

Transcript

Investors' Conference of Power Finance Corporation Limited

Event Duration : **1 hr 23 mins 08 secs**

Introduction

Moderator:

Good evening ladies and gentlemen. On behalf of Power Finance Corporation Limited, we welcome you to the Investor's conference to announce the fourth quarter results of the Company for the financial year ending 31st March 2010. I am Ninie Singh from Concept Public Relations. I would like to introduce you to the dignitaries present. On the dais we have Mr. Satnam Singh, Chairman and Managing Director and to Mr. Singh's right we have Mr. Mr. M. K. Goel, Director, Institutional Development and Administration. To Mr. Goel's right is Mr. R. Nagarajan, Director Finance and Financial Operations. To the right of Mr. Nagarajan we have Mr. P. Murali Mohana Rao an Independent Director. To Mr. Singh's left we have Mr. Rajeev Sharma, Director Projects. To Mr. Sharma's left is Mr. S. C. Gupta an Independent Director and to his left is Mr. Ravindra H. Dholakia an Independent Director. I now request Mr. Satnam Singh to appraise you on the performance details of the Company, thank you.

Satnam Singh:

Good afternoon everyone. I never thought that it is already evening. Maybe she announced it as evening but I think it is afternoon. Thank you for responding to our call and quickly going through what has been the performance. First of all this year on July 16th we will be completing 24 years and we will be beginning our 25th year so it is a matter of pride that we have completed 24 years and we are entering this year. We have a plan to celebrate the 25th year in a big way. You know that the Government of India is laying stress on corporate social responsibility so we will be taking up some such activities in the 25th year. Anyway from the beginning till this year, two or three points which I would like to high light. One that we have...when we started lending we all know that of course...When we started lending to the Indian Power Sector, there were not many players wanting

to lend to the Indian Power Sector. We were given this specific responsibility to create viability in the unviable sector. We have done that successfully. Today as you all know more and more banks are wanting to lend more and more money to the power sector.

We have also played a key role in the implementation of various policies of Government of India. Ninth Plan – it was accelerated generation and power supply program which provided subsidy for faster capacity addition within the nodal agency. Tenth Plan APDRP scheme aimed at bringing down distribution losses. We have played our role. Losses came down by 6% to 8% from 38%, 39% to about 33% in the beginning of the Eleventh Plan. In the Eleventh Plan two Initiatives were taken for meeting huge capacity demand – ultra mega power projects. Again we were the nodal agency. We have already successfully transferred four such projects to the successful bidders, fifth is in progress as you know and there will be many more to come. The APDRP scheme aimed at bringing down distribution losses or technically ATNC losses has been re-formulated which is made more performance oriented in the Eleventh Plan. We are once again the nodal agency for this scheme and the aim is to bring down the distribution losses from the present level of 30% to below 15%. Under this scheme all towns above 30,000 population are to be covered. There is another scheme Government is likely to come out about which there was an announcement made in the budget called National Electricity Fund. That is going to cover towns below 30,000 population. We are likely to become the nodal agency for that too. Government has provided some funds in the budget for that scheme but a formal announcement is yet to be made. So all in all we have played a significant role.

Now onto the performance of the financial year, there were some challenges that we faced successfully. I would like to share with you what were the challenges and how we faced them. The first challenge was...and investors many times spoke to me about it...was restriction imposed by the Reserve Bank of India in July of last year which asked PFC to put a break on lending to State and Central Sector because they felt that we have already over done it. We took up the issue with the Reserve Bank of India and convinced them along

with the Ministry of Power and Ministry of Finance that it is the need of the day and therefore they have exempted us from the applicability of these norms up to March 2012. And even after March 2012, it is not that these norms are going to apply. After March 2012 we are expected and in fact Reserve Bank of India has not only asked us but all the other institutions in Power Sector to let them know the road map based on which they would take a call. So maybe at that point of time the exemption with respect to State Central Sector would be extended further. As a part of this discussion, we also got a benefit. The Reserve Bank of India agreed to reduce the risk weight for State Government guaranteed loans from 100% to 20% which had a positive impact on our capital adequacy.

The next challenge was about the huge capacity addition. Two initiatives were taken in that area, 1) The ultra mega power projects. Initially it was thought that only nine ultra mega power projects will be taken up. But today, this number is 14 not 9 and progress I have already shared partly with you, that four successfully awarded. We have permission to award another 2 based on existing guidelines with some modifications. One project RFQ we have already issued on March 15th and the submission date is May 3rd as you may be knowing. The other one is Orissa at Bedabahal where there is only one pre-requisite which is left and that is Section 4 notification for land. Once that is done we are ready to issue RFQ for that too. For the other UMPPS the RFQs will be issued in phased manner based on the modified guidelines which are currently under consideration of some powered group of ministers. The challenge of huge capacity addition and the corresponding fund requirement has also been handled by Reserve Bank of India partially and our view on that is that Reserve Bank of India was earlier classifying the NBFCs into two categories only; either loan companies or asset finance companies. We were currently classified as Loan Companies and therefore our exposure norms were according to what is the entire regimen of loan companies or what is applicable to loan companies. But Reserve Bank has very recently come out with a third category of NBFCs called NBFC Infrastructure Finance Companies, wherein there are certain clauses and there are certain plus points and there are certain additional

requirements. The plus point is that NBFC IFC Company has exposure norms can be higher by 5% as compared to Loan Company for a single borrower as well as a group of borrowers. We in our Board have today decided to approach Reserve Bank of India for getting classified into that which is actually catering to the current need of Indian Power Sector that is higher on requirement. Coupled with this structure is the requirement of 15% capital adequacy. As a Loan Company, PSU category we were exempted from normal capital adequacy norms. We were asked to keep 10%, but if we get ourselves re-classified as NBFC IFC, we will have to maintain a higher capital adequacy of 15% and naturally the question is what is the current level. Last time when I addressed investors I said that the capital adequacy is 17.2 or so, but with the change in the risk weight to the loans guaranteed by State Governments from 100% to 20%, in December it had gone up to 21% but in March end it is 19.25%. So, the gap against 10% requirement has come down substantially when the requirement is 15%. So gap is only 4.25% and given the fact that we have been growing at a rate of 20% to 25%, our capital adequacy is expected by the next year end would be in the range of 17.5% or so. And therefore we can't wait for it to come down to 15%, we would need to tap the capital market may be in a year's time; but that is all subject to Reserve Bank classifying us into this category, we maintaining our growth rate in the current financial year to the expected level so the need for equity capital may be there. I don't know whether that is good news or bad news to the investors; but I think it is good news for the investors. They had been asking us that our float is very low, 10.22% only and the large investors particularly had been asking that the floats should be increased. But since we had enough capital we were not looking at that, since there is a clear advantage for business expansion through this process of NBFC IFC, we are planning to get classified like that and therefore may raise equity capital going forward.

We have also requested the Reserve Bank of India, now that the International market is offering appropriate rate of borrowing, to allow us to borrow one million dollars from International Market out of the total requirement of about 27,000 crores, in the current financial year and thereafter only we will

take a call whether to set up an MTN program or go for syndicated loan or burns issue and things like that.

