should one be looking at the provisioning?

Rajeev Sharma: We have already made 31% provisioning on my stressed assets and if you see next year we are going to have a reversal of around Rs.1,000 Crores of provisioning. The project, which will be commissioned, will be out from NPA or the restructured assets, therefore 3% or 4%, cushion will come from this Rs.1000 Crores also, around 35% to 36% provisioning is already there. We do not feel that we have to make substantial provisioning in the coming years.

Sangam Iyer: Should one be looking at a net figure of around Rs.300 Crores to Rs.400 Crores for the year next year?

Rajeev Sharma: That is very difficult to say right now because in a number of cases we have gone to NCLT. It will depend on the outcome.

Sangam Iyer: Given the commentary that we indicated that the haircut expected is to the extent the provisioning is made, so that is why I was just trying to understand?

Rajeev Sharma: It depends upon the resolution being finalized for different projects. How much will be the haircut we cannot predict it at this juncture.

C.Gangopadhyay: We are now in the middle of these RBI norms, which came in February and as per that this 180 days of window is available for the resolution failing which it will go for NCLT. Now we are in the process of bidding for about four to five projects and some more projects we are taking action. So how this entire thing happens,



we will know, may be, in the next couple of months and by the end of August we will definitely know that how many projects we are able to actually resolve and then we may come to some kind of a conclusion, but today it will be quite difficult to say.

Rajeev Sharma: We are making all sincere efforts to resolve these four to five projects, so that they should not go to NCLT.

Sangam Iyer: Got it Sir. Sir just one more question from my end. Given the way the yields are moving up for the cost of borrowing for us how easy would it be to pass on the cost given the kind of scenario in the sector?

Rajeev Sharma: During the course of the year, we have been able to reduce our cost of funds as I already explained.

N.B. Gupta: But if the borrowing cost go up then definitely we are going to increase our rates also.

Sangam Iyer: Because rupee is also depreciating that is why that is also another worry that we have given the foreign currency exposure moving from 4% to 8% as an overall borrowing?

Rajeev Sharma: More than 60% of our principle is already hedged.

Sangam Iyer: Sir currently what percentage of the loan book would be floating or everything will be floating here?

N.B. Gupta: You are talking about foreign currency loan?

Sangam Iyer: No your loan book.

N.B. Gupta: For loan book we have a reset after three years. In most of the cases, it is a reset after three years only.



Sangam Iyer: When does the next reset come in, to what percentage of the loan book there is a reset coming in terms of the yields?

Rajeev Sharma: We will come back to you. We have to check.

Sangam Iyer: All the best Sir.

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

Bunty Chawla: Thank you Sir. Thank you for giving this opportunity. There is a news article that the PFC's power projects of around 14,000 megawatt might go down into insolvency out of which 3,000 is already NPA and they have already been taken to NCLT, so rest around 10,000 megawatt of around Rs.20,000 Crores can you throw some light on that, is it the private projects or it is NPA already, so can you throw some light on that?

Rajeev Sharma: Roughly 5,975 megawatt and Rs.8,126 Crores project. There are nine projects, which are already lined up for NCLT either they have been admitted or they are being filed with the NCLT.

Bunty Chawla: These Rs.8,126 Crores lined up for NCLT currently these are as NPA on our books or restructured on our books?

Rajeev Sharma: They are NPA already.

Bunty Chawla: Already in NPA, rest around?

Rajeev Sharma: 38% provisioning already against NCLT loans of Rs.8126 Crores. Rs.3,052 Crores already provided.

Bunty Chawla: Sir one more thing, this standard private projects, which is currently Rs.20,000 Crores exposure. Are there any chances to



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become an NPA or turning into restructured, how is the status currently right now?

Rajeev Sharma: They are roughly 7% of my loan book and they are regularly paying. Many of them are commissioned projects and we have refinanced them and some are IPP, which are having good PPAs and making timely repayment.

Bunty Chawla: Lastly my question is if you see the disbursement number during this quarter was around Rs.26,000 Crores out of which private sector has been the huge chunk of it is around Rs.7000 Crores, so can you share to what borrowers or any status on that or any light on that about Rs.7000 Crores?

