



पावर फाइनेंस कॉर्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)

- **“Power Finance Corporation Limited Q4 & FY16-17 Conference Call”**

May 30, 2017



पावर फाइनेंस कॉर्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)



- **MANAGEMENT**
- **TEAM OF POWER FINANCE CORPORATION LIMITED:**
- - **MR. RAJEEV SHARMA – CHAIRMAN & MANAGING DIRECTOR,**
 - **MR. R. NAGARAJAN – DIRECTOR (FINANCE)**
 - **MR. D. RAVI – DIRECTOR (COMMERCIAL)**
 - **MR. C. GANGOPADHYAY-DIRECTOR(PROJECTS)**
- **MODERATOR: MR. R. SREESANKAR – PRABHUDAS LILLADHER PVT. LIMITED**

- **Mr. R. Shree Shankar – Prabhudas Lilladhar Private Limited**

- Good morning, ladies and gentlemen. You are welcome to, all to the year ended March 31st, 2017 results conference call from Prabhudas Lilladhar. We have with us representing Power Finance Corporation, Mr. Rajeev Sharma, Chairman and Managing Director, Mr. Nagarajan, Director Finance, Mr. Ravi, Director Commercial and Mr. C. Gangopadhyay, Director Projects. Welcome, gentlemen, to the conference call and thank you very much for being on the call. Now I hand you over to Mr. Rajeev Sharma, Chairman and Managing Director. Over to you, sir.

- **Mr. Rajeev Sharma**

- Good afternoon, everyone. I welcome you all to this conference call on our financial results for the quarter and year ended 31st March, 2017.
- First of all, I will share with you the reasons for our profits and other financial parameters being subdued during Q4 of FY 2016-17 and FY 2016-17.
- PFC has been applying RBI restructuring norms on new generation loans sanctioned with effect from 1st April 2015. However, for generation loans sanctioned before 1st April 2015, PFC has been applying Ministry of Power, Government of India approved restructuring norms.
- However, after various correspondences and after receipt of RBI directions on 11th April 2017 regarding restructuring norms we decided to align with RBI restructuring norms retrospectively with effect from 1st April 2015. As a result our profit and other financials have been adversely affected, this quarter and year.
- Due to realignment to RBI norms, around Rs. 59,000 crores of loan assets got downgraded of which Rs. 36,000 crores got downgraded to restructured and Rs.23,300 crores to NPAs. The total impact on profit on account of this is Rs. 3,786 crores.

- All the loan assets of Rs. 59,000 crores that got affected
 - (1) Belong to State Government or Central Sector-Public Sector Undertakings (PSUs) and are generation projects.
 - (2) All government sector borrowers are servicing our dues regularly with recovery rate of 100% in FY 2016-17 that is there were no dues as on 31st March 2017 (*except Rs. 4 crores of Meghalaya dues which got cleared after 31st March 2017*).

- Now I will detail the accounts that got impacted due to RBI norms.

- Firstly, downgrade of loan assets to restructured with 4.25% provisioning,

~Rs. 36,000 crores assets were downgraded from standard to restructured having a negative impact of Rs. 1,404 crores on profit, of these restructured assets:-

 - 58% or Rs. 20,890 crores are already commissioned and will reverse in FY 18-19.
 - 31% or Rs. 11,165 crores are scheduled to commission in FY 17-18.
 - 10% or Rs. 3670 crores scheduled to commission in FY 18-19.
 - 1% or Rs. 270 crores scheduled to commission in FY 19-20.

- Like I said that, all restructured assets are of State Government or Central Power PSUs and all the loans are being serviced regularly, (that is 100% recovery rate).

- Secondly, downgrade of loan assets to NPAs with 10% provisioning

~Rs. 23,300 crores loan assets have been downgraded to NPAs having a negative impact of Rs. 2,382 crores on profit of these NPAs.

- All projects are State Government owned generation projects and are having fuel supply agreement (FSAs) and power purchase agreement (PPAs) and are also being serviced regularly with 100% recovery.
 - 79% or Rs. 18,504 crores will get an upgrade in FY 2017-18, of which
 - 68% or Rs. 15,883 crores COD has already been achieved.
 - 2% or Rs. 525 crores COD to be achieved.
 - 9% or Rs. 2,096 crores to be achieved and will upgrade to restructured category.
 - 19% or Rs. 4,494 crores will upgrade to standard in FY 2018-19.
 - 1% or Rs. 312 crores will upgrade to standard in FY 2019-20.

- We do not see any stress in these loan assets of Rs. 59,000 crores affected due to RBI norms and they are likely to turn standard over next few years. 80% of NPAs are likely to get upgrade in current year itself i.e. 2017-18.
- Further, as per track record of Power Finance Corporation, Government borrowers have never been declared NPA (except Sikkim Power which is standard now and Ratnagiri which is a joint venture of NPPC and Gas Authority of India Limited).
- Other factors that impacted profit this year are
 - Reversal of income of standard assets by Rs. 413 crores of RKM Powergen.
 - Additional tax incidents of Rs. 225 crores due to UDAY prepayments.
- Without these 2 items and RBI impact, our profit would have been ~Rs. 6,400 crores.
- I also want to highlight here that though we have retrospectively applied RBI norms on private sector generation projects also with effect from 01.04.2015.No private account has been downgraded. This is because we have been following RBI norms largely due to consortium funding of private generation projects.
- Now I will talk about our asset quality without RBI impact, without RBI impact.
- Without RBI impact, in fact during the year 2016-17, we have actually decreased our NPAs.
 - 4 loan accounts of ~Rs. 920 crores got upgraded to standard category. (Alakhnanda Hydro - 560 crores, R.S. India-230 crores, Sikkim Power Development- 97 crores, Aston Field- 32 crores).
 - Only 1 generation loan asset of Rs. 442 crores has been downgraded to NPA (Ind Bharat Madras).

With all this, NPAs ratios for the year 2016-17 stand at

	With RBI impact	Without RBI impact
Gross NPAs	12.50%	3.01%(improved from 3.15% last year)
Net NPAs	10.55%.	1.68%(improved from 2.55% last year)

- As far as balance restructured book is concerned other than ones impacted due to RBI norms is about Rs.19,500 crores.

- 26% or Rs.5,000 crores have already got commissioned, Rs4,500 crores will be reversed in 2017-18 and Rs.500 crores in 2018-19.
 - 70% or Rs. 13,500 crores of this restructured book is scheduled COD in the year 2017-18 itself.
 - All these restructured book of Rs. 19,500 crores is private sector.
- Now I will talk about our other financials. Despite sectoral challenges we have shown strong business growth during the year 2016-17, reflected in
 - Our loan sanctioned growth by 55% to Rs. 100,603 crores from 65,042 crores.
 - Disbursement growth by 35% to Rs. 62,798 crores from Rs. 46,588 crores.
- Further, despite UDAY pre payments of Rs. 28,400 during the year we have increased our disbursement to show a positive loan asset growth.
 - Loan assets increased by 3% to Rs. 2,45,525 crores from Rs. 2,38,920 crores.
- Without considering RBI impact we were also able to maintain interest spread at a healthy level of 3.00% and net interest margin of 4.54% for the year.
- As regards resource mobilization
 - We raised about ~ Rs.66, 800 crores during the year, the marginal cost was 7.47%.
- Our capital adequacy ratio is comfortable at 19.28% with Tier 1 capital of 16.20% against the RBI requirement of 15% and 10% for Tier 1 capital respectively.
- Government in its union budget has made a provision to allow Other Companies also to raise 54EC capital gain bonds. We have already made representation to Ministry of Finance, through Ministry of Power and we are optimistic that we will get this dispensation, which is likely to help us in reducing our cost of funds during the year 2017-18.
- Business going forward - We have identified new avenues / business segments and modified our product offering to capture more markets share so as to maintain business growth; we intend to maintain growth in disbursements in the current year 2017-18 also.