RAPDRP scheme which is aimed at bringing down distribution losses as I said is progressing well. To share with you, in total 1400 towns were to be covered for establishment of baseline data by using state of the art IT technology, we have sanctioned these loans for almost all the towns barring a few in the North East. The next step under this scheme is to sanction loans for projects for upgrading the system which will actually bring down the losses. So, we have also begun that in the last financial year itself and hopefully in the current financial year and maybe some towns may get shifted to the next financial year we will be completing all that. The result of this scheme is likely to start after about two years' time. Baseline data within 18 months of sanction, because which will really establish what the loss level is because today a lot of guesstimates are there in those figures and from there bringing down. Actually so far Indian Power Sector had not thought of using state of the art IT technology. Now you see whether it is Infosys or Wipro or name the company in IT that are there making an attempt to bring down the distribution losses in the power sector and so I am sure that this will have a very positive impact on the Indian Power Market.

There was another issue which was raised by many investors and the stake holders that, well you are adding too much of capacity in the country, but do we have adequate transmission line system to take care of the power transmission. Yes, we have been given as far as Ultra transmissions or big transmission lines are concerned, we have been given the job for awarding on competitive bidding basis, for three such lines. One, we have already awarded to Sterlite last year and earned a fee of 15 crores, the other two we have already floated the RFQs, I'm happy to share with you that yesterday, one such RFQ bid was opened. There is a tremendous response. Thirty three companies have quoted for the RFQ for the Western Region - Jabalpur line. The other RFQ is to be opened on 30th, so I'm sure a similar response would be there for that line too. So that's about lines awarded to us. There are some lines with REC of course Power Grid is doing inter-state lines. And even

intrastate lines, there is likelihood that these states would take up in large numbers in the current and next financial year. That's the feedback I got from the Ministry of Power.

Availability of power and its movement-where it is required, was a big question also. There again, we are playing a role by participating in the power exchanges, two numbers. I have mentioned it earlier, Power Exchange of India, we are an equity participant and National Power Exchange, we are also an equity participant. So we are facilitating power exchange by being an equity partner in these two exchanges. Some of the other initiatives which we had taken in the last financial year-we had set up a separate wing for extending financial assistance to what we call 'backward integration projects', i.e. funding of coal mines, power equipment manufacturing and the gas stations dedicated for power projects etc or gas transportation. We have had a good response, in fact we have already sanctioned one loan and there are four or five in the pipeline. We have sanctioned a loan of 250 crores to the KSK Surya Photovoltaic Venture Private Limited. Even though it is a 2000-crore project and we are going very consciously, it is a new area for us and we are not lending like we have experience in the power sector, going up to 20%-25%. We are lending in a limited way, 250 crores, gaining experience in that area and it is opening a new area of business for us. There are other proposals for extending financial assistance to wind equipment manufacturing, the development of coal blocks, etc and there are more projects in the solar manufacturing area too.

A lot of investors had asked me why I was restricting myself only to India, why don't you do something abroad. So we are exploring the possibility of doing some business in Bhutan and Nepal. From Nepal, we have got a query if we could be part of setting up a similar company like PFC for Indian power sectors. They have realized that the PFC model has succeeded in bringing about change in the Indian power sector and they think that if a similar organization is set up in Nepal, it will do good for the Nepal power sector too. So they have asked us whether we can be part of that, so we are examining that possibility. Then there are some Indian companies putting up our projects there, they have also requested us to have a look

at the financing of such projects because a majority of the power from Nepal is likely to be sold to the Indian bulk consumers only. Nuclear Power, with the signing of deal I, II, III had gained momentum, it is still on. Looking at the opportunity which will be available, we are in touch with the Nuclear Power Corporation. Actually we were to sign a MoU with them yesterday, but because of certain contingency arrangements, they had to postpone it. So, what I am saying is that any new opportunity coming across our way, we are ready to tap it. And once the MoU is signed with the Nuclear Power Corporation, which is going to play a significant role in nuclear capacity addition, there is a possibility of huge business in that area too.

Energy efficiency, a lot of stress being laid by the Bureau of Energy Efficiency and the Government, you see star rating on the equipment now. And the people have started asking questions like "Which equipment?", "Which T.V?", "Which refrigerator?", "Which washing machine will use less power?" and that is what they are going to prefer for usage. So we are an equity partner in this Energy Efficiency Services Limited which is going to provide support in terms of consultancy, in terms of extending financial assistance or probably creation of energy service companies.

Equity funding is also another key area which investors have been asking me and the other directors. I had shared that last time we had introduced a product, loan against commissioned projects with a provision to invest in the equity of new or expansion projects. The response to that product is very good, but we have not been able to do much business in that area because of RBI's restriction on our exposure norms for State Sector, because we are introduced only for State Sector and during this period there was restriction. So, now that the restriction has been removed, there is a possibility of big business in that area too.

We had organized a borrower's meet for State sector at Gangtok and for IPPs at Amritsar. In both the meets the response to the product was excellent. In fact IPPs are waiting eagerly for this product and we are contemplating that very shortly we will introduce this product for IPPs too. We have some direct proposals for taking equity stake. Some time back it appeared in the news papers

that PFC is contemplating 5% to 26% direct equity, yes it is true but we can do that only after our Board takes a call on that. It is under consideration, there are some queries being made. There is a possibility of a huge business in that area too. Last year I had made an announcement that we will be creating two subsidiaries so we are ready for creating 1 in the consortium lending area. The rationale is same. Private sector share in the incremental capacity addition in the eleventh and twelfth plan is comparatively much higher than what it was in the past. It was 28% in the eleventh plan and 63% in the 12th plan. And you know that for private projects no institution lends the entire loan amount. So therefore there is a need for consortium. We see a business opportunity in this area and to bring a better focus, not that we cannot do as a part of PFC. We have been doing for the last two years or so, playing a lead role in the consortium lending projects. But we feel that going forward this will be a big opportunity and there is a need to develop our own people at Executive Director Level to handle businesses independently. So we are creating this company shortly. Similar company we may create for renewals as the business grows up in that area too, but that will take a little time.

Consulting – we already have a 100% subsidiary. We are continuing with accelerating the profit in that area. We have earned last year 22 crores. We have assignments worth 106 crores. More importantly there is recognition that the other ministries, Ministry of Non-renewable Energy has given us an assignment to develop guidelines for standard between documents for the renewable energy projects. So you know they feel that we have done well in the Conventional Energy, developing documents, awarding contracts, so they have given us this job. We are already working on that one. Acquisition Advisory Services is another area we...last time I mentioned that as and when too many private players will come in the market, they are already gaining momentum, there is a possibility of some companies taking the route of acquisition and therefore we thought that since we being the dominant player in the Indian Power market, we have complete knowledge of about almost all projects, we will be the best one to provide such services to the people who are looking for acquisition. So that unit is already

working, exploring possibilities not that we have a huge number of requests but we are working on that. Some other developments which will improve the overall efficiency of the company, I thought I will share with you. We have our own ERP now; it's being implemented now from current financial year to help us to bring about operational efficiency and quick data availability for decision making. We have introduced based on the guidelines issued by the Department of Public Enterprises along with the revised scales for Public Sector, the guidelines for performance related pay which is different from what it used to be in the past. This is going to be some percentage of incentive fixed for all the employees and rest based on performance. So whenever you have incentive for performance, you can safely presume that performance is going to be higher compared to the past because people will have motivation to do that. We are ISO 9001/ 2008 certified for the entire company now. We had started this exercise about two and a half to three years back. Firstly we did it for individual Divisions starting from Project Division, Finance, to Institutional Development and now we have done it for the entire company.

