Transcript

Conference Call of Power Finance Corporation Limited

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Presentation Session

Moderator: Good evening ladies and gentlemen. I welcome you all investors and brokers on behalf of the management of Power Finance Corporation Limited. The conference has been held to announce the audited financial results for the year ended March 31st, 2012. Now, I will introduce you to the PFC management team on the dais. In the center we have Mr. Satnam Singh, Chairman and Managing Director. To his right is Mr. M.K. Goel, Director – Commercial. On his right is Mr. R. Nagarajan, Director – Finance. On the left side of Mr. Satnam Singh we have Mr. K.M. Sahni – Independent Director. On his left we have Professor R.H. Dholakia – Independent Director. Then to his left is Mr. P. Murali Mohana Rao – Independent Director. On his left we have Mr. S.C. Gupta, Independent Director. Now I would request Mr. Satnam Singh to share the results with the investors and brokers.

Satnam Singh: Good afternoon everyone. Before we go on to the figures for the quarter and for the year. It is important to share with you, what is happening in the Indian power sector and how do we look at it. The first and foremost thing which has happened in the Indian power sector is, huge capacity addition. I am sure you all know that the capacity addition during the Eleventh Plan was two and a half times, more than the Tenth Plan. It is happy to note that power sector has been able to change its image from 50% achiever to go getter kind of thing. If you look at last fifteen years data, whatever the Government planned for five years, each of the five years, the actual achievement was in the range of only about 50% of that. That's how the Indian power sector got classified as 50% achiever. Having said that, the huge capacity addition has led to some of the issues, such as fuel supply, and people have started talking about too much of capacity and therefore whether the Discoms will be able to buy that much power, given their financial health. So, how do we look at these issues?

My own view and our company's view is that huge capacity addition is giving an indication or rather it's showing that the coal consumption for the next 25 years is going to be that much higher. Whatever capacity has been added, it has a life of at least 25 years. So, that much coal consumption is going to take place and it's an assurance by the sector to the other players. Therefore it is offering an opportunity to the coal and railways for accelerating their generation capacity, production capacity or transportation capacity, as the case maybe. Also the fuel supply issue has been taken up at the highest level, Prime Minister's Officer Level, after which the Coal India has been asked to sign agreements equivalent to 80% of the originally committed coal supply. Now some of the people view that the penalty which Coal India is offering 0.01% is miniscule compared to what penalty the developer has to pay to the bulk consumer. Now one may say so, but I would suggest that it should be, viewed as a change from what was happening in the past. In the past, did you ever hear that one public sector company commits to compensate another public sector company for non-performance, whether it was MTNL, if they did not provide you telephone on time or for that matter GAIL, if they couldn't supply gas or DDA, if they did not provide you house on scheduled date. There was no system or structure of compensating the other party. So, with Coal India's proposed penalty clause it is a step in that direction. That's the way it should be seen, rather than the quantum of benefit which it will offer. Moreover, the Government is considering setting up of a Coal Regulator with a view to basically bring in transparency in coal allocation as well as expeditions resolution of the issues which may come up in future.

The other trend which is happening in the Indian power sector is participation by private sector. In the Tenth Plan, it was 9%. I am sure you know these figures, but to put them in correct perspective, my mentioning, the number is appropriate. In the Eleventh Plan, it was 42% and in Twelfth Plan it is likely to be anywhere between 55% to 60%. Now, what does it mean to lenders, to investors and even to the consumers, is that it means greater efficiency and competitive pricing of power. Besides this Government of India had taken two big initiatives, one was ultra mega power projects; other was independent transmission projects to be set up on competitive bidding basis. Fifteen UMPP's have been identified against the initial nine and four have been awarded so far. Others, we are in the process for want of the modified guidelines and documents, which Ministry and we together are working on and they are likely to come out shortly. Similarly, the independent transmission projects -twelve identified so far, eight have been awarded, four by us and four by REC. We have one ongoing at present, and three have been put on hold for want of the commissioning of the corresponding generating stations. The learning from both UMPP initiatives and ITP initiatives has been that, in future there are going to be lower tariffs, compressed timelines for construction of projects and also the better efficiency parameters to be operated at. Even in ITP's, the transmission charges have been reduced by 25% to 40% of what earlier MoU based or cost based structure of CERC used to decide for a particular line.