- Increased focus on renewable funding
 - As per estimates next 4 to 5 years power sector needs roughly Rs.15 Lacs crores investment out of which significant investment is required in renewables.
 - Renewables capacity of 175 GW by 2022 is Government of India's mission.
 - PFC has already taken measures like offering competitive terms (including lower interest rates) and revised policies to attract more renewable business.
- We are offering attractive terms for debt re-financing / commissioned projects for quick disbursements.
- We are also aggressively targeting transmission and distribution business including capturing counterpart funding business from Government of India's schemes like Integrated Power Development Scheme(IPDS) and Deendayal Upadhyay Gram Jyoti Yojana(DDUGJY).
- 24/7 Power for All envisages, investment of roughly Rs. 12 Lacs crores by State and Union Territories-
 - PFC intends to capture major part of this business,
 - Also intends to re-finance their existing loans from banks and other financial institutions.
- Additionally, our outstanding loan sanctions are Rs. 1.5 Lacs crores
 - Which is ~2.5 times of our annual disbursement,
 - Indicates our strong business pipeline going forward.

Thank you very much, now we can have question-answer session.

- **Moderator**
- Thank you. Ladies and gentlemen, we will now begin with the question-answer session. Anyone who wishes to ask a question you may press star and one on your touch tone telephone. If you wish to remove yourself from the question queue you may press star and 2. Participants are requested to use handsets while asking your questions.
- We take the first question from Dhaval Gada of Sundaram Mutual Funds. Please go ahead.
- **Mr. Dhaval Gada – Sundaram Mutual Funds**
- Hi, sir, I just missed some part of your initial comments. If you could clarify, also firstly, sir, on Slide 2, the 23,309 crores, how much did you say is related to government, state or centre?
- **Mr.Rajeev Sharma**
- All are Government, 100% Government owned Companies.
- **Mr. Dhaval Gada – Sundaram Mutual Funds**
- Okay, and so total, sir, what was the slippage during the quarter for us addition to gross NPA, how much was the addition?
- **Mr.Rajeev Sharma**
- Out of Rs. 23,309 crores. Let me clarify that this year our gross NPA was 3.01%. Last year was 3.15% which has improved to 3.01% without RBI impact. And our net NPA has improved to 1.68% which was 2.55% last year. But if you take with RBI impact our gross NPA becomes 12.50% and net NPA becomes 10.55%.
- **Mr. Dhaval Gada – Sundaram Mutual Funds**
- No, sir, that part I understand.
- **Mr.Rajeev Sharma**
- We have added NPAs of 23,300 crores, if you want I can tell you the projects also, name of projects.

- **Mr. Dhaval Gada – Sundaram Mutual Funds**
- If you could highlight the top five that would give some colour of size and quantum and what one should monitor.
- **Mr.Rajeev Sharma**
- One is Marwa Thermal Power Project Unit, 1 and 2, 2x500 megawatt in Chhattisgarh which is already commissioned in July 2016. And will become standard on 15th of October 2017. Another is Malwa Thermal Power Project 2x500 megawatt. COD already achieved on 28th December 2014. And will become standard on 15th of July 2017.
- **Mr. Dhaval Gada – Sundaram Mutual Funds**
- Sir, the quantum for these two was, if you could also highlight the quantum.
- **Mr.Rajeev Sharma**
- One was Rs.7,112 crores which is already commissioned and will be upgraded on 15th October 2017, another one Malwa TPS is Rs 5,794 crores which was commissioned on 28th December 2014. It will be upgraded on 15th July 2017.
- Other MP Genco loans because of borrower wise classification it is Rs.5,074 crores. That will also be upgraded along with these projects, Malwa.
- **Mr. Dhaval Gada – Sundaram Mutual Fund**
- So, what is the name?, I missed it.
- **Mr.Rajeev Sharma**
- These are different loans but they are of Madhya Pradesh Genco.
- **Mr. Dhaval Gada – Sundaram Mutual Fund**
- Okay, okay, got it.
- **Mr.Rajeev Sharma**
- One is in Chhattisgarh. Two projects are in Chhattisgarh and others are in Madhya Pradesh.

- **Mr. Dhaval Gada – Sundaram Mutual Fund**
- Got it, got it. So, these three put together would be roughly close to 18,000 crores, 17½ to 18,000 crores.
- **Mr.Rajeev Sharma**
- Roughly 18,000 crores.
- **Mr. Dhaval Gada – Sundaram Mutual Fund**
- Got it and sir, okay. In terms of any other RKM etc, we have taken this quarter, sir.
- **Mr.Rajeev Sharma**
- RKM we have reversed income of Rs.413 crores income has been reserved. So, it is a standard asset
- **Mr. Dhaval Gada – Sundaram Mutual Fund**
- It's still a standard asset. Okay, okay. I think our exposure to that one was about 5,000 crore.
- **Mr. Nagarajan**
- Approximately 5,000 crore.
- **Mr.Rajeev Sharma**
- Roughly 5,000 crore. But there is a bright side. First unit is already supplying power to UP, they have a power purchase agreement and second unit is likely to be commissioned soon and they will also start generating power.
- **Mr. Dhaval Gada – Sundaram Mutual Fund**
- Okay, and sir, apart from that in general I mean the other exposure that we had. So, I mean of the private exposures where, I mean how much do you think more slip that we have currently. I am just trying to understand what is still there which can slip. I mean, we in the past at least we, I mean from the disbursement data we see that we had exposure to KSK and all, so I just wanted to get some colour on that one.

- **Mr. Rajeev Sharma**

- It will be difficult to tell about future but whatever provisions were required for private sector, we were meeting 100% already. Because all these funding is in consortium with banks. So, we were following RBI norms almost strictly in line of other consortium partners. And that on that part I can just say that for private sector projects also things are improving now, things are getting brighter. Because UP requires more power, so some PPAs are happening now. So, things will be better now onwards. Because coal linkage policy has also been approved by the Cabinet recently. And the states discoms will be coming up with bids which are already having PPAs will get coal linkages. They will be awarded by district discoms. So, that policy is in place now which was not there earlier. So, things are getting streamlined and better now.

- **Mr. Dhaval Gada – Sundaram Mutual Fund**

- Right, right. Sir, just last two things from my side. One is of the 35,995 which is on slide 2 which is the standard asset to restructure. Basically what is, currently you know, so, how much is private which can, in the restructured book, and which can get slip. I mean, what is the sort of number that one should look at?

- **Mr. Rajeev Sharma**

- All are government sector projects. If you want, I can name them. One is Nabinagar Thermal Power Project, which is a joint venture of railways and NTPC and amount is of Rs. 2,976 crores which will be commissioned in 2017-18. Another one is Barauni Thermal Power Project of Bihar Genco, 2*250 megawatt Rs.2,522 crores exposure. And it will also be commissioned in '17-18. Another project is Suratgarh Thermal Power Project, it is of Rajasthan Rajya Vidyut Utpadan Nigam Ltd. and again a Government Genco amount of Rs. 3,798 crore. It will also be commissioned in '17-18.
- And another one is Ramgarh Gas Project, it is about Rs.211 crores, will be commissioned this year itself. Pallivasal Extension Scheme 2*30 megawatt Kerala State Electricity Board, 191 crores, will be commissioned this year itself. Another Ennore Extension TPS of Tamil Nadu Genco 1*600 megawatt of Rs. 1467 crores. It will also be commissioned this year. Just to give you a flavour. All 100% government projects. So, out of this 58% or you can say 20,890 crores are already commissioned and will reverse in the FY 2018-19.

- **Mr. Dhaval Gada – Sundaram Mutual Fund**
- Right, got it. Sir, just last thing from my side then. On this, so, one thing which we observed is large part of our disbursement this year has come from short term loans, buyers' line of credit etc. Just wanted to understand yield that we are making on this, on this portfolio, sir. Thanks.
- **Mr. Rajeev Sharma**
- 10.5% roughly.
- **Mr. Dhaval Gada – Sundaram Mutual Fund**
- Okay, sir, thank you so much for all the disclosure.
- **Mr. Rajeev Sharma**
- Thank you very much.
- **Moderator**
- Thank you. Before we take the next question, a reminder to all the participants. Please limit your questions to 2 per participant. Next question is from the line of Anand Ladda from HDFC Mutual Fund. Please go ahead.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- Sir, can you just give what is total interest reversal this quarter?
- **Mr. Rajeev Sharma**
- 940 crores.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- Okay. Of this 527 crore is on the NPA which has happened this quarter and 413 is on the?
- **Mr. Rajeev Sharma**
- RKM.