I have mentioned many times that as Section 4A Company we were entitled to certain tax breaks. One such break was for creating reserve for bad and doubtful debts. We were creating every year 5% of the net profit to this reserve. But in the last 24 years we have zero bad debt written off and our non-performing assets are lowest in the industry 0.02, so we thought that this reserve figure which is quite substantial, 800 plus crores in the balance sheet, we have taken a call that we will not deploy this reserve into the normal business where we have only got anywhere between 16% to 20%. We will deploy this reserve in a phased manner in the real estate which will earn much more value for the company going forward.

Our efforts in the past year has been recognized at all forums, public and private. I would like to share with you some of the awards which we go in the last financial year. MOU Excellence Award from Prime Minister for performance in 2007- 2008. India Pride Award in NBFC Category for Excellence amongst PSUs. India Power Award for Innovative Financing. Heavy Weight Navratna PSU in the non-manufacturing category and most importantly –

Fastest Growing Navratna PSU in the non-manufacturing category award from Dalal Street. I am also happy to share with you that we are a MoU signing company with the Ministry of Power. We have achieved all parameters of the last financial year's MOU which we had signed with Government of India Ministry of Power.

Now onto the figures; I will speak about the quarter wise comparison and then simultaneously the yearly figures. Our total income has increased by 16%. I am not going to quote the crores figures, because you can always have that. I think our presentation has been uploaded on the website, you can see that; but main points and then we have our presentation also too. Yearly the total income has increased by 23%. Last year you know that we made adjustment for deferred tax liability based on the Indian institute of Chartered Accountants, verdict in this regard. And as a result of that we have booked an additional profit of 483 Crores which was relating to previous years, because of the one time adjustment. Now if that profit is taken out then the quarter four 09' compared to quarter four 10' the profit increase is 45% and the yearly profit increase is 58%. Of course we have always been talking about foreign exchange loss gain notional basis, plus some kind of income tax refund we get, if all that is adjusted then the comparable PAT increases 26% and yearly PAT increases 32%. Yield has been lower for the quarter by 39 basis points and for the year by 17 basis points that is because we kept adjusting our lending rates depending upon the market. But much more reduction has taken place in the cost of funds 46 basis points in the last quarter and 57 basis points on an overall basis. As a result our spread is higher by 7 basis points in the quarter and yearly is 40 basis points. The key factor is what can be our growth rate going forward? The asset growth in the last year has been 24%, in line with what I had committed to you earlier. But more importantly the outstanding sanctions they stand at 1,41,800 crores. The period in which these sanctions are to be dispersed are anywhere between three to four years so you can imagine that even with today's outstanding sanctions we will be able to maintain our growth rate going forward. If we sanction future loans and additional business from the new areas comes up, then our performance will be much higher.

As a result from all this the book value has gone up from 94 to 110 but if we adjust for this DTL, then it is actually 90 to 110 in a period of one year. Similarly the return is in the range of 20% but if adjustments are made then you will see that there is an improvement on the average net worth also. I think that with these words I will leave the floor open to Mr. Sridhar who will make the presentation in detail and thereafter the Question Answer session.

Sridhar:

Thank you Mr. Chariman. Good evening ladies and gentlemen we will now have a short presentation on PFC performance highlights for the last quarter of 2009 – 2010 and also the full year's result for 2009 – 2010. First few slides are on PFC overview and PFC business, which you all maybe knowing so I'll take them as read, except that I will emphasize, that PFC has been continuing to maintain the highest credit rating both in the domestic sector and the international sector. ICRA and CRISIL has rated us as "AAA" and then the international rating agencies like MOODY, S&P and FITCH have rated us at sovereign rating. We have maintained these ratings for the past 10 years. In 2009 – 2010 we have transferred the Tilaiya UMPP to the successful bidder reliance power limited and earned a fee income of 15 crores in our books. In the same year we have successfully awarded the East north interconnection company limited, the transmission project in the UMPP lines, to the successful bidder Sterlite Technologies limited and our subsidiary consulting company has earned the fee income of 15 crores. PFC has been certified ISO 9001:2008 in the last year, the company as a whole.

As on 31st of March 2010 we have a total workforce of 302 employees, the disbursement is 85 crores per employee and the profit is 7.80 crores per employee. Last year we received an award from Dalal Street Journal for being the best PSU earning highest profit per employee. That was when the profit per employee was 6.2 crores, and now we have bettered our own record.

Some of the growth statistics of PFC for the last five years, these are compounded annual growth rate for the five years: sanction grew by 29%, disbursement grew by 22%, Loan assets grew by 22%, net worth grew by 16%, total income grew by

22%, PAT grew by 19%. We distributed a dividend of 459 crores in 2008 – 2009, at the rate of Rs 4/- per share, and we distributed an interim dividend in 2009 – 2010 at the rate of Rs.3 per share.

Now I will turn to the highlights of 2009 – 2010. Net profit in 2009 – 2010 was 2355 crores versus 1970 crores last year showing an increase of 20% comparable profit increased by 32%. Operating profit to average assets increased by 18 basis points from 3.62% to 3.80%. Total income in 2009 – 2010 was 8074 crores showing an increase of 23%. Net interest income in 2009 – 2010 was 2923 crores showing an increase of 30%. Disbursements in 2009 – 2010 stood at 25,808 crores showing an increase of 23%, Sanction was 65,466 crores showing an increase of 15%, Loan assets as on 31st March 2010 stood at 79,856 crores showing an increase of 24% over last year. Net worth stood at 12,618 crores showing an increase of 17%. Comparable profit, the profit we earned in 2009 – 2010 was 2355 crores versus 1970 crores last year showing an increase of 20%. There was a big reversal of DTL last year on account of DTL on special reserve of 483 crores, if we neutralize that effect then the profit at that stage stood at an increase of 58%. Apart from that we had a one time credit plus minuses on account of income tax refund, exchange gain loss etc and if we adjust these accounts then the profit for 2009 – 2010 stood at 2,113 crores versus 1,605 crores showing an increase of 32%. Coming to quarter results, the last quarter result profit was 599 crores versus 1005 crores in the previous year showing a dip of 40%. But we had a reversal of the DTL not only of the earlier years but up to the DTL provided till December 2008, so that was 593 crores. If we neutralize that effect there was an increase of profit by 45%. The profit was 599 crores last year versus 412 crores in the previous period so that was a plus 45% against the dip of 40% in the reported profit. Adjusting for the plus minus in the income tax refund and translation gain loss, our comparable profit in the last quarter was 538 crores versus 426 crores showing an increase of 26%.