Financial health of Discoms is another major area of concern. We have seen that compared to the past now more and more States are going in for revision of tariff. In fact after the Appellate's judgment that the regulators can suo-moto increase the tariff even if the Discom has not filed annual revenue recovery petition with the regulator, is having a positive impact. In the sense that compared to fifteen States in 2011-12, for 2012-13 twenty three States have already filed the tariff petition, which means more States are going in for tariff revision, which will ultimately improve the revenue stream of the Discoms. Loss reduction through restructured APDRP scheme of which we are the nodal agency is being implemented in a big way and it's on the fast track. So far 194 towns have been integrated, which means that these 194 towns are capturing data about all the consumers at one place online. Ring fencing has been done for 1200 odd towns, baseline data established for 469 towns. Even before the upgradation system projects are being implemented, that is under Part-B of restructured APDRP scheme, some of the States have already initiated actions for loss reduction, by following best practices and by taking administrative measures. Just to share with you how much loss reduction has taken place on that basis - Andhra has been able to reduce losses in the range of 1% to 10% in 22 towns, Karnataka from 2% to 13% in 22 towns , Gujarat 1% to 10% in 19 towns and Madhya Pradesh 1% to 10% in 16 towns. Moreover, Ministry is considering modifying the criteria for the towns to be covered under this scheme from a population of 30,000 to 15,000 etc., primarily to cover more and more towns under this scheme for extending the benefit.

Lastly on budget. Various proposals in the budget are also giving a fairly good indication of Government providing support to power sector. I am sure you know all this, but I will just list down. Venture capital fund now includes power sector also. External commercial borrowings withholding tax have been reduced from 20% to 5%. Power sector, like last year, we were given ₹ 5,000 crores, REC was given ₹ 3,000 crores of tax free bonds. This time ₹ 10,000 crores has already been allocated to Indian power sector. Government has allowed part finance of rupee debts by borrowing through ECBs and qualified institutional investors have been allowed to invest in corporate bond market. For the towns which are not covered under R-APDRP scheme, Government has come out with another subsidy scheme called National Electricity Fund, wherein any town which is not covered under R-APDRP, if loss reduction project is taken up for that town, Government will provide concession in the form of subsidy, which is, I think, ranging from 3% to 7% through this National Electricity Fund for such projects. So, in other words what I am sharing with you is that the issues which had come up in the Indian power sector whether relating to fuel or Discom losses or Discom financial health or Coal Supply Agreement etc., are currently in focus and are being addressed, which is a positive sign for the power sector.

Now, let's look at the results for the quarter as well as for the year. I am happy to share with you that our loan assets, in spite of all the picture which many journalists and others are painting and which most people are saying that power sector is in trouble. Our loan assets in quarter four has increased by 31% from ₹ 99,571 crores to ₹ 1,30,072 crores. Accordingly our income has gone up by 40% from ₹ 2,623 crores to ₹ 3,684 crores. Our profit after tax as a result of this has gone up by 35% from ₹ 608 crores to ₹ 818 crores. And the spread has also increased by 23 basis points. We also have outstanding sanctions of about ₹ 1,84,000 crores, which is a fairly good indication of how we are going to grow going forward, because our yearly disbursements are of the order of ₹ 40,000 plus crores. So, once you have order book of about ₹ 1,84,000 crores, it's a good indicator that even in future we will be able to maintain our growth rate.

As a result of this kind of quarterly performance, our yearly data appears like this. Loan assets of course same, increased by 31% from ₹ 99,571 crores to ₹ 1,30,072 crores. Total income for the year increased by 28%, from ₹ 10,161 crores to ₹ 13,037 crores, net interest income by 25% from ₹ 3,523 crores to ₹ 4,395 crores. Profit after tax increased by 16%, from ₹ 2,620 crores to ₹ 3,032 crores. Comparable profit after tax, which is after adjustment of some of the extraordinary items, which normally are not relating to our operations increased by 23% from ₹ 2,522 crores to ₹ 3,095 crores. So, that is how our yearly performance looks like.

Some of the other issues which I thought are important to be highlighted are that, RBI had given us exemption up to 31st March 2012 for the credit concentration, for the State and Central sector. They have extended it to March '13 with a provisory we submitting a roadmap to them by June. We have to submit for compliance by March '16.

We had raised ₹ 36,318 crores last year, including ₹ 5,000 crores of tax free bonds. We have transferred one of the ITP projects, Nagapattinam-Cuddalore to power Grid Corporation on 29th March. We have our two subsidiaries, PFC CAS for syndication business and PFC Green Energy, they have started operating. We are planning to borrow 250 million dollars, syndicated loan in the international market in the coming one month. The price is pretty competitive. We are also exploring possibility of business in the area of energy security, such as Indian companies acquiring mines outside and bringing the output for the purpose of consumption by power projects in India, as well as gas for gas stations. We have successfully implemented our ERP system covering all business operations, with effect from 1st April, 2012.

We have received many awards during the last financial year, not to mention all, only one or two. We got MoU Excellence Award, which is a system of signing targets with Ministry of Power, for the eighth time from the Honorable Prime Minister. We received gold trophy for SCOPE Meritorious Award for best managed Bank/ Financial Institution/ Insurance Company from Her Highness President of India and many more awards. We have also signed MoU with Ministry of Power for next financial year 2012-13, whereby our targets for sanctions are ₹ 46,234 crores plus disbursement is about ₹ 43,000 crores and resource mobilization ₹ 40,500 crores.