Rajeev Sharma: Actually this time there is a jump on renewable front refinancing because last year we disbursed around Rs.2500 Crores for renewables, this time we have disbursed around Rs.9000 Crores. Many projects in renewable sector have been refinanced, which means they are already commissioned and there is no risk, timely payments are being made, they are getting payments, they have all PPAs, so risk is very, very less.

Bunty Chawla: Thank you.

Moderator: Thank you. The next question is from the line of Rukun Tarachandani from Kotak Asset Management. Please go ahead.

Rukun Tarachandani: You mentioned that there are four or five projects, which are currently not lined up for NCLT and wherein you have this 180-day period wherein you are trying to find a resolution, what is the total outstanding amount for these four or five projects?



Rajeev Sharma: One is GMR Chhattisgarh (2 x 685 megawatts) where five bidders already submitted non-binding offers. Another is KSK Mahanadi and our exposure is Rs.3,300 Crores. Another project is Essar Mahan where EOI is to be floated in a week's time and our exposure is Rs.1,300 Crores. Another is Jhabua Power where EOI was floated on May 15, 2018 and today is the last date of submission and our exposure is Rs.764 Crores.

Rukun Tarachandani: Understood, so these are the four projects, for which ,currently, you are trying to find resolution?

Rajeev Sharma: RKM Powergen is also there.

Rukun Tarachandani:Can you give us a rough sense on what will be the cumulative provisioning for this because it will get us a sense of what might be the incremental provisioning needed if things do not go our way in the coming quarters?

Rajeev Sharma: All these projects are already NPA. We have already made a provision of 31%, but it is very difficult to say whether we are able resolve it or not. If they go to NCLT, what will happen. It will be difficult to predict at this moment. Further, if we are able to resolve through change of developer, the provision will be reversed. Also, there are good projects like KSK Mahanadi. It is having PPA for four units. Jhabua power is having PPA for 71% capacity, so they are good projects.

Rukun Tarachandani:Understood and can you give us some sense on the margin trajectory, NIM, going forward what is your expectation for the next year?

N.B. Gupta: We expect that we will be in a position to maintain that present level of NIM. This year it was 2.77%.



Rukun Tarachandani: Interest spread was 2.77%

N.B. Gupta: NIM was 3.76%. We expect that we have been in position to maintain the same in the current year also.

Rukun Tarachandani: Okay Sure. Thank you very much.

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

Rohan Mandora: Sir thanks for the opportunity. Sir can you help me understand the movement of gross NPA in private sector during the quarter from Rs.8690 Crores to Rs.21,687 Crores, how much came in due to RBI and how much can slip from the restructured accounts which were already done as of December and what came from outside of these two?

Rajeev Sharma: Because of this February 12, 2018 circular, we have declared KSK Energy, Jhabua power, RattanIndia Amravati Project, RattanIndia Nashik Project, Lanco Amarkantak, Dans Energy, six projects as NPA. Because of this our gross NPA has increased to 9.57%, which was 5.28% without this RBI circular and total amount is Rs.12,000 Crores, for these six projects and Rs.950 Crores of provisioning.

Rohan Mandora: Okay Sir 12,000 came due to the circular and other than that there was 8,000 plus 12,000 is around 20,000 and so there is still gap around Rs.1000 odd Crores and that thing is the normal slippages outside of any restructuring?

Rajeev Sharma: The GMR project which is around Rs.1000 Crores.

N. B. Gupta: The other is from the East Coast which is Rs.1200 Crores. [East Coast became in NPA in Quarter FY 17-18]



Rohan Mandora: Okay so both of these are standard on our books and which we downgraded during the quarter. Sure Sir that is it from my side.

Moderator: Thank you. The next question is from the line of Giriraj Daga from KM Vesaria Family Trust. Please go ahead.

Giriraj Daga: Just wanted to understand, for the incremental disbursement what were the incremental rates we are getting if we are going for the fully safe project? What are the rates we are currently getting?

Rajeev Sharma: Refinancing has been from 9.6% to 11% depends on the project. Average is around 10.25%, 10.3%

Giriraj Daga: 10.25%..Sir could we say that the situation that we are looking at is that the incremental spreads are getting contracted because our incremental rates are about 10.25% while our current yields are about 10.7%?

N. B. Gupta: The cost is 8.7%, you see in the month of March, it was around 8% only. So we should compare that 10.0% with 8% only.

Giriraj Daga: Okay so we expect still 2.4% kind of spread to be maintained?