Profit Loss account: The interest income in 2009 – 2010 was 7,860 crores versus 6,396 crores showing an increase of 23%. Interest expense was 4937 crores showing an increase of 19% at a slower rate. So interest income increased by 23%

Interest expense increased by 19%, so the net interest income was 2,923 crores showing an increase of 30%. Other income stood at 88 crores last year, operating costs stood at 107 crores there was a write back provisions of 2 crores, so the profit before tax and external items was 2,905 crores showing an increase of 31%. There was an exchange gain and loss of 107 crores versus 233 crores loss last year so that has improved our profit. Tax provision was 664 crores versus 460 crores showing a jump of 44%, there was a provision for DTL that is DTA actually last year that is 7 crores versus 440 crores on net DTL reversal on account of special reserve so the profit after tax 2009 – 2010 stood at 2,355 crores versus 1,970 crores showing an increase of 20%. If you go by quarter result the interest income was 2,083 crores versus 1,767crores showing an increase of 18% in that expense increased by 17% so net interest income increased by 19%. The profit before tax and extra-ordinary items was 707 crores versus 632 crores showing an increase of 12%. The profit after tax at the end was 599 crores against 1,005 crores I already explained that there is no dip in the profit in the last quarter after adjusting in the DTL reversal there was a plus of 45% in the last quarter profit.

Coming to individual items I will say that other income was 88 crores last year versus 67crores in the previous period showing an increase of 31%. Here I will say that we were booking the EBITA fee income at the of 1% of the sanctioned amount, we have booked 17 crores last year and 26 crores up to 9 months ending 31st December. But Government of India is having a different strategy now, they are talking in terms of giving us certain portion as fee income and certain portion as a reimbursement of our actual expenditure incurred against the nodal agency services which we render for tranche and disbursement of APDRP scheme. That arrangement is still under negotiation. Pending the finalization of that arrangement, we have reversed the earlier booked income of 17 crores last year and 26 crores which we have booked upto 9 months this year. So, if we remove the APDRP income, I will say that the other income was 105 crores last year that is 2009-10 versus 50 crores of previous period showing almost doubling the income. If we remove to the quarter period, other than APDRP, fee income, the other income

was 7 crores in 2008-09 versus 33 crores in 2009-10, showing four times increase. Operating cost was 107 crores last year versus 91 crores in the previous period showing increase of 18%. There was wage revision in our company based on the PSU wage revisions. So, there was an increase in the provisions to be made based on actual evaluations like gratuity, leave encashment, superannuation funds etc. So, that has increased our cost to 107 crores. If you come to the operating cost of Q4 versus Q4, the operating cost was 40 crores versus 27 crores. There is an increase of 48%. So, now the provisioning has come to the revised scale. So, we believe that the increase in the operating cost will not be this much sharp in the coming years. Tax provision was 664 crores last year versus 460 crores in the previous period, showing a jump of 44%. If you look at the Q4 results, tax provision was 139 crores in 2009-10 versus 67 crores in 2008-09, showing a jump of almost 100%.

So, it's not that higher tax incidence has incurred for us, it is a depression of tax in 2008-09, we had an exchange gain loss on the translation of foreign assets and liabilities which was not allowed as a taxable expenditure or as taxable income while computing the taxable profit. But in Q4 last year, the Supreme Court has given a decision that when the exchange gain, loss are passing through the P&L account, then the notional losses also should be taken into account while computing tax. So, we got a big tax relief in the form of around 39 crores in the entire year of 2008-09 and about 91 crores in the Q4 of 2008-09. So, if that is neutralized then the tax incidence was almost same of 2008-09 and 2009-10.

P&L account as a return on average assets. Net interest incomes stood at 3.82% in 2009-10 versus 3.66% in 2008-09, showing an increase of 16 basis points. Other income gave us 11 basis points same as last year. Operating expenses took away 14 basis points versus 15 basis points last year. So, operating profit was 3.80% in 2009-10 versus 3.62% in 2008-09, showing an increase of 18 basis points. Provisions were almost flat and negligible. Extraordinary items gave us 14 basis points this year, because of exchange gain and took away 38 basis points last year because of exchange loss. Taxation provision took away 87 basis points this

year and 75 basis points last year. Provision for DTL gave us 1 basis point this year because of DTA and then 72 basis points last year because of reversal of DTL. So, the profit after tax was 3.08%. Profit after tax as the ratio of average asset was 3.08% in 2009-10 versus 3.21% in 2008-09, showing a dip of 13 basis points. But, it was not a dip actually. If you neutralize the DTL reversal, then the return on average assets was 3.07% in 2009-10 versus 2.49% in 2008-09, showing an increase of 58 basis points.

Our balance sheet size was 84,746 crores of which shareholders' funds was 16%, borrowings were 79%, current assets were 4% and deferred tax liability, interest subsidy were about 1%. Looking from the assets side, the balance sheet size was 84,746 crores of which 94% is loan assets and current assets were 6%. Investments and fixed assets were negligible at roughly about 0.1%.

Now the key indicators, sanction in 2009-10 was 65,466 crores, showing an increase of 15%. Net outstanding sanctioned, that is cumulative sanctions minus cumulative disbursements as on end of March 2010 was 1,41,813 crores, showing an increase of 17%. Disbursement in 2009-10 was 25,808 crores, showing an increase of 23%. Loan assets was 79,856 crores, showing an increase of 24%. Yield on assets was 10.75% versus 10.92%, showing a dip of 17 basis points. Cost of funds was 8.14% in 2009-10 versus 8.71% in 2008-09, showing a dip of 57 basis points. So, the interest spread has increased by 40 basis points from 2.21% to 2.61%. Net interest margins stood at 4%, showing an increase of 16 basis points. Return on average net worth was 20.12% versus 20.23% last year, showing a dip of 11 basis points. But, if you neutralize the DTL reversal, then the return on average net worth was 19.97% versus 15.27%, showing an increase of 4%. Debt equity ratio was 5.18 times, up by 30 points. Leverage was 6.53 times, up by 22 points. Capital Adequacy Ratio was 19.25% versus 17.15%. We have been calculating the Capital Adequacy based on assigning 100% risk weight on loan assets. But in Q4 of this year, 2009-10, RBI has permitted us to assign lower risk weight of 20% on Government guaranteed loans. So, we are using that lower risk weight, the Capital Adequacy has been calculated at 19.25%. If you have not used a lower risk

weight, the Capital Adequacy would have been 16.21% against 17.15% last year. But, that is only for academic purpose. We will be calculating the Capital Adequacy only based on lower risk weight. So, for all useful purpose, it is Capital Adequacy as on 31st March 2010 was 19.25%. Earning per share was Rs.20.52. 20 rupees, 52 paise, earning per share. And book value per share was Rs.109.94.

Sanctions. In 2009-10, we have sanctioned 65,466 crores, of which 67% went to generation, 18% to transmission, ½% to distribution, 10% to APDRP and 6% to others. If you look at the sector wise, of the total sanctioned, 60% went to State sector, 3% to Central sector, 13% to the joint sector and 24% to private sector.

If you look at the movement of shares, transmission side has improved from 10% last year to 18% this year. Amount wise it has almost doubled from 5800 crores last year to 11,620 crores this year. We have sanctioned large amounts to State transmission companies.