- **Mr. Anand Ladda – HDFC Mutual Fund**
- Okay. Sir, you mentioned that some private sector account which stepped into NPA this quarter also.
- **Mr. Rajeev Sharma**
- Ind Bharat Power (Madras) Ltd.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- Okay, what was our exposure to that, sir?
- **Mr. Rajeev Sharma**
- 442 crores.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- And sir, what could be, and then there would be interest reversal on this exposure also, sir.
- **Mr. Nagarajan**
- Around Rs. 30 crores income was reversed.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- Sir, if I look at the Q on Q basis as compared to Q3 to Q4, the interest income has declined almost by 1400 crore rupees. Of the same 900 crores or 950 crores is due to interest reversal. Sir, is this balance due to reduction in lending rate or?
- **Mr. Nagarajan**
- Can you repeat the numbers, please?
- **Mr. Anand Ladda – HDFC Mutual Fund**
- If you look at Q3 over Q4 the interest income has declined by 1400 crores rupees. So, Q3 our interest income of 6900 crores rupees, Q4 with 5500 crore rupees. Out of 1400 crores declined sequentially, 950 crores pertains to interest reversal and balance is it fair to assume that balance fall in reduction is due to lending yield.

- **Mr. Nagarajan**
- Anand, we will come back to you after checking the accounts.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- Okay, fine, sir. And sir, you also mentioned there is some upgradation in the private sector exposure this quarter. What could be the quantum of those exposures, sir?
- **Mr. Rajeev Sharma**
- 4 loan accounts roughly of 920 crores got upgraded to standard. One is Alakhnanda Hydro, 560 crores. RS India 230 crores, it's a wind project in Maharashtra and Sikkim Power Project, 97 crores and another one is Aston Field 32 crores, it's a solar power project, Gujarat.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- Okay, this all got upgraded this quarter.
- **Mr. Rajeev Sharma**
- Yes.
- **Mr. Nagarajan**
- Some were in the previous quarter and some in the current quarter.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- Sir, on the RKM we reversed interest for one quarter or for six months?
- **Mr. Nagarajan**
- No, almost full year we have reserved the income 416 crores.
- **Mr. Rajeev Sharma**
- 413 crores.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- Okay, sir, thank you sir. That's all from my side.

- **Mr. Rajeev Sharma**
- Thank you very much.
- **Mr. Nagarajan**
- Anand, we will come back with numbers of 1400.
- **Mr. Anand Ladda – HDFC Mutual Fund**
- Right sir, right.
- **Moderator**
- Thank you. We take the next question from the line of Kunal Shah from Edelweiss Securities. Please go ahead.
- **Mr. Kunal Shah – Edelweiss Securities**
- Sir, again in terms of interest income reversal. Sir, how should we look at in terms of the outstanding GNPA's which are there of 30,000 crores? So, was this 527 crores on 23,000 crore of an account, this is for the full year ?
- **Mr. Nagarajan**
- No, no, see, as our CMD has explained to you, we have acquired 100% of the dues payable by them. We have got quarterly repayment schedule April, July, October and January. So, last interest payment was 15th January. So, we have acquired interest upto 14th January. So, from 15th January to 31st January, normally if it is a standard asset we would have provided the accrual basis. Because of the fact these accounts have become NPA we have provided on the cash basis. So, whatever accrual income has to come from 14th January to 31st March, we have not provided that we have reversed. So, as and when this is upgraded this benefit will get in the concerned quarter like CMD has told some accounts will be upgraded second quarter and third quarter. So, at that time it will become cash accounting plus 75 days accrual accounting, that benefit we will get in the second quarter as well as in the third quarter as and when upgradation takes place.
- **Mr. Kunal Shah – Edelweiss Securities**
- Yeah, but so to that extent in terms of the impact on the interest income reversal since 100% is the recovery rate. So, when I look at the full year FY'18 on this 30,000

- odd or say incremental growth of 23,000 crore of an NPA, there shouldn't be any major reversal.
- **Mr. Nagarajan**
 - Yes, because 100% will be coming, you know.
 - **Mr. Kunal Shah – Edelweiss Securities**
 - Yeah, so 100%...
 - **Mr. Nagarajan**
 - Cash accounting 15th April will come. So, if it is upgradation we will get 75 days direct benefit in this financial year, which we have lost in the previous financial year.
 - **Mr. Kunal Shah – Edelweiss Securities**
 - Yeah, and there are no accounts wherein even we are not receiving the cash. So, if you are following, shifting from accrual to cash then there is no differentiation, there is no account variation.
 - **Mr. Nagarajan**
 - This year we will not have any differentiation but as and when there is upgradation we will get the benefit of 75 days in this financial year. Whatever I lost in FY'17, I will get the benefit in FY'18 once it is upgraded. Because then it will get convert into accrual accounting.
 - **Mr. Kunal Shah – Edelweiss Securities**
 - Okay, and overall in terms of restructured pull so, you highlighted 36,000 crores out of which may be 31% will get commissioned in '18. So, I think broadly 45- 50% would be taken care of by FY'20. But how should we look at the balance which is there of '16-17 may be in terms of the exposure also you gave.
 - **Mr. Rajeev Sharma**
 - I will give you the break up, 58% or roughly 20,890 crores are already commissioned and will reverse in FY 2018-19.

- **Mr. Kunal Shah – Edelweiss Securities**
- Okay, 58%.
- **Mr. Rajeev Sharma**
- Yes, sir. 31% or Rs. 11,165 crores scheduled to be commissioned during 2017-18. 10% or Rs. 3,670 crores scheduled to be commissioned in '18-19.
- **Mr. Kunal Shah – Edelweiss Securities**
- Yeah, okay. So, broadly larger part of it has been taken care of.
- **Mr. Rajeev Sharma**
- Yeah.
- **Mr. Kunal Shah – Edelweiss Securities**
- Okay, and in terms of the incremental lending yield. So, what is the incremental lending yield as of now on the disbursements which have happened in Q4?
- **Mr. Nagarajan**
- Mostly it will be around 10 to 10.71 %.
- **Mr. Kunal Shah – Edelweiss Securities**
- 10 to 10½ %, okay. On book yield of say round about 11.4.
- **Mr. Nagarajan**
- Now for whatever the yield is there for the full book.
- **Mr. Kunal Shah – Edelweiss Securities**
- Yeah, for the full book.
- **Mr. Nagarajan**
- See, the quarter's number is around 10.80.

- **Mr. Kunal Shah – Edelweiss Securities**
- Okay. And finally in terms of the credit rating agency. So, given that we have 12½% GNPA and may be on the reported basis 22½ %. So, do we see any risk on the credit rating downgrade or may be the borrowing cost going up for us. Because of the stress which is reported during the quarter.
- **Mr. Nagarajan**
- That's why we are clearly telling to you all these things are provisions made in the books of accounts and that's why we are emphasising the importance of recovery. So, recovery we have made in all the states generating companies 100%. And overall recovery rate we have mentioned in the slide is around 97%. So, first thing is, they have to talk about the default whether the company will be able to default in the repayment obligation. So, that is clearly mentioned that is why we are emphasising that we have done a recovery of 100% in case of state sector borrowers and 97% overall. So, I don't think that it will have any impact on it.
- **Mr. Kunal Shah – Edelweiss Securities**
- Okay.
- **Mr. Rajeev Sharma**
- We don't see any stress in future also because these are all 100% government owned companies. Our interest as well as our principle is being regularly paid all over the country, as on date we don't have a single NPA in state sector.
- **Mr. Nagarajan**
- Kunal, one more issue is one of the projects which is graded as NPA is servicing the principle from 2012 and interest is also getting serviced, which would never happen in the private sector borrower. This case is the Tamil Nadu Genco, they are servicing the principle and interest from 2012. The project is not commissioned till date. So, that's why we have mentioned in the balance sheet funding with escrow facility available with them.
- **Mr. Kunal Shah – Edelweiss Securities**
- Okay, that is currently in the NPL.