Rajeev Sharma: Yes.

Giriraj Daga: Okay thanks a lot from my side.

Moderator: Thank you. The next question is from the line of Sudhanshu Totla from Paradise Merchants Private Limited. Please go ahead.

Sudhanshu Totla: Thanks you Sir. Your results are very good, but why the market is not giving the creditability. You are showing an EPS of Rs.22, dividend of Rs.7.80 paisa, even then I think in terms of P/E it is the lowest of all, why it is so?



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Rajeev Sharma: Sir you are also one of the investors you have to try to convince them. It makes me disappointed that in spite of such wonderful, good result, market is not recognizing, but what can I do. I am a government company. I have limited resources and I have limited interactions with the investors.

Sudhanshu Totla: But it seems that there is some creditability gap, they are not having the confidence in the figures of your NPAs or restructure or something like that?

Rajeev Sharma: We are so transparent; I am sharing everything with you in our presentation. This time we have tried to clarify each and every thing so that there is no ambiguity at all. And any time you can approach us, our finance team, we are always open. We are a government company how can we hide or conceal anything.

N. B. Gupta: Kindly see our presentation, which we have uploaded in our website. We have given the status of each and every project.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

Mahrukh Adajania: Sir just wanted to check that the GMR project also which slipped in the quarter which was that?

Rajeev Sharma: In GMR Chhattisgarh actually SDR was invoked and in January it completed 18 months so it became NPA on January 29, 2018.

Mahrukh Adajania: Okay.

Rajeev Sharma: Now it is under bidding process.

Mahrukh Adajania: Yes. Thank you Sir.



Moderator: Thank you. The next question is from the line of Prashant Jain from HDFC Mutual Fund. Please go ahead.

Prashant Jain: Sir my question is what is the difference in the settlement of loan i.e. the NPA resolution process outside the NCLT and in the NCLT and what are the two, three key differences?

Rajeev Sharma: Before going to NCLT, we are trying to resolve. These are some good projects like KSK energy, Jhabua power, KSK, which is having PPA for four units, GMR Chhattisgarh is a good project as it is commissioned. It is super critical unit and are not Chinese unit and it is generating even today. So we are thinking that there will be less haircut if we are able to resolve before going to NCLT. We are making all sincere effort to resolve these four, five projects RKM, KSK energy, Jhabua, GMR Chhattisgarh before NCLT because after August 31, 2018 all the project have to go to NCLT, we do not have any other option. So we are making all sincere efforts along with other lenders to resolve these projects.

Prashant Jain: I appreciate that and I understand but my question was that what are the key differences in the process of resolution outside NCLT and NCLT? I mean effectively why should one be successful if the other one is unsuccessful?

C.Gangopadhyay: You see these are actually different phases of resolution. The phase I is that the lenders try themselves within the consortium to resolve and have that win-win situation, which may be more rewarding in terms of haircuts etc., so therefore if the Phase I is successful it does not go to NCLT. NCLT is again a statutory process therefore when you enter...

Prashant Jain: I appreciate that. My question is when you are trying to do a management change outside the NCLT, there again you will call



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for expression of interest then you call for bidding and all that. So broadly the NCLT process is also same, so I mean if it fails, what can make it fail outside, which under NCLT can be successful, what are those factors?

C.Gangopadhyay: If you see the RBI circular in February, you must have seen that the Phase I i.e. where the lenders are trying for resolution outside the NCLT is more flexible. There can be a resolution of three- four types. One is that I can pursue with the borrower to make the payments, number two is that we can go for some kind of restructuring scheme, number three there could be change in management so there are various options available there. Change of management is only one option out of the four. However when it goes to NCLT, the change of management is inevitable, so therefore in terms of flexibility if you talk in terms of flexibility of restructuring, NCLT will obviously be restricted in terms of only one option. Whereas outside NCLT, within that 180 days window available, I have some kind of flexibility. I can try my hand for change of promoter or do a restructuring without the change of promoter also and whichever in terms of being more rewarding. So therefore flexibility is more and therefore attempt of the lenders, the first attempt of the consortium is always to have a resolution within that framework of 180 days failing which it goes to NCLT. NCLT has got pros and cons. As I said it is a statutory process and the time limit of course is given. Nowadays time limit is given for both phases, but in NCLT there will be claims for all the stakeholders and therefore ultimately a resolution will be found if at all a resolution is found and since there is a time limit and since all these liabilities are disclosed so therefore under NCLT as lenders we feel that, the amount of haircut that we have



to take perhaps will be more than in the first phase where there is some amount of flexibility available with us.