Looking at the sector wise, the Central sector sanction has come down from 32% last year to 3% this year, basically because we had a large ticket sanctioned last year of NTPC 10,000, DBC 3000 and NEPCO 4000 etc. This year, we had only one sanction of 2248 crores in Bharat Bijlee Rail Company. But, joint sector share has increased from 2% last year to 13% this year. We had made some large ticket sanctions in joint sector. Private sector also has almost doubled the quantum in amount wise from 7892 crores last year to 15,786 crores.

Disbursements: We have disbursed 25,808 crores in 2009-10, of which 76% went to generation, 4% to transmission, 2% to distribution, 5% to APDRP and 12% to others. There was not much movement in the share of the discipline wise. But sector wise, it has gone 62% to State sector, 25% to Central sector, 9% to joint sector and 4% to private sector. Movement wise, I'll say that the State sector share has come down from 70% to 62%, whereas Central sector has increased from 15% to 25%. The large ticket sanctions have started converting into loan assets and disbursements.

Loan assets as on 31st March 2010 was 79,861 crores, of which generation was 84%, 8% transmission, 4% distribution and 4% others. Sector wise, it was 68% State sector, 19% Central sector, 8% joint sector and private sector 5%. There is an improvement from 14% of last year in Central sector share to 19% this year, because of conversion of the large ticket sanction into loan assets. Loan quality continues to be very high. It is 0.02% of the total loan assets, the gross NPAs, whereas the net NPAs is 0.01% only. Amount wise, it is only 13 crores of the total assets of 80,000 crores. And after writing off provisions, it is only 6 crores, same as the position last year.

Some of the major sanctions were that 1600 megawatt Yermarus TPS of Raichur Power Corporation, we have sanctioned 7000 crores. 1371 megawatt, gas based power plant in Pragati Power in Delhi, 3600 crores, 600 megawatt, Rayalaseema Stage IV in AP 2400 crores, 727 megawatt Palatana power project in ONGC Tripura in Tripura, 2224 crores, 3600 megawatts KSK Mahanidhi in Chhattisgarh, 1894 crores. These are given here. The MoA targets which we have promised, we have signed with the Government of India for next year was, sanctions will be 69,000 crores of which R-APDRP sanction will be 9000 crores and normal sanction will be 60,000 crores. Disbursements at 29,500 crores, of which R-APDRP will be 2500 crores and normal sanction, normal disbursements, will be 27,000 crores. We will be mobilizing 27,700 crores in order to meet our commitments of disbursements. This mobilization may be in the form of bonds, loans etc.

The share holding pattern: Government of India holds 89.78% as on 31st March 2010, FIIs hold 3.85%, Indian Financial Institution and banks hold 2.10%, Bodies Corporate 1.6%, Resident Individuals 1.44% and Mutual Funds 1.05%. Among the top ten shareholders, Government of India continues to hold top shareholder with 90%. The insurance companies hold second, third and fourth, fifth and seventh position. Leading the pack was HDFC Standard Life Insurance with 0.63% of our equity capital. Jardine Fleming India Fund holds sixth rank and then holds 0.37% of our equity capital. India Capital Fund Limited and India Capital Opportunities Limited were the other two FIIs holding eighth and ninth position, holding

0.26% of our equity. With this I conclude the presentation. The floor is now open for interaction and question, answers. Thank you.

Question and Answer Session

Satnam Singh: Yes please.

Participant 1: What is the percentage of equity sharing, investment capital sharing? By way of what percentage, how much the Government is putting in? Or is it totally from the public, this one?

Satnam Singh: What, overall company? I can't hear you.

Participant 1: We are The Power Finance Corporation Limited is looking for funds, right? It's coming up with an IPO?

Satnam Singh: Well, what I said is that at the moment our holding with public is 10.22%. And with that kind of capital plus what the Government owns, our capital adequacy is pretty high, 19.25% against current structural requirement of 10%. However, we have a plan to take it up with Reserve Bank to get our categorization changed from Loan Company to IFC, Infrastructure Finance Company. If that happens, if Reserve Bank agrees to that, then our capital requirements would be 15% against 10% requirement. And, therefore we will be reaching this level, comfortable level in a period of one year's time. If all this happens, then there is a possibility of raising equity capital from the market through FPO or any other route. Not today. It's giving you idea about next financial year. Yes please?

Puneet Sharma: Good evening sir. Congratulations for these good numbers. This is Puneet Sharma from Canara Bank Securities Limited.

Satnam Singh: I can't hear you.

Puneet Sharma: This is Puneet Sharma from Canara Bank Securities Limited. Two questions, I am having for you. Number one, out of total outstanding loan sanctions, which is yet to be disbursed, what is the percentage is there for vertical integration related activities like acquisition of mines or purchase of equipment etc.? And second, what is the percentage for renewable and non-renewable resources for this?

Satnam Singh: Well, I don't have the percentages available at this point of time. And that I suppose in the context in which I said outstanding sanctions of this much levels is to indicate

what is kind of growth rate which is going to be there. Of course, you can get the details from our people, but majority of that will be in the conventional energy only, because new projects now are happening in the renewable area. Solar has started with a very small way. Wind energy is there, but it's not as good as conventional energy, it's only very small percentage. And other areas like biomass are small, hydro is also small. So, the majority of it is conventional generation based on coal, gas and transmission and distribution to some extent. Yes please, you were asking.

Participant 2:

__1:00:28 (Inaudible)__

Satnam Singh:

I think, I did mention what is the advantage. Actually the need of the day for Indian power sector is huge amount of funds required by the limited players which are operating in the sector, particularly private players and limited institutions which are lending to these private players. If nothing is done with respect to the exposure norms, then there is a possibility that very soon the bankers and the institutions will run out of the exposure. If we get classified as NBFC-IFC, our exposure limit to single category, I said in my remarks, will increase by 5% which at the moment works out to about 630 crores per single company. And we have about more than I think 60-70 players already operating in the power market. Big one's, are of course only less than 20, but who may benefit from this. So, the business expansion would take place, may not be immediately but in a period of six months to one year time. Plus, the risk weight for the loans guaranteed by the State Governments that has been reduced from 100 to 20%. But, these loans are old loans. Current figure is about, I think 14,000 crores. And since the old loans are being repaid, this figure is going to come down quite fast. And therefore, our capital adequacy which presently looks at 19.25% may get depleted. But, the real reason for getting ourselves reclassified is creating scope for additional business through additional exposure for single and group party exposures.

Participant 2:

__1:02:41(inaudible)__

Satnam Singh:

I think I already spelt out, we have committed to Government of India against 25,800 crores, we have committed that in FY 10-11, we will achieve a disbursement of 29,500 crores, which is I think about 15% higher. But, we always exceed our disbursement targets. So, you can safely presume that we will be anywhere between 20% to 25% growth rate. We have also shown you the compounded annual growth rate in the case of

sanctions and disbursements and assets. Our last year figures are higher than the compounded annual growth rate of last five years in almost all areas. For example, loan assets CAGR is 22%, last year we grew at 24%. And disbursements, it is 22%, but disbursement actually we grew at about 23%. Yes please.

Participant 3: Sir, good afternoon. Sir, this question pertains to your transmission, distribution sector. You mentioned about three UMPPs where MPFC is involved.

Satnam Singh: Who is asking the question, can the person stand up? Can you please stand up, because I can't see you?