- **Mr. Rajeev Sharma**
- Yes.
- **Mr. Nagarajan**
- Yes, that is because of RBI norms.
- **Mr. Kunal Shah – Edelweiss Securities**
- When, so have we approached I mean, Ministry of Power when RBI came out with this. So, what was their reaction?
- **Mr. Nagarajan**
- That is why all, everywhere we lost, that is why we have provided now.
- **Mr. Kunal Shah – Edelweiss Securities**
- Okay. No, sir, the only thing was may be on the, may be on the, the....
- **Mr. Nagarajan**
- See, the RBI contention is that as a regulator I am not distinguishing between private sector and a government sector provision. They say that everybody has to be on par with us but taking the nature of business of PFC which is a single sector funding and then all the generating companies are in the same company they don't have different SPVs for the purpose of each project. That is why this peculiar situation has come to PFC that is why we have requested RBI to give some relaxation but they said that you have to follow the norms that Government company or private sectors.
- **Mr. Kunal Shah – Edelweiss Securities**
- Okay, okay, not a problem. Thanks a lot.
- **Mr. Rajeev Sharma**
- Thank you very much.
- **Moderator**
- Thank you. We take the next question from the line of Mudit Painuly of Max Life Insurance. Please go ahead.

- **Mr. Mudit Painuly – Max Life Insurance**

- Sir, I had just a basic question. What is the difference between the RBI norm that you currently follow and the older norms that you followed? Why have you been asked to downgrade these as NPLs now?

- **Mr. Nagarajan**

- See, in the case of MOP approval especially in the case of the state sector borrowers, any restructuring done before COD, we are not getting as restructuring because it is a government owned entity and we are not providing any restructured assets, we don't provide. Only restriction was we cannot do restructuring upto certain period whereas there is no restriction on the number of years. The projects DCCO is called, they can do commissioning because the basic fundamental is that we are doing that balance sheet funding with escrow facility. There will not be any default in the payment of the interest as well as the principle by the borrower. Like I told just now one of the projects is Tamil Nadu Gen co- generation sugar mill project. There the project is not commissioned till date but the principle and the interest being serviced by Tamil Nadu Genco from 2012 October they are servicing their dues. Okay, we know very well that, they will not default so, we are little bit lenient with the state sector borrowers. But RBI says to follow the norms whether it is a state sector or a private sector. Then they are two plus one plus one norms are applicable. So, original DCCO if you put the condition like Tamil Nadu Genco it is getting delayed so, we had to make it NPA that is basic. Secondly we have not made any provision for restructuring in the case state sector borrower whereas in case of private we are already doing 4.25% provisioning. That is the major difference between RBI norms and our norms.

- **Mr. Mudit Painuly – Max Life Insurance**

- So just to clarify for private norms you can possibly restructure upto 4 years because classifying it as NPL. But for, the state borrowers you basically didn't have that 4 years limit earlier.

- **Mr. Nagarajan**

- Yes.

- **Mr. Rajeev Sharma**

- Yes.

- **Mr. Mudit Painuly – Max Life Insurance**
- And so for now you have to recognise it as an NPL if it doesn't start paying back. And what is the norm for restructuring basically why have it gone from standard to restructuring basically?
- **Mr. Nagarajan**
- See, RBI norm says original it is two plus one plus one. If it is for two years, if you do restructuring without increasing the project cost by 10% it is not restructured asset. If you do a restructuring within two years with the 10% escalation in cost, it is treated as a restructured transaction. 2 to 3 years because of the beyond of the control of borrower then also it is restructured asset and because of the legal issue then it will be 4 years then also restructured asset. So, that is why these all are coming under restructured asset.
- **Mr. Mudit Painuly – Max Life Insurance**
- But they were not recognised as restructured earlier with state.
- **Mr. Nagarajan**
- I told you earlier that.
- **Mr. Mudit Painuly – Max Life Insurance**
- Yeah, you did. Okay, not just enter, you just recognize them as restructured. Sir, the other thing is, so, now you have made 10% provision. So, if this year let's say some of them don't get upgraded, you would have to add more or probably the provision will come next year after that.
- **Mr. Nagarajan**
- See, first of all restructured asset, provision is high because it is coming around 1400 crore. Actually these are all commissioned this year or next year. Additional provision which we have to make is only 0.7% because RBI has told you have to come with RBI norm by March'18. So, we will be providing only 0.75% additional on that. And like CMD has told around 15,883 crores of assets which is already commissioned, they are servicing. There is no chance for it to downgrade because they have serviced the dues and everything upto April only we have to wait for July and October. Malwa in MP is serviced in July then it will be upgraded and Marwa will be upgraded in October.

- **Mr. Mudit Painuly – Max Life Insurance**
- Okay, understood. The other thing is are there any other state projects that you would be concerned about basically, which you haven't classified now but you know from new lending in the last couple of years do you think anything that can slip into NPL restructuring going forward.
- **Mr. Nagarajan**
- This is all given before 01.04.2015 after that we are already following the RBI norms for restructuring commissioning etc. everything that's why all these loans and all are given before 31st March 2015.
- **Mr. Mudit Painuly – Max Life Insurance**
- No, sir, I mean to say from the new lending do you see anything under stress?
- **Mr. Nagarajan**
- Any new lending given in FY'16-17 and all projects will be commissioned in 2020-21 only, whatever we have done was only the solar lending done in recent times. All these are running for the last three four years.
- **Mr. Mudit Painuly – Max Life Insurance**
- Okay, sir, thanks a lot.
- **Moderator**
- Thank you. We take the next question from the line of Digant Haria from Antique Stock Broking. Please go ahead.
- **Mr. Digant Haria – Antique Stock Broking**
- Sir, I just wanted to know how much of pre-payments can we expect from UDAY because I think Tamil Nadu and Maharashtra joined in quite late. So how much more pre-payment.
- **Mr. Rajeev Sharma**
- They have already paid.

- **Mr. Digant Haria – Antinque Stock Broking**
- Okay, so we are not expecting any pre-payment in FY'18.
- **Mr. Nagarajan**
- See, if only West Bengal joins UDAY which is very rare, then they may pre-sell their own.
- **Mr. Digant Haria – Antique Stock Broking**
- Okay, sir. And then in terms of growth for FY'18 like do we have any stated guidance that we would like to grow our disbursement by so much and where do they come from.
- **Mr. Rajeev Sharma**
- Our disbursement has grown by 35%.
- **Mr. Digant Haria – Antique Stock Broking**
- Sir, I am asking for the year, the year in which it is going to come FY'18.
- **Mr. Rajeev Sharma**
- It is difficult to predict but definitely it should be a good number.
- **Mr. Digant Haria – Antique Stock Broking**
- Alright, sir, that's it, thank you.
- **Mr. Rajeev Sharma**
- Thank you.
- **Moderator**
- Thank you. We take the next question from the line of Shrey Loonker from Reliance Mutual Fund. Please go ahead.

- **Mr. Shrey Loonker – Reliance Mutual Fund**
- Good afternoon, sir and thank you. Sir, just 2-3 questions, one is that in the correspondence with RBI was there any discussion about borrower wise classification versus facility wise classification, any thoughts therein.
- **Mr. Nagarajan**
- See, borrower wise classification we have to do in case anything is done other than the delay in the commissioning of the project. If there is a delay in the commissioning of the project, then we have to do on the basis of the project wise. In case anything we have done other than that, then we have to do borrower wise classification. That is why in the case of Madhya Pradesh, one loan we have done restructuring of the loan after commissioning of the project in those days we have not quantified by RBI norms for State Sector. So we have done the restructuring, because of that only the entire Madhya Pradesh loan we have downgraded NPA around 11,000 crores. So if it is DCCO problem, it is single project problem, if it is other than DCCO then we have to downgrade the entire project that is what the RBI directions.
- **Mr. Shrey Loonker – Reliance Mutual Fund**
- Then that applies to the entire loan book created even after the cut off of 2-3 years, the loan book period.
- **Mr. Nagarajan**
- No, that will be the outstanding loan book, no cut off, it will be an outstanding loan book.
- **Mr. Shrey Loonker – Reliance Mutual Fund**
- Okay. And if I understand correctly, sir, the conditions for upgrade is given that you already don't have any overdues on the accounts that you have already classified as NPA.
- **Mr. Nagarajan**
- See, CMD has clarified that as on 31st March it is under process recovery except Meghalaya that we have to get around 4 crores and Malwa and Marwa they have cleared the dues upto 31st March and April June July they have to only pay, normally

they are one of the best borrowers in the country, so we don't expect any problem from these two borrowers.