Prashant Jain: Understood and Sir one second question for me that these projects the four major thermal projects and a few others where you are trying to resolve them outside the NCLT, what is the debt level for megawatt broadly Sir? And second related question is you mentioned you are getting 5 EOs and 15 EOs for different projects, what are the types of companies that are expressing interest without taking names, if you could give some sense Sir?

Rajeev Sharma: Actually per megawatt cost is around, more than Rs.8 Crores per megawatt, Rs.7 Crores to Rs.8 Crores you can say and type of investors are IL&FS, Torrent Power, Adani, JSW and some funds are also there.

Prashant Jain: And Sir what is the cost of a new comparable power plant nowadays I mean if one were to set up?

Rajeev Sharma: I think super critical will be seven even NTPC is setting up plants at - Rs.7.5 Crores per megawatt Rs.7 Crores to Rs.7.5 Crores per megawatt

Prashant Jain: So broadly the debt is close to the current replacement cost? Broadly?

Rajeev Sharma: Yes.

Prashant Jain: Okay. Thank you Sir.

Moderator: Thank you. The next question is from the line of Abhishek Saraf from Deutsche Bank. Please go ahead.



Abhishek Saraf: Just one question on this interest reversal. So going forward, because this quarter NIM has been depressed, means declined due, to the interest reversal so how do you see it panning out for the coming year? And also in the same regards on slide #23 you have broken down the private sectors loan and it is Rs.4125 Crores of standard but stressed so which is roughly 13% of the private sector stress so what is this loan and to whom has this been given to and can this lead to some interest reversal in the coming year?

Rajeev Sharma: RKM Powergen where we have Rs.5,000 Crores exposure - Rs.1,000 Crores is already standard and another Southeast transmission Rs.2,500 Crores. These two projects are there.

Abhishek Saraf: Sir just on the margin thing. I missed earlier question I think somebody asked on the margin so if you can share your assessment of the margin going forward so do you expect that interest reversal which were big this year could probably drop out next year?

Rajeev Sharma: Our interest spreads this year 2.77% and we are hopeful to maintain this and quarter is also 2.65%, so we will be maintaining almost that, but volume is also increasing in business.

N. B. Gupta: See most of the assets have already been categorized as NPA and we are not accounting for any income on these assets so we are not expecting any reversal at least now in coming days.

Abhishek Saraf: Okay Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Nilanjan Karfa from Jefferies. Please go ahead.



Nilanjan Karfa: I am just looking at the slide 26, where we talk of roughly 8100 megawatt of capacity right. In many of these cases you are suggesting there is a management change underway just want to understand... is it management change or promoter change? And if it is management change how is the payment structure going to change?

PFC Executive: No change of promoters. I think we are using that synonymously.

Nilanjan Karfa: Okay because changing on management does not change the character of the project or financial status of the project?

N. B. Gupta: Promoters.

Nilanjan Karfa: It should be promoters right Sir?

Rajeev Sharma: Yes.

Nilanjan Karfa: Okay and similarly in the next one specifically RMK Powergen if you are restructuring, we would have to classify as NPA or we do not have to?

Rajeev Sharma: Actually high court has given us a stay. There is some stay from high court that we cannot declare it NPA, but we are providing in this, RKM, already i.e.10%.

Nilanjan Karfa: Right okay, thank you.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal Securities Ltd. Please go ahead.

Dhruv Muchhal: Sir just to understand the NCLT process. So for instance our plan goes in NCLT and there is not much of interest like it happened for Lanco and it eventually goes to liquidation, so do the existing



contracts just get expired, existing PPAs expire and so the value of the asset will depreciate like anything? Or is it not the case?

C.Gangopadhyay: See at the moment, we cannot really expand on this idea because other than Lanco case we do not have other examples, so far. Because most of the cases we are now trying to do some kind of resolution and may be in next three months the situation will become clearer. The Lanco example that you gave is to be seen in a different light because LITL was not really a power project. It is basically a contractor, EPC contractor and developer of power projects but we are talking in terms of actual power projects. So when the actual power projects will start and some of these will go to NCLT, there will be investors for such projects and there will be lot of interest in the market. I mean at this point of time we can only say this.