Participant 3: Yeah, so my question is regarding the outlook of UMPPs. So you had mentioned about three UMPPs, what about the future outlook in the UMPP space?

Satnam Singh: Well, I think I already explained that. Four, we have transferred successfully, two we have been allowed by empowered group of Ministers to issue RFQ based on existing guidelines with some modifications. And one, we have already done Chhattisgarh Sarguja, we have already done. The RFQ is likely to be opened on May 3rd. The other one, in Orissa at Bedabahal. I also said that, the moment we complete the requirement of Section 4 notification, after that a week to ten days time, we shall be issuing the RFQ for that. For the balance UMPPs, that means four plus two, six and the balance are eight as of now, they will be, the RFQs will be issued in a phased manner, depending upon when we are able to complete the prerequisites based on the modified standard bid documents, which will take maybe about 2 to 3 months time, two months time, because it all depends upon empowered group of Ministers meeting. Is that okay, or you are, alright. Yes please.

Participant 4: Sir, I wanted to know how open are you, to individual manufacturers approaching you. For example, wind turbine, solar manufacturers, would you expect their contribution in their product, produced items?

Satnam Singh: Reduced what?

Participant 4: I know manufacturers who make wind turbines and solar panels.

Satnam Singh: Yes. We have already opened up a separate business unit last year to extend financial assistance to power equipment manufacturers, be it in the conventional energy, conventional power or solar or wind energy. We have

already got our proposal for financial assistance to a wind manufacturer. We are opened to funding this. Yes.

Participant 5:

Sir, (inaudible) __1:06:37__ and very little chance of the distribution being privatized in the near future. Do you think that could increase your NPAs, because your current NPAs are very low, primarily because of the nature of the exposure? But, if the distribution continues to be the way it is, possibility of this being slightly difficult, do you think you foresee that as happening?

Satnam Singh:

Certainly not. We will not allow the NPAs to grow, because I think I explained in my remarks that we are the Nodal Agency for restructured APDRP scheme, which is aimed at bringing down distribution losses from current level of 30% to below 15% in next 3 to 5 years time. And as you know that reduction in distribution losses would mean more revenue to distribution companies, we don't see because this particular scheme is totally performance oriented. The money involves the grant. It's a 52,000 crores scheme, part A, part B. Part A is 10,000 crores approximately and part B is 40,000 crores approximately. Part A is complete grant, 100% grant by the Government of India to be given only if the performance parameters are achieved. Initially the whole money is given as loans by the Government of India through us. And if the performance parameters are achieved, then it is converted into grant which means the utility is not to return the money. As far as part B is concerned, it's not 100% grant. Initially again, it will be given money as loan. And if the performance parameters are achieved, which is loss reduction and also they are sustained over a period of five years then they will be, the loan amount will be converted into grant to the extent of 50%, as I said, on sustained loss reduction basis by 10%, 10% every year. So, if let us say in one particular utility, average loss level is about 30% and it has got 100 towns in that area. If the towns reduce the loss level, it will not be 30% in every town depending upon whatever is the level, if they reduce below 15%, then they are entitled to 50% grant. If they reduce less, they are entitled to proportionately lower grant. But, having reduced at a particular point of time which again will be verified, it will not go by the utilities version. It will be verified by a third party. But, yes, loss reduction has taken place. And coupled with that is the overall loss reduction of 1½% per year. If all that happens and this loss reduction for individual towns is sustained or the State or the utility level is sustained for a period of five years, then 10% in the first year, 10% in the second year or whatever weighted average percentage it comes to, that much amount will be converted into grant which is not payable.

So, not only the utilities are going to gain additional income on account of loss reduction, but also in this form of grant. So, their cash flows are likely to improve substantially.

Participant 5:

So, do you see a turnaround in the distribution in terms of the cash flow situation in the next 3 or 4 years?

Satnam Singh:

Of course. Not only, see we are here to create that possibility. Yes please. Can you wait for a minute you have asked too many questions?

Participant 6:

Sir, I wanted to ask this question on your 800 crores of fund, reserves that you have and that you plan to use it for real estate. What exactly is the nature of that, I couldn't get the drift of what you said?

Satnam Singh:

Well, the real estate, the idea is that currently if we deploy that money, we have deployed that money in the normal business. Now, by any standard deployment in the power sector compared to good real estate is riskier and more so when this reserve is required for the purpose of contingency, if at all any bad debt happens. I have brought to your notice that with our current structure in 24 years, when the power sector companies were not doing well, 20 years back if you see and later we have not had any bad debts so far. The situation is improving going forward. And therefore we do not expect any bad debts at least in the near future. I can say for next 10-15 years, but I am not making that statement because it's not right to predict about what is going to happen too much later in the times to come. And our non-performing assets are today only at 0.02, when we have an asset base of approximately 80,000 crores. So, we don't require to use this reserve at all. Therefore, we thought why not increase the value for these shareholders by investing it in good real estate, could be setting up a training center for providing training to the employees of the borrowers at a marginal cost to have mutual advantage. 1) We will have this asset. 2) Our borrowers, majority of them will undergo training with our facilitation, plus maybe another office building, maybe some residential buildings in the important areas. Most banks have got very good assets. We don't have it. We currently own only one office building. We spent about 62 crores, it's currently worth about 400 crores. So, we are creating that possibility in a phased manner. Not that we will go whole hog, but in a phased manner, slowly, just to give you an idea that we are thinking on the lines of increasing value to the shareholders.

Participant 6: Sir, the other question that I had was on the equity funding that you said of 5% to 26%, will that be capped at certain level of net worth that you have in mind of your own company or will it be dependent?

Satnam Singh: As I said, we are exploring that, internally discussing that. And we have also taken it to the board. The details, I will spell out once the policy is approved by the board. It's only an indication that we are, we see an opportunity in that area. And we want to go into that area, for once again the value addition to the shareholders.

Participant 6: And the last question from my side is, on your ALM position for the next year sir, how do you think you are matched to manage the spreads when the interest rates are most likely expected to increase?

Satnam Singh: Well, this issue I have addressed many times to the investors that increase or decrease in the rate of interest does not affect our margins. Why because as far as future disbursement is concerned, our system of lending is such that we do not indicate the rate of interest at the time of sanction. What we indicate is, because power projects, the money sanctioned is not drawn at one point of time. It is phased over a period of 3 to 4 years. So, nobody can fix a rate of interest on the date of sanction. And we rightly, we do not do so. And the rate of interest is charged based on the date of the disbursement. And at that point of time, the rate takes into account the cost of borrowing for that period. If the cost goes up, we increase the rates. If the cost comes down, we decrease the rates. So, therefore as far as the future disbursement is concerned, we are not affected. Now, question is what happens to the past disbursement where we have a reset? There we have introduced this three year reset business from 2004-05 onwards. We have invariably made extra money in this structure. But, even if in one year we have some dip or something, overall it is going to offset our income. There is no issue on that. The increase or decrease in rate of interest for all borrowers, if it happens only for us, then, yes, it is an area of concern. But, if it happens in the market, it's not an area of concern for us. Yes please, now you can ask.

Participant 7: Sir, are you also looking at raising tier 2 bonds rather than just equity for maintaining your capital ratio or is it just equity?