- **Mr. Shrey Loonker – Reliance Mutual Fund**

- So the only condition for upgrade for NPA is?

- **Mr. Nagarajan**

- 1 year from the first repayment date. So first repayment for Malwa was July '16 so we are expecting July '17. And Marwa it is October '16 and October '17. So it is only 2nd quarter, 3rd quarter, both the loans will be upgraded, 17,000 crores approximately.

- **Mr. Shrey Loonker – Reliance Mutual Fund**

- And, sir, would you be able to give us some idea of the accounts that you made NPA, would it be NPA for the banking system as well.

- **Mr. Nagarajan**

- Yeah, all are single lending from us, there is no question of joint lending in case of a setup otherwise fully funded by PFC or fully funded by REC because you know they have got the exemption from RBI that we need not follow the single party exposure norms till 31st March 2022. So that is why we fund upto whatever they want depending on the project cost. So that is why there will not be any other lenders in these projects.

- **Mr. Shrey Loonker – Reliance Mutual Fund**

- Correct. And, sir, in your sense what was the reason for RBI to suddenly talk about re-aligning us with the banking norms because the sector still doesn't seem to be getting funding...

- **Mr. Nagarajan**

- There is a great organization, Reliance Mutual Funds, you can ask however I can tell you what RBI is saying that we cannot give dispensation to state government separately in a regulated way, it is regulated for both private sector and public sector so they say we cannot give you the dispensation expect the dispensation given was about the loan wise classification for delay in the commissioning of the project.

- **Mr. Shrey Loonker – Reliance Mutual Fund**

- Okay, sir. And, sir, the last one is if you could just give us your sense of what are you seeing in power sector in terms of the PPA roll outs and how do you see the PLFs in the sector?

- **Mr. Rajeev Sharma**

- Now since cabinet has already approved coal linkage policy, so coal linkages will be bid by the State Discoms now. Projects which are having already PPAs they can get coal linkages also. So there are fairly good chances of getting more coal available for the projects which don't have PPAs and like UP we are proposing to provide 24/7 power to all consumers looking at 2019 elections. So more PPAs will be brought out by UP discoms I think. So definitely things are getting brighter on policy front also.

- **Mr. Shrey Loonker – Reliance Mutual Fund**

- But, sir, in how much time do you think we will start seeing PPA roll outs happening be it the medium term or long term PPAs.

- **Mr. Rajeev Sharma**

- It is for the states, now this coal linkage has been already offered to the state discoms and bids will be invited by them. I think it should be within 3-4 months, not more than 6 months. That is my expectation but I cannot predict. After that it may take 3 to 4 months.

- **Mr. Shrey Loonker – Reliance Mutual Fund**

- Okay, and sir, the last one what do you think how will we deal with the single party exposure, you know, come 2021, how will we deal with it, will it imply that we will have to reduce exposure on some SEBs ourselves?

- **Mr. Rajeev Sharma**

- For credit consultation norms we have exemption from RBI till 2022, and why should I try to reduce my exposure when there is no NPA, in state sector. It is a good business, secured business, but it is because of these guidelines just we have to provide. But there is no risk, till date they have never defaulted, no likelihood of any default in payment of interest or principal. It is because of these procedural guidelines of RBI, I can't comment on that but we have to make provision but generally you make a

provision for a risk. If any likelihood of default in private sector, in government project it is balance sheet funding, as the director of Finance has explained to you, till from 2012 onwards on co-generation projects of Tamil Nadu they are paying us but projects are yet to be commissioned. So there is no risk. I am very comfortable. And out of my portfolio almost 84-85% is state government utilities only. So this is my bread and butter, why should I reduce my exposure. And secured by default escrow is always there.

- **Mr. Shrey Loonker – Reliance Mutual Fund**

- So if you are in the SPE, Single Party Exposure limit is higher than prescribed then all you need to do is make a bit of higher provisioning on that loan.

- **Mr. Nagarajan**

- No, see, we have to do some re-adjustment, see in Malwa, what we have done was, we were not aware of the norms of RBI, we have done as per our norm because now they say follow the RBI norm and re-alignment our business, we will do in such a way that their single party exposure is not affected.

- **Mr. Shrey Loonker – Reliance Mutual Fund**

- Okay, alright, I will come back later if I have few more questions. Thank you so much for answering all.

- **Moderator**

- Thank you, we take the next question from the line of Aditya Jain, from CLSA, please go ahead.

- **Mr. Prakhat - CLSA**

- Good afternoon, sir, this is Prakhat, sir, a few questions, first on the SEB loans which is standard loan not even restructured or NPA, within those SEB loans could you quantify if there would be some loans which will probably, which are probably to projects which are under construction, and the DCCO might take longer than the 3 or 4 year old sort of window that is available.

- **Mr. Nagarajan**

- Prakhat, see all these things are there before '15, I think we have covered all the projects and that is why we have worked on around 3-4 projects whatever is there, some future project we cannot predict whether it will be slipping into NPA or not. We are confident that they may complete the project in time.

- **Mr. Prakhat - CLSA**

- I fully appreciate that, sir, but the issue sometimes is that for whatever it is worth, these are very lumpy exposures, so even if one or two or three actually you know go through a delay out of so many that you have funded, the ticket size for each project exposure could be 4000-5000 crores in some cases. So it could be very noisy on the addition side as well. I appreciate there will be a lot of upgrades which is great to know, but trying to judge whether 2-3 accounts, you know, cross that threshold and we will see a reasonably high addition as well in FY'18 or '19.

- **Mr. Nagarajan**

- See, in the total portfolio, commissioning status of generation projects, the total outstanding is Rs. 1,83,379 crores out of these Rs. 1,23,000 crs already commissioned, balance is to be commissioned in FY 16-17 was around Rs. 4,069 crs, FY 17-18 Rs.26,000 crores and FY 18-19 & beyond Rs 15,000 crores. So on the basis of these numbers around 60,000 crores out of which Rs. 15000 crs commissioning not applicable being corporate Term Loan and R&M loans and most of the balance accounts have already become NPA or they are under restructured, so I don't think any problem will come. If you want we will revert back on this.

- **Mr. Prakhat - CLSA**

- I will, sir, second question is on the private sector restructured book, you know, while you are quite well in touch with them but I am trying to understand that even if the project gets commissioned or construction is complete, many of them have a PPA but the SEB is not buying power and some of them don't even have a PPA. Would it be possible to give some sense on within the restructured book what are the value, and I am talking only private here, of the 19,000 odd crores of private restructured loans, will there be some quantification of how much don't have a PPA, and probably where they have a PPA if they are operating say below 50% utilization factor.

- **Mr. Nagarajan**
- Prakhat, we will revert back on this.
- **Mr. Prakhat - CLSA**
- No problem. Sir,
- **Mr. Nagarajan**
- In case you have a doubt you can ask.
- **Mr. Prakhat - CLSA**
- Yes, I will tell you where I was trying to get a sense like even RKM Power you know I thought they had a PPA but people were not really, UP was not buying power properly from them.
- **Mr. Rajeev Sharma**
- They are buying power, first unit is supplying power to UP.
- **Mr. Prakhat - CLSA**
- Second unit I think was supposed to be commissioned in Jan'16 which I thought also was a large unit.
- **Mr. Nagarajan**
- Prakhat, this is already commissioned, our CMD explained they are talking to UP to supply additional, 2nd unit power also to UP actually.
- **Mr. Rajeev Sharma**
- Other balance I will tell you, as far as balance restructured book is concerned other than what is impacted due to RBI norm is roughly Rs.19,500 crores, 26% or roughly 5,000 crores has already got commissioned and Rs. 4,500 crores will be reversed in 2017-18, and Rs. 500 crores in 2018-19. 70% or Rs. 13,500 crores of this restructured book is scheduled to be commissioned in '17-18.
- **Mr. Prakhat - CLSA**
- Okay, and do they have PPA?