Dhruv Muchhal: Okay. But is there is a sense that if it goes into liquidation, do the contracts expire and that is why it is best to do get it done before the NCLT process starts?

Rajeev Sharma: I could not get the question exactly?

Dhruv Muchhal: The point is if it goes into the liquidation, if the process goes into liquidation do the existing contract expire and that is the reason we preferred to get it done before the NCLT because there is no interest in NCLT the project will go into liquidation and the contracts will expire?

C.Gangopadhyay: Well this also cannot be answered, at this point of time because generally in the PPA, there is an enabling provision and in case it goes to NCLT, the PPAs may get cancelled also but it is not a certain thing. In certain cases, the PPA may also stay it depends on the buyer and seller basically. If the PPA, is quite rewarding to



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the Discom I do not think there is any reason for the Discom to cancel the PPA and simply because the management is changing. So in years to come these issues will get resolved, you will come to know and in any case all these projects they have a viability criteria and if they meet those viability criteria, they can always generate power.

Dhruv Muchhal: Sure Sir and secondly you said August 31, 2018 is the date before which all these will go into NCLT. So why is that August 31, 2018, I mean how is that coming out?

Rajeev Sharma: Because February 12, 2018 circular says that all accounts more than Rs.2000 Crores should be resolved within 180 days from March 1, 2018 or go to NCLT. No other option is available.

C.Gangopadhyay: Except in those cases where the assets become NPA after March 1, 2018 then it will be counted from that day onwards.

Dhruv Muchhal: Okay Sure. Thank you so much. Thank you.

Moderator: Thank you. The next question is from the line of Gaurav Jhavar from Systematix Shares & Stock. Please go ahead.

Gaurav Jhavar: Thanks for the opportunity and congratulations for the good results Sir. My question is that since RBI circular is not applicable to us then what amount of profit would have been without RBI circular? If it is not applied RBI circular then what amount of profit would be there?

N.B.Gupta: We have made provision of Rs.950 Crores, we have declared around Rs.12000 Crores of assets as NPA due to this RBI circular, had it not been done the provision of Rs.950 Crores



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which we have made it would not have been there. So my profit would have gone up by Rs.1000 and some income reversals also.

Gaurav Jhawar: That means PAT would have been around close to Rs.1800 Crores?

Rajeev Sharma: See that reversal figures I do not have right now but it should have been more than Rs.7000 Crores. Definitely more than Rs.7000 Crores. I am not giving the exact numbers we have to see the reversal.

Gaurav Jhawar: Reversal is Rs.950 Crores so it definitely will be more than Rs.7000 Crores?

Rajeev Sharma: More than Rs.7000 Crores.

Gaurav Jhawar: Sir since you said that being a government company you do not have the resources, so much of resources, to meet the investors so being a listed company you can always meet the investors?

Rajeev Sharma: On a lighter side, but like a private company I do not interact so much with the investors.

Gaurav Jhawar: Who stops you from meeting the investors actually, I think you should do it.

Rajeev Sharma: We are meeting on May 31, 2018 in Mumbai.

Gaurav Jhawar: Thanks a lot Sir.

Rajeev Sharma: Thank you very much.

Moderator: Thank you. The next question is from the line of Prashant Jain from HDFC Mutual Fund. Please go ahead.



Prashant Jain: Sir my question is this new power bill which is likely to be introduced in the monsoon session? What are the key provisions there, what are the implications and do you think this will become reality I mean on paper it looks too good and...?

Rajeev Sharma: Frankly speaking I am not clear about this, Ministry has not yet sought our comment. So I cannot comment. May be state utilities must have been asked their views, must have given their views. We are not very clear.

Prashant Jain: Okay Sir. Thank you.

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

Bunty Chawla: Just one data point as you said these are going under NCLT and few are already gone under NCLT and you have a provision coverage of around 31%-32% so should we understand that these provision have to be moved to 50% as RBI has told for the banks those who are under NCLT?

Rajeev Sharma: For these projects there is no guidance from the RBI, so at this juncture we cannot say. There is one for initial projects, initial 12 projects, which were under IBC. For us it is not there but 38% provisioning is already there,

N.B.Gupta: RBI 12 February circular very clearly says that the RBI issued instructions for the excess provision on NCLT cases will be limited to only those projects not for any new projects. And for NCLT cases we have made provision of around 38%.