Satnam Singh: Well, number one, we are not planning to raise the equity. I said it is subject to our getting classified as NBFC-IFC by Reserve Bank of India and then using our capital

adequacy gap. Once that happens then only there is a question of raising any additional capital, but maybe in a year's time or a year and a half's time. But, yes, as far as tier 2 is concerned, we are taking up with the Reserve Bank of India for considering tier 2 for the purpose of calculation of capital adequacy.

Participant 7:

Sir, the second comment, general comment on the competitive scenario with respect to banks are, will it impact your margins going forward considering these strong competition in this sector?

Satnam Singh:

You have to tell us. We have been into this business for quite some time. And we, from the time you have invested money in us, we have always been increasing our spread barring marginal difference here and there. Competition was there earlier, competition is there today, but we have been able to maintain our spread. And I have also shared with you a new product which we have introduced, loan against commissioned projects at a high rate of interest for investment with a provision to invest in equity of expansion or new Greenfield projects by the developers. If at all, our margin, any impact on our margins is going to be there, it will improve not go down. That's what is there. And rate of interest variation, I have already explained that it doesn't affect us. Yes please.

Participant 8:

Sir, if you go back to your targets for FY 11, you have outstanding sanctions of about 1,40,000 crores. You went in to do another sanction of 70,000 crores. If we assume a drawdown of 3 to 4 years, optically it looks that you can easily do a 40 to 45,000 crores of disbursements in this year. So, what I wanted to understand is, how do you arrive at that disbursement figure target or am I missing something?

Satnam Singh:

Well, you see for that one has to see the timing of sanctions. This 1,42,000 crores also includes some sanctions which we have made in the last 3 to 4 months, which are wherein the documents are yet to be executed. So, the indication is that we have substantial amount in the form of order book. And therefore there is a possibility of acceleration. But, that does not mean that you can average it all out, because there are three components in that. One is, sanctioned, executed where disbursement has begun; only part disbursement is left. Another is sanctioned and executed where disbursement hasn't begun as yet. And third category is, sanctioned but documents are yet to be executed. So, depending upon the quantum and the timing, one has to make out as to how much disbursement would take place. And it is based

on our experience of the past. Because we also have some thumb rule figure that first year of sanction date, normally they developers take about 10% to 15%. Second year about 30%-35%, third year is the peak which is about 45% and last year is the balance. So, some projects are there where it will be third year, there huge quantum of disbursement may go. There will be other projects where it will be only less than 10% or so. So, when we work out, we go use our experience and the stage of various loans to arrive at that figure. So, it is close to what will be the reality, but we always like to accelerate. But, we cannot accelerate on our own. Unless the development, the developers make a headway in the progress of execution, we can't be disbursing money to them. So, it's not that just because we have outstanding sanctions, we can accelerate the growth rate. But, it is also dependent on the developers making progress. And our experience is we can grow at about 24%.

Participant 9: Sir, how much of the assets are due for reset in FY 11? And any rate indication whether it would be higher than this existing rate and by what margins?

Satnam Singh: Yeah, well the loan assets due for reset in FY 11 is about 17,600 crores against 9552 which we have done in FY 10. But, whether the rate of interest will be lower or higher, can't say today, because it depends on what will be the applicable rate in FY 10-11.

Participant 9: What is the existing rate average on this portfolio, 17,600 crores?

Satnam Singh: It's about 11.76%, which is compared to what is the normal lending rate we have as of now.

Participant 10: (Inaudible)_1:22:39__

Satnam Singh: Okay. I'll answer that also, don't worry. We have been assigned three ultra transmission lines at present. One, we have already transferred to the successful bidder, that is Sterlite, east-north interconnection company. The other one, for the other two we are already in the market asking for RFQ submission. As I said, for the western region, Jabalpur lines, yesterday the bids were opened, RFQ bids. And 33 bidders have participated. And for the next one, the bids are, RFQ bids are to be opened on the 30th.

Participant 10: (Inaudible)__1:23:30__

- Satnam Singh:** No, we have not been given any other line by Ministry to follow that route. So, we have only three at the moment. Yes please.
- Participant 11:** Sir, what would be the economics of the APDRP scheme now for PFC that 1% rule is I guess now under review?
- Satnam Singh:** Well, the scheme provides for approximately 850 crores for a 52,000 crores scheme to be given as fees plus other expenses. The very fact that Ministry has not yet taken a call, one earlier as Sridhar mentioned that 1% was there we have reversed it, it does not mean that no fee income is going to be there. Actually, we have gone conservative instead of addressing questions to the statutory auditors. We have said okay, when the final version comes then we will account for. Already what we have done for that fee income is due. And that, the moment the decision is taken which may be in a weeks time or ten days time, we will account for that income in the accounts. But, the structure only is going to be slightly different. The absolute amount may not vary. It may remain in the same range.
- Participant 12:** Sir, I have 1 or 2 questions. One is your net outstanding is about 142,000 crores, may I know, I would believe about 70% would be for generation. And therefore, can I know what is the megawatt which you have sanctioned out of this?
- Satnam Singh:** Well, those figures will not be readily available with anyone of us here. But, you can send us an e-mail; we will provide you the details of how many megawatts we are supporting. Because, for State sector, we support almost 70% to 80% and whereas for the private sector, the exposure is to the extent of 20%, so the amount will not indicate directly the megawatt thing. So, you can send an e-mail to us to Sridhar, we will provide you with that information.
- Participant 12:** Sir, second is macro question, may I know what kind of megawatt capacity you expect to commission in the current year, next year and the third year?
- Satnam Singh:** We expect to commission? We are not the developers. You mean, in the market how much will happen?
- Participant 12:** Sir, but you are the big daddy, so you know like what's going to come in.
- Satnam Singh:** Yeah. What will happen in the market I think, Cabinet Minister has already spelt out against 78,000 megawatt planned for the 11th Plan. It is expected that approximately 62,000 megawatt will definitely take place, out of which we

have already done, the country has already done 22,000 megawatt and the balance is planned in the next two years. But, there is also a possibility of exceeding this 62,000 figure because certain more projects are being monitored on a sort of monthly, quarterly basis to make sure that the commissioning takes place before March 2012, another about 4000 to 5000 megawatt may also happen.

Participant 12: Sir, the last question is on this ultra mega lines. Can I know some technical details like, what's the capacity and what's the magnitude of the total project?

Satnam Singh: Well, let me see whether those details are...

Participant 12: These are what, 12,000 KV or what is this?

Satnam Singh: No, not 12,000 KV lines. Rana, you have the details? Mr. Rana, Manoj Rana? Can you get the details here? No, no that is okay, you have it here or not? No, okay. So, you can send the e-mail to our consulting, PFC consulting which is doing this, we will give you the details of that.

Participant 12: Sure, thank you sir.

Participant 13: Sir, I just wanted to get your view on something. We understand a lot of infrastructure companies are seeking credit enhancements from public sector finance companies like PFC and REC. Just wanted your view on probably, if you would look at issuing these kinds of products, because RBI is already barred commercial banks from giving credit enhancements to companies. But, they haven't barred NBFCs yet. So, would you look at it, as a kind of opportunity?