- **Mr. Rajeev Sharma**
- 19,500 crores is private sector.
- **Mr. Prakhat - CLSA**
- And do you have, okay, I will take the following later on. Sir, in terms of margins, I am looking at Slide 9 of your presentation, you have given some ratios which is key indicators without considering the impact of realignment with RBI norms, there the net interest margin of 3.65% it is substantially lower than the run rates that you were doing till the third quarter of 4.74% margin. So I am excluding all the, based on your assessment, excluding all the impact of RBI on margins on interest reversals. But it still looks like almost a 100 basis point QoQ drop in margins.
- **Mr. Nagarajan**
- Prakhat, you see for FY '17 it is 4.54. Only for that Q4 it is 3.65. Usually for FY 17 full year is 4.54. Because the reversal of income was there and that is why it was 3.65 in Q4 '17. Don't see the only fourth quarter, you see the full year. It is still 4.5.
- **Mr. Prakhat - CLSA**
- Okay. sir, what is the difference between 3.65 which you have mentioned in the lower table and that 2.57, which is mentioned above because I thought that 2.57 is the reported margin with all the adjustments on the face value whereas 3.65 is without taking these onetime adjustments
- **Mr. Nagarajan**
- But some income reversal is already there, you know.
- **Mr. Prakhat - CLSA**
- But that is probably a, that you don't think will repeat. I think that was the first question, which probably Anand was also trying to get a sense that what is that income reversal between, you know, 500 or 900 crores and 1400 crores of decline in interest income.
- **Mr. Nagarajan**
- Now I will reply that again 1400 crore income 900 to 1000 crore is because of reversal indication of 2 accounts and then performing assets there that is the Ind Bharat

Madras we have converted the NPA so accrual may be around 30 crores, balance is because of the, I told all the marginal lending rate was around 10.5 to around 10.65. So, that is why the income has come down from 1400 to having I think 6000 to 5500, we are seeing 1400 more difference.

- **Mr. Prakhat - CLSA**

- So, basically is it fair to judge that out of 1400 crore decline in interest income about 900 crore is because of the reversal and the 500 crore is the core drop in margin because of lending rates cuts by SBI and all.

- **Mr. Rajeev Sharma**

- Re-pricing.

- **Mr. Prakhat - CLSA**

- Yeah, re-pricing. So, sir, just on this part again. So, this, can this continue a little more because you know some of the PSUs have been realising that there is an opportunity to lend in some of the good generating companies like SBI etc. and more and more of the loan book which are of good quality might be pressure of having to cut rates to maintain market shares, etc.

- **Mr. Rajeev Sharma**

- See, we cannot predict/ comment on this.

- **Mr. Prakhat – CLSA**

- Okay

- **Mr. Nagarajan**

- See, State Bank has reduced the rate in the month of January. I suppose some competition was there. Now last 3-4 months we are not seeing any borrower coming and asking for reduction in rate of interest. That CMD has told if again State Bank cuts the rate because after the merger they are paying some reduction in the rates will be there for them. Then it may cut the rate but as of now nobody has cut the rate and whatever interest we have offered we are comfortable with that.

- **Mr. Prakhat - CLSA**

- Okay, and sir, last question is on the solar power site. Could you quantify what is the size of your, within the loan how much is to solar and within your outstanding sanctions, how much rupee crore term would be solar. And just a overall view on the pricing in this segment has been dropping very sharply. What are your views on the projects, where they, you know, you have already committed and you have seen the other way pricing in the market has moved for those projects? Thank you.

- **Mr. Nagarajan**

- See, around Rs. 6,707 crores, in year '16-17 is pending sanction under renewable, in the year 16-17 we have done a sanction of Rs. 7,164 crores, disbursement we have done around Rs. 2,471 crores and outstanding of this is around Rs. 5,092 crore is the total assets. And cumulative sanction is Rs. 14,032 crore disbursement was Rs.7,325 crores and outstanding assets in renewal energy is around Rs. 5,092 crores. And average lending rate of solar is 10.5 crores.

- **Mr. Prakhat - CSLA**

- Okay, these are all, you said renewal. These are practically the solar power.

- **Mr. Nagarajan**

- Around 50% solar & balance other renewable energy may be there.

- **Mr. Prakhat - CSLA**

- And, sir, any view on, you know, how the pricing movement can affect the you know those borrowers should expect their cash flows etc.

- **Mr. Nagarajan**

- See, at the time of funding we've already got the PPA and then the rates are all decided. So, if the project is viable only we will fund it. Suppose the person is coming with two rupees fund when they come to us. So, our, we also see whether it is viable or not. Then only we will be sanctioning, you know. Because they are coming to me after signing the PPA. So, we will see the viability if it is viable we will fund it, otherwise we will not funding these projects.

- **Mr. Prakhat - CLSA**
- Perfect.
- **Mr. Gangopadhyay**
- As far as the solar is concerned you must know that this is a segment in the power cost system where the projects come with a full PPA. There is not a single instance of solar, where the solar is selling on merchant basis. So, therefore the PPA is start up and also we do the appraisal as far as the cost is concerned. If you have been keeping track of the market, you would have found that off late it is almost in a plateau and therefore you are not expecting the solar prices to go down further significantly in the next few quarters. And all these projects and they also do not face this threat of becoming NPA as far as the RBI norm of two plus one plus one is concerned because the commissioning period is hardly about 9 months and therefore all this happens that funding in the solar, we absolutely feel no threat at all.
- **Mr. Prakhat - CLSA**
- Thank you, sir. Thank you very much for the colour.
- **Moderator**
- Thank you. We take the next question from the line of Nilanjan Karfa from Jefferies. Please go ahead.
- **Mr. Nilanjan Karfa – Jefferies**
- Thank you, sir. Just to go back to a previous question, you gave out the commissioning of that 1,83,000 odd crores, you said about 1,23,000 crs is broadly commissioned and what was the commissioning for '17-18 and 19 that you said.
- **Mr. Nagarajan**
- See, FY16-17 is Rs. 4,069 crs , for FY17-18 is Rs.26,000 crs & for FY 18-19 Rs. 15,000 crs.
- **Mr. Nilanjan Karfa – Jefferies**
- Right. And of the 26,000, you know, how many are going to be hit kind of have that COD extension on the past. Therefore, you know, there is a risk.

- **Mr. Nagarajan**
- We don't have it now, we will revert back on this.
- **Mr. Nilanjan Karfa – Jefferies**
- Alright, okay. Second is, you know, of this 1.8 lakhs odd crores could you tell how much is the capex loan versus working capital loan?
- **Mr. Nagarajan**
- Whatever I am telling you is generation loan. These are coal, gas, renewables and others. So, we are not covering under this STL.
- **Mr. Nilanjan Karfa – Jefferies**
- So, could you classify all of this as capex loan?
- **Mr. Nagarajan**
- Yes, yes.
- **Mr. Rajeev Sharma**
- Term loan.
- **Mr. Nilanjan Karfa – Jefferies**
- Right, okay and I heard about this you know UP getting discussed, you know, obviously because of what was promised by the government. But isn't it a couple of weeks back you know, they kind of cancelled a couple of PPAs, would you elaborate what had happened there?
- **Mr. Rajeev Sharma**
- They were old bids PPAs. Now they might invite fresh because now new government has come, they were invited during last government during the regime of last government. So, they may invite fresh bid. Because they require power. By 2019 they have to supply 24/7 to urban as well as rural areas. So, they require additional power and a plant cannot be put up within a month or two. It takes 6 years.

- **Mr. Nilanjan Karfa – Jefferies**
- Correct. Here you are telling us that....
- **Mr. Rajeev Sharma**
- We are expecting that they may come out in the market again with new bids, fresh bids.
- **Mr. Nilanjan Karfa – Jefferies**
- Fresh bids but at a lower cost.
- **Mr. Rajeev Sharma**
- I can't say. How can you predict, lower or higher?
- **Mr. Nilanjan Karfa – Jefferies**
- Sir, in the competitive dynamics you know, are you seeing a lot of competition from SBI in the last 12 months.
- **Mr. Rajeev Sharma**
- Not much. Of course, for refinancing they approached some state Gencos and we had to reduce our rates. But now for last few months. I don't think. Rather we are working in collaboration, in many places we participated with SBI, along with them.
- **Mr. Gangopadhyay**
- In fact with the bank, we are expecting that our competition with the bank will actual reduce because the RBI norms will also apply for the banks. And therefore along with the sectoral exposure norms, they will not be much interested in the state sector any longer.
- **Mr. Rajeev Sharma**
- Except SBI and no other bank is so aggressive in the power sector and doesn't have that much of net worth to participate.