Bunty Chawla: Okay so there is no rule to be increased to 50% as such. Okay thank you very much.



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Moderator: Thank you. Due to time constraints we will take the last question from the line of Siddharth Mehta, Individual Investor. Please go ahead.

Siddharth Mehta: First of all I want to thank you guys for making the efforts because I know that you all must be making sincere efforts to try and resolve the cases before they go into NCLT, which is never an easy task so I appreciate the management's work here. My question is related to the wind power projects going forward, will you be funding these projects going forward and do you see them as viable projects over there next one or two years, three years, four years?

Rajeev Sharma: Today was my board meeting, where we have approved one refinancing project of Rs.1,000 Cores. In my Rs.9,000 Crores disbursal last year, many wind projects and solar projects were there which we have refinanced and from major good groups Continuum, Mytrah. So we are always on the look out for good projects in renewable space.

Siddharth Mehta: All right and one question which is very similar to the question asked by the earlier gentlemen and that is the provisioning that you are saying 38% for NCLT cases and roughly 30% for non-NCLT?

Rajeev Sharma: 31%.

Siddharth Mehta: 31% is for NCLT?

Rajeev Sharma: No all for total.

Siddharth Mehta: Total is 31% and NCLT cases are 38% provision.

Rajeev Sharma: Yes.



Siddharth Mehta: So has there been any experience for you as to what percentage of the haircut is likely when the companies are going into NCLT and not going into NCLT..?

Rajeev Sharma: These are at various stages and it varies from project to projects in power sector. Every project is complicated project in itself, so it is very difficult to assess frankly speaking.

Siddharth Mehta: So on average you feel that 38% is approximately the right number?

Rajeev Sharma: I cannot say that also.

C.Gangopadhyay: Another thing is we must you tell you that we are getting a lot of interest in the projects where we are going for bidding. So therefore the market is taking a lot of interest and therefore we believe that situation is not really as gloomy as it was thought to be earlier. That is why there is lot of interest in power projects in the market.

Siddharth Mehta: Okay last question and this relates to, as you know which is not your industry, but a lot of the public sector banks have been coming up with NPAs quarter after quarter and every quarter they tell us now the worst is over, so what is your feeling. Is it that we have finally reached a stage where the worst is actually over or there is always something that is unpredictable and management is doing its best but then nobody can predict anything. Are we there or we have finally at that stage where we have some level of confidence?

Rajeev Sharma: I cannot talk about banks. I can talk about PFC where our exposure to government sector is 82% out of Rs.2,80,000 Crores and 7% private sectors is also there is no stress, so 89% of my



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loan book is very safe. So I am fully confident that on 89% there are no issues and 11% there are some issues. But out of those 11% projects also some are having good PPA, some are having FSA also and we are making sincere efforts with the support of state government, Ministry of Power, Ministry of Finance. But it is very difficult in the democratic society to find a resolution because a small lender who is having exposure of Rs.10 Crores, Rs.20 Crores he can block resolution process and in some projects, there are as many as 27 lenders so you will appreciate when the joint lender forum has been abolished by RBI so how to reach a consensus among these lenders is a difficult job and only we have declared all stressed projects has NPA asset, except four projects RKM, Shiigapower is hydro project and a transmission project in UP and Haldia project in West Bengal.

Siddharth Mehta: All right Sir. Good luck to yourself and your entire team in resolving these issues in the coming year.

Rajeev Sharma: We are sincerely resolving with the support of investors.

Siddharth Mehta: Well we can...

Rajeev Sharma: Investors like you keep on encouraging and inspiring us. Thank you so much.

Siddharth Mehta: Thank you.

Moderator: That is the last question. I will now hand the conference over to Mr. Kunal Shah for closing comments.

Kunal Shah: Thank you to the entire top management team of Power Finance Corporation for patiently answering all the questions and also sharing such a detailed project wise disclosure and thank you all



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the participants for being on the call. Thank you and have a good day.

Rajeev Sharma: Thank you very much Mr. Kunal and thank you to all the investors. Thank you very much for guiding us in the growth of the company. Thank you.

Moderator: Thank you Ladies and Gentlemen on behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.