Satnam Singh: What you want us to do? Take a plunge and then listen from RBI that we have done a wrong thing? You see, we are not a bank alright. But, we are into the similar business. And we are aware that Reserve Bank has objected to State Bank doing similar structure for Tata Motors. So, we are not planning to do any such structure. Even though there have been people asking us to take on that plunge, we are not planning to do that. Yes, please.

Participant 13: Thank you.

Participant 14: Would you be working with or would Nuclear be running be planning parallel to you? And what is the wattage that we are talking about, Nuclear and yours combined plus the individual? Can we have some sort of a cohesive picture of how many megawatts we are really talking about?

Satnam Singh:

Well, what I said is that we as a lender in the power sectors see an opportunity of extending financial assistance to nuclear power projects. And that opportunity, the quantum of opportunity has gone up with signing of 123 deals. Now, how much of capacity will the Nuclear Power Corporation take on based on raw material availability, I will not be able to spell out. But, what I am saying is that whatever projects Nuclear Power Corporation takes up, we have committed to them. Committed means, we have not formalized the proposal as yet, but unofficially that we are prepared to fund nuclear power projects taken up by them. They at the moment are planning to take I think, two projects, about 2000 megawatt. And it's a continuous process. It's not that, I think the Government is talking about, roughly about 20,000 megawatt in the nuclear area. But, it will be better if this question is addressed to Nuclear Power Corporation and not to us.

Participant 14:

Sir, why do we need the nuclear agreement when you are yourself at the moment doing 22,000 megawatts yourself? So, the wattage is just not making sense. So, where is the need for that agreement and why are we going into that?

Satnam Singh:

What is that 22,000 megawatt is already done. And there is another 40,000 going to be commissioned in coming two years. But, madam the requirement of the country with all this is only going to be met in a partial way. We are, compared to the world average of 2700 units per capita; we are only at 700 today. And with whatever capacity addition we have planned, by March 2012, we may touch 1000 units per capita. Still there is gap of 1700 units as far as world average is concerned. And India, being on the path of growth trajectory, certainly power consumption is likely to go up. And more and more people would expect to use more and more power for performance and daily life.

Participant 14:

Where is the sense of PCI financing the nuclear 123 deal, when America stands to gain and we are importing from them. Why are we not doing it indigenously when we have the scientists, we have the infrastructure, number one? And number two, why should you finance this?

Satnam Singh:

Well, I can address all your questions though they are not relating so much directly to us. But, very simple in a layman's language I will share with you. It is not that we have the resources; still we are approaching US or any other country. If we had the resources, you see we are also importing coal. We have our own coal, but we are

importing coal, because our requirement is much higher than what we have. Similarly, in the nuclear area, because diversification is required, coal stocks are available for XYZ period. And thereafter, we need to have alternative sources of energy. Why are we going for solar, why have we launched solar mission? Because, power is costlier, but, we have lost it already, because the advance planning is required for the country. Country cannot be starved of shortage of power when it is on the growth trajectory. Otherwise, all growth parameters come to a standstill. Yes please, anybody else?

Participant 15:

Given that we have shown our interest for an IFC, we will be committing a 15% capital. So, given that leverage on extra 5%, do you think it's a big negative, in the short term agreed we get greater exposure norms, so some cost benefit analysis you have done on this?

Satnam Singh:

Well, I said in so many words, need of the day is increasing the fund availability to the power sector. There are limited developers, there are limited institutions. Now, either new developers should come in or the new institutions to lend to these developers should come in. If both doesn't happen, then the only way is existing institutions to increase the exposure to the existing developers. Otherwise, they will run out of the exposure limit and future capacity addition would be restrained.

Participant 15:

One more question sir. Sir, we have seen lately lot of banks hitting their infrastructure limits and everybody is talking about lending to power sector, because there has been huge demand. Do you think that all the banks have the project appraisal capability to measure the risk in a power project and price it accordingly like PFC? Just a macro sense on, are the banks running into trouble in that particular sector?

Satnam Singh:

Well I think who has what capability that question should be addressed to them, not to us. What I can say is we have better capability than the banks, that's all I can say. Yes please, anybody else?

Participant 16:

Sir, one more question.

Satnam Singh:

Too many questions from the lady. Yes, welcome.

Participant 16:

Sir, we are a 1.90 billion population nation and we need to give work to our people. Agriculture gives you the maximum returns and we have had a 50%-50% share of agriculture and industry in our country. And therefore, we are self sufficient. If you decide to give more impetuous to

power, then what will happen to the agricultural land which is already suffering? Eventually, we will be cutting our own toes.

Satnam Singh:

Well, you have to give me some other designation to address these questions. Since, I am doing power I have to bring in acceleration, so that it brings value to my shareholders. I'll not be able to answer the sectoral kind of importance to be attached.

Participant 16:

But sir, when the nuclear agreement was being discussed in 2006, the Maharashtra Electricity Board was informing me that we have excess electricity. We have excess and we are not utilizing it to the full. Now, where is the need? You are doing a great job as it is. Where was the need for this additional and where is this additional numbers coming from? Because, they had it excess then and suddenly now they don't have excess and load shedding is happening.

Satnam Singh:

You see it is like this, let me share with you, I have given macro level information already that we are, compared to world average we are 1/4th at the moment. Let me add some more information to that, there is no State in the country which is surplus, the way you are putting it across. Not Maharashtra, it was never, in the last few years surplus. It is not surplus today. So, there is a need for additional power in almost all States except some small States like Himachal where they are able to have some excess at certain times or else some north eastern States. So, the requirement is huge. And also the requirement, how do they work out? After applying lot of load shedding? If the power is given to everybody who needs it and also the villages where the power is not there or electrified, then this much capacity is not enough. So, we need to improve the standard of living of the have nots also, going forward.

Participant 16:

But sir that is exactly what I am saying, rather than escalators.

Satnam Singh:

Can you ask companies specific questions, please not the nation specific. Anybody else? Yes. Can we say that this is the last question? Otherwise, we will miss our flight.

Participant 17:

Sir, I want to know what is the minimum size of a project that you consider for funding.

Satnam Singh:

Well the minimum loan amount we give is about 10 crores, which means if it is a private project then our project worth about 50 crores.

- Participant 17:** And in megawatt terms, is there such a measure?
- Satnam Singh:** Yeah, normally not below 5 megawatt, but we are not so much sacrosanct. For solar, we have done 2 megawatt also, we can do 1 megawatt also, but then norm conventional, generally in that range.
- Participant 17:** And sir, the largest that you have funded until now?
- Satnam Singh:** 4000 megawatts, it's a mega power project, Sasan.
- Participant 17:** Money terms, it will be how much?
- Satnam Singh:** Money terms, we have taken exposure of 1800 crores for one project and about 2000 crores for another similar project. But, for the State sector, though the project size was not 4000, because there we take higher exposure. We have taken largest exposure to one of the joint ventures in Haryana. It's about 5100 crores. And also in the list we have shown Karnataka, we have done 7000 crores for one of the projects of Yermarus TPS of Raichur Power Corporation.
- Participant 17:** Thank you very much.
- Satnam Singh:** Alright. Thank you very much.

Note:

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.