- **Mr. Gangopadhyay**
- In fact they are actually not lending on the short term basis and states are interested in getting the long term loan from us.
- **Mr. Nilanjan Karfa – Jefferies**
- Right, right, interesting and sir, you know, in the presentation when we mentioned you know, this yield on advances, right, without taking into consideration realignment related losses it is 10.39. So, is it, it's a fair understanding that going forward the yield on loans will be around that you know, 10.4, 10½% unless we see, you know, greater competitive pressure from other banks. Would that be a fair assessment?
- **Mr. Nagarajan**
- So, that's why I told that last quarter we have done to mostly on 10 to 10.5 on a quarterly basis so, we are getting around 10.75 on these loans. So, for the first two months we have not faced any competition because even SBI has also not reduced their rate for their assets that they have done January. So, we are not facing that type of competition. As CMD as told we are trying to participate along with SBI and also REC & most of the big companies so that we will be able to win the bids for new projects.
- **Mr. Nilanjan Karfa – Jefferies**
- Right. Sir, but we used to lend to private sector at least 1 to 1½ % higher. So, that has probably seen a very sharper cut.
- **Mr. Nagarajan**
- There, we have not reduced any rates except in the case of solar projects where we have reduced from 11% to 9.75% depending on the rating of the borrower.
- **Mr. Nilanjan Karfa – Jefferies**
- Okay, okay. And sir, just last data point, of the amount of let's say about 45 odd thousand crores which are going to get commissioned, could you elaborate you know, what is the mega watt that you were talking Giga watts you were talking about and how many of that has a long term PPA and probably also has an FSA?

- **Mr. Nagarajan**
- We have commissioned in mega watt in the balance 3 years, 2 years is around 28,000 mega watts. '17-18 around 10,711 and '18-19 and beyond is 18,240. That details of the PPA, FSA we don't have. We will revert back on this.
- **Mr. Nilanjan Karfa – Jefferies**
- Okay, okay. Thank you so much, sir.
- **Mr. Rajeev Sharma**
- Thank you very much.
- **Moderator**
- Thank you. We take the next question from the line of Anil Bang from Marshal Wade. Please go ahead.
- **Mr. Anil Bang – Marshal Wade**
- Yeah, hi. One question on the spread side. So, your presentation shows that last year spread on loans was around 3.4%. And marginally you were saying like you are lending at 10.5 and your cost of borrowing is around 7.4, right.
- **Mr. Nagarajan**
- Yes.
- **Mr. Anil Bang – Marshal Wade s**
- So, your spread is still around 3% plus.
- **Mr. Nagarajan**
- Yes, 3.13%.
- **Mr. Anil Bang – Marshal Wade**
- Okay, and do you think that on an incremental basis, you will be able to maintain this spread.

- **Mr. Nagarajan**
- It is difficult question to reply.
- **Mr. Anil Bang – Marshal Wade**
- No, I mean, I mean the last...
- **Mr. Nagarajan**
- The current level and there is no competition that people will pick up the loan at 10.5 and the borrowing in the bond market also 7.4 to 7.5 then only we will be able to maintain the spread. It is all depending upon the US spread of dues in the markets.
- **Mr. Rajeev Sharma**
- We are likely to get 54 EC capital gain debt bond. We have applied through Ministry of Power to Ministry of Finance. The request is under processing in Ministry of Finance and we are likely to get it. So, our cost of fund may come down if we get that dispensation. But it is likely, I am not saying 100% we will get it but it is being processed in the Ministry of Finance.
- **Mr. Anil Bang – Marshal Wade**
- Got it, got it. Sir, another observation on the same slide, slide 9. I heard there was a lot of discussion about the margins and the spread. Could it be because of the fourth quarter you only had like 88% of your loans, as performing loans and so they were paying interests? Whereas in the base you are still considering 100. So, could it be the reason for the decline in the margins mathematically?
- **Mr. Nagarajan**
- That research we have not done. We will check up and come back to you. We have not done the research.
- **Mr. Anil Bang – Marshal Wade**
- Okay, okay. My last question is on private sector NPA and restructured. Could you give some visibility as in, what do you see there of the existing pool of restructured and NPA loans? Like what you have given in terms of state loans. Thank you.

- **Mr.Rajeev Sharma**
- As far as balance restructured book is concerned other than ones impacted due to RBI norms is roughly 19,500 crores, out of which 26% or 5,000 crores have already got commissioned. 4,500 crores will be reversed in the FY 2017-18 and 500 crores in FY 18-19. 70% of 13,500 crores of this restructured book is scheduled COD in 2017-18. Then all this restructured book is 19,500 crores is in private sector only.
- **Mr. Anil Bang – Marshal Wade**
- Right, that's very helpful, sir, thank you so much.
- **Mr.Rajeev Sharma**
- Thank you so much.
- **Moderator**
- Thank you, we take the next question from the line of Mr. Anand Ladha of HDFC Mutual Fund, please go ahead.
- **Mr. Anand Ladha – HDFC Mutual Funds**
- Sir, all my questions are answered
- **Mr.Rajeev Sharma**
- Thank you very much.
- **Moderator**
- Thank you, and the next question is from the line of Ameya Sathe from Tata Mutual Funds, please go ahead.
- **Mr. Ameya Sathe – Tata Mutual Funds**
- Hello, sir, just one data point question, is it possible to give movement in restructured loan book that is opening plus additions minus upgradations for FY'17.
- **Mr.Rajeev Sharma**
- We will revert back on this.

- **Mr. Nagarajan**
- When we are putting the balance sheet, we will give it to you.
- **Mr. Ameya Sathe – Tata Mutual Funds**
- Okay, sir. And the second question on the disbursement side, sir, the other column in the disbursement has shot up significantly, what are those disbursements?
- **Mr. Nagarajan**
- See all these loans are short term loans are as per UDAY scheme, the state discoms can get 25% of the last year's receivables as working capital loan so we have made use of this opportunity and then given the working capital to the distribution companies upto the level of 25% of last year's receivables, at least '16 whatever receivables were there to the extent we have given. So that is why it has shot up, it is as per the scheme given by the Government of India on UDAY. So banks are not prepared to give that so we have chipped in and we have given the loan.
- **Mr. Ameya Sathe – Tata Mutual Funds**
- And what would be the lending rate on that?
- **Mr. Nagarajan**
- It would be around I told you that 10.25 to 10.5.
- **Mr. Ameya Sathe – Tata Mutual Funds**
- Okay, around that also it is 10.25 to 10.5.
- **Mr. Nagarajan**
- Yes.
- **Mr. Ameya Sathe – Tata Mutual Funds**
- Nothing on the higher side.
- **Mr. Nagarajan**
- Discoms are profitable, why they will pay for it.

- **Mr. Ameya Sathe – Tata Mutual Funds**
- Right, thank you, sir.
- **Mr. Rajeev Sharma**
- Thank you.
- **Moderator**
- Thank you, we take the next question from the line of Devraj Lahiri from Invesco Mutual Fund, please go ahead. Mr. Lahiri, please go ahead with your question. As there seems to be no response from the current participant we take the next question from the line of Nischint Chawathe from Kotak Securities, please go ahead.
- **Mr. Nischint Chawathe – Kotak Securities**
- All my questions have been answered, thank you.
- **Mr. Rajeev Sharma**
- Thank you very much.
- **Moderator**
- Thank you the next question is from the line of Saket Kapoor from Kapoor and Company, please go ahead.
- **Mr. Saket Kapoor – Kapoor and Company**
- Thank you for the very elaborate discussion, I am an investor, not an analyst. Just putting one thing into consideration for understanding of the same, it is only the re-classification of the loan and no actual cash flow that has resulted into this lowering of profit, and every part of it, it is going to be adjusted over a period of time.
- **Mr. Nagarajan**
- Yes, correct.

- **Mr. Saket Kapoor – Kapoor and Company**
- Sir, just, you told your profit would have been 6,400 had these provisions would not have been applied, that means the profit for the year would have been 6400 versus 6184.
- **Mr. Nagarajan**
- Yes.
- **Mr. Saket Kapoor – Kapoor and Company**
- Okay. Now just coming to the UDAY scheme has started and barring West Bengal, all other states have joined UDAY.
- **Mr. Nagarajan**
- They have repaid all the loans that they have taken also under the UDAY scheme they have repaid before 31st March.
- **Mr. Saket Kapoor – Kapoor and Company**
- Just wanted to understand the purpose for which the scheme was envisaged what are the benefits that have circulated to the system and how have we benefited from the same, if you could update something more on it.
- **Mr. Rajeev Sharma**
- Yeah, the progress is 26 states and one union territory have already signed UDAY. Bonds worth Rs. 2.33 lakh crores that is 87% of total bonds have been issued and subscribed. 97% of feeder monitoring work is complete in UDAY signed states, feeder segregation 25% achieved in these states. And it will be completed by March 2018. At least 10 states have significantly narrowed gap between ACR and ARR. 6 states have been able to reduce their AT&C losses. So this is the progress.
- **Mr. Saket Kapoor – Kapoor and Company**
- Sir, if there is no actual cash outflow, why the board did not decide on giving any dividend for this quarter, or the entire dividend was paid out before this quarter only?

- **Mr. Nagarajan**
- See there is a restriction on the payment of dividend as per the Company's Act so that is why we could not declare additional dividend that is why we did not.
- **Mr. Saket Kapoor – Kapoor and Company**
- Company's Act, could you elaborate a little bit on that?
- **Mr. Nagarajan**
- What is that?
- **Mr. Saket Kapoor – Kapoor and Company**
- We have the actual cash profit and as per the DIPAM guidelines have we paid the dividend as per...
- **Mr. Nagarajan**
- Because the DIPAM guidelines says 5% of the net worth or 30% of the PAT or subject to the condition as per the regulations within the Company's Act, so we have to see the three years average dividend subject to 10% of Equity & Free Reserves, in that we are getting a shortage of around 200 crores that's why we have paid more than what is payable that's why we have not paid.
- **Mr. Saket Kapoor – Kapoor and Company**
- Right, sir. Sir, just the last part of my query, sir, what portions of our loans are attributed to the renewable and what is towards the non-renewable segment? Sir, out of the total basket of our loans.
- **Mr. Nagarajan**
- See, total outstanding asset renewable total sanction cumulative is 14,000 crores, cumulative disbursement is 7,325 crores , in the current year we have done a sanction of 7164 crore, disbursement is 2471 crore, outstanding is 5,092 crore in the form of loan assets, the average lending rate is 10.5 crores.
- **Mr. Saket Kapoor – Kapoor and Company**
- Thank you.

- **Moderator**
- Mr. Kapoor, I am sorry to interrupt, I am requesting you to please return to the question queue for your follow up.
- **Mr. Saket Kapoor – Kapoor and Company**
- Yes, ma'am, thank you.
- **Moderator**
- Thank you, next question is from the line of Kaital Shah from SBICAP Securities Ltd., please go ahead.
- **Mr. Kaital Shah – SBICAP Securities Ltd.**
- Thank you for taking my question. Sir, overall I just wanted to understand from your book how much would be consortium lending and how much would be standalone lending?
- **Mr. Nagarajan**
- See in the case of state sector borrowers, it is standalone, only in the case of private sector borrowers mostly 80% of the private sector book maybe consortium lending.
- **Mr. Kaital Shah – SBICAP Securities Ltd.**
- 80% of the private sector.
- **Mr. Nagarajan**
- Yeah, will be done on single basis mostly if the amount is small, approximately, if you want the correct data , we will revert you later.
- **Mr. Kaital Shah – SBICAP Securities Ltd.**
- I will surely do that. And in terms of the restructured assets that have been classified this quarter, would you still be recognizing interest income on all of them and if any of them slip into NPA category in the coming year.
- **Mr. Nagarajan**
- Once they become NPA category we will revise the income.

- **Mr. Kaital Shah – SBICAP Securities Ltd.**
- Sorry?
- **Mr. Nagarajan**
- We have no stress in these projects, they are already servicing the dues I told you like principal is also being serviced by most of the projects.
- **Mr. Kaital Shah – SBICAP Securities Ltd.**
- Correct, so you are receiving the income already in cash, it is not getting accrued broadly is what you are saying.
- **Mr. Nagarajan**
- No, accrual basis we are taking but the thing is that there is no stress in this project, there is no cash flow problem in this account because even the commissioning is not done, they are servicing the principal as well as the interest because of the balance sheet funding. One it is shifted to NPA we will reverse the income for a particular quarter if we have not received.
- **Mr. Kaital Shah – SBICAP Securities Ltd.**
- Okay, fine thank you so much.
- **Moderator**
- Thank you, we take the next question from the line of Asim Panth of HSBC, please go ahead.
- **Mr. Asim Panth - HSBC**
- Thank you, sir, my question has been answered.
- **Moderator**
- Thank you, we take the next question from the line of Harshid Toshniwal from ICICI Securities, please go ahead.

- **Mr. Harshid Toshniwal – ICICI Securities**
- Hi, sir, this is two follow up questions, one is that out of the NPA of 23,000 crores, can you just repeat the figure of how much has been commissioned over the years, and how much will be upgraded over the years.
- **Mr.Rajeev Sharma**
- Yes. Marwa TPS Unit 1 and 2.
- **Mr. Harshid Toshniwal – ICICI Securities**
- Sir, I do not need specifics, simply that how much portion of this 23,000 crores, what is the schedule of commission.
- **Mr.Rajeev Sharma**
- Rs. 15,883 crores which is about 68% which is already commissioned and will be upgraded this year.
- **Mr. Harshid Toshniwal – ICICI Securities**
- Right and the balance.
- **Mr.Rajeev Sharma**
- 2% or roughly Rs. 525 crores COD will be achieved on 31st March 2018, this will also be reversed. And 9% or Rs. 2,096 crores to be achieved and upgraded to restructured.
- **Mr. Harshid Toshniwal – ICICI Securities**
- Hello, the last 9% you are talking about that will be commissioned in?
- **Mr.Rajeev Sharma**
- Will be commissioned and will be upgraded to restructure in FY17-18.
- **Mr. Harshid Toshniwal – ICICI Securities**
- In which year, sir, I have not been able to hear you.

- **Mr.Rajeev Sharma**
- FY 17-18.
- **Mr. Harshid Toshniwal – ICICI Securities**
- Okay. And one more thing, sir, so this classification of borrower wise and portfolio wise so we have exemption till 2022.
- **Mr.Rajeev Sharma**
- Yes, that is credit concentration norms.
- **Mr. Nagarajan**
- See, two classifications, one is in case of credit concentration norm, the CMD told we have got exemption upto March 2022, these are projects which are not commissioned and there is a delay in the DCCO, here also we have to do classification loan wise that is also exemption upto 31st March 2022.
- **Mr. Harshid Toshniwal – ICICI Securities**
- Yeah, so that is also exempted till 2022. Okay, sir, thanks a lot.
- **Mr.Rajeev Sharma**
- Thank you.
- **Moderator**
- Thank you, we take the next question from the line of Abhishek Saraf from Deutsche Bank, please go ahead.
- **Mr. Manish – Deutsche Bank**
- Hi, this is Manish here, my questions has been answered, thank you.
- **Mr.Rajeev Sharma**
- Thank you very much.

- **Moderator**
- Thank you. Sir, that was the last question, I now hand the floor over to Mr. Shree Shankar for his closing comments.
- **Mr. Shree Shankar – Prabhudas Lilladhar Private Limited**
- Thank you all the participants, we had an extremely detailed conversation, and thank you, Mr. Rajeev Sharma, Mr. Nagarajan, Mr. Ravi and Mr. Gangopadhyay from PFC and thank you all the participants.
- **Interview**
- Thank you very much.
- **Moderator**
- Thank you, ladies and gentlemen, on behalf of Prabhudas Lilladhar Private Limited we conclude today's conference, thank you for joining you may now disconnect your lines.