Our average yield for the quarter was 11.32% against 10.81% previous year, and as a result of that yearly yield was 11.25% compared to 11.02%. Cost of funds, for the quarter was 8.99% against 8.71% and yearly cost of funds was 9% against 8.53%. And spread I have already talked about, 2.33% against 2.10% for the quarter and for the year 2.25% against 2.49%. As a result of such high growth, our capital adequacy ratio even after our FPO of ₹ 3,400 odd crores last year stands at about 16.29%. We had paid 50% as interim dividend in January-February and now we are paying another 10% as final dividend, which makes it 60%. The only feature which is not positive, I would say, is that our non-performing assets have gone up from 0.23% to 1.04%, primarily because two projects got added. One we had already declared in the third quarter, Konaseema Gas, the project is commissioned, but the gas is not available to the full extent that is why it is not able to service. The other one was old project which is under construction for quite some time, but RBI had given us special dispensation for treatment of that loan as standard asset up to March '12, which expired in March and therefore we classified it as NPA that is Shree Maheshwar Hydel project in Madhya Pradesh. And also Empee Power, a small loan of ₹ 34 crores, for which we have made provisions as required by Reserve Bank of India, as per the prudential norms. Our net NPA's still stand at 0.93%. That's about all I thought I will share with you. If you have any questions to ask, we will be happy to respond to those questions.

Question and Answer Session

Speaker 1: NPA's have increased, likely hood of recovery of bad loans?

Satnam Singh: For example, Konaseema Gas; if the Government takes the decision of making the gas available to the plant, this is not NPA in that sense. Because they are getting only two-thirds of the required gas, they are not able to service. Similarly, the Shree Maheshwar Hydel project is ready for commissioning for want of funds and environment clearance, which now has been granted. It will be commissioned shortly. So, once the project is commissioned, then it doesn't remain NPA in that sense. Similarly, another wind based project RS India, which we had restructured last year, it will remain in the books as NPA for one year, but after that it will come out of the NPA category. So, in all this, what I can share with you is that over a short period of time, all this can become a standard asset. But, at the moment since we have to follow a structure, it's NPA.

Speaker 2: Have you converted debt into equity in any investment?

Satnam Singh: No.

Speaker 2: And what is the market share of to the date in the power sector of PFC?

Satnam Singh: We have about 20% of the total market share

Speaker 2: Is there a projection to increase it?

Satnam Singh: Well, there is no such projection, but our attempt is to, because the size of the market is going up, at least maintain that share of 20%.

Speaker 3: Is poor financial health of Discoms, a major concern and is it a real threat?

Satnam Singh: Not really. We have been lending to the State power utilities for the last 25 years. And I am happy to share with you that we have zero bad debt written off from State power utilities so far. There was one loan, which became bad debt, which was Bihar Hydropower project, but, last year we recovered even that one too. So, there is no bad debt written off so far, as far as State power utilities are concerned. Nevertheless, the loss making organization is an area of concern, but off late the number of initiatives which the Government has taken, are certainly having a positive impact on the financial health of these power utilities. For example, I said last year the tariff revision or tariff petition was filed by only fourteen States. For 2012-13, twenty three States have filed the tariff petition and accordingly the tariff. You must have heard Tamil Nadu increased tariff by 37%. It was unheard of over the last eight-nine years. But, they did it. Similarly, restructured APDRP scheme, first time in the history of Indian power sector, we are using state of the art IT technology for the purpose of loss reduction, to actually establish baseline data. From where one can start that yes, this is the exact loss level in a particular area or town and from there they need to be reduced further.

Speaker 4: Right now, are you restructuring any loans to Discoms?

Satnam Singh: Our lending to Discom is very minimal. It was only 3% to 4% and we have not restructured any of the loans.

Speaker 4: Any future plans?

Satnam Singh: No.

Speaker 5: Sir, NPA of banks are going on increasing. I hope something like that does not happen to Power Finance, because we are only wondering why the NPA's are every time going on increasing for bank rather than coming down.

Satnam Singh: Well, in our case since we do project financing and we make sure that the funds disbursed are not diverted for any other purpose through our disbursement structure, particularly for the State sector, we say that you get the material required for the power project, pass the bills, send the bills to us, we will pay directly to the supplier, so which means that nobody can take our money and use it for any other purpose, other than the purpose for which we have sanctioned. Such kind of structures do help us make sure that the projects for which we lend money are constructed. Therefore, once the projects are constructed, sooner or later they generate revenue for servicing of the debt. We don't expect NPAs to go up like banks where they do project financing, but apart from project financing, they do many other things.

Speaker 5: Who is competing with PFC? Who are the other lenders to these same power companies?

Satnam Singh: Well, there are many, including the banks, REC, IDFC, IL&FS.

Speaker 5: My impression is that competition has increased and the margins are squeezing. Is that a correct impression?

Satnam Singh: I wouldn't say that. Yes competition is increasing; there is no doubt about that. But, we have many plus points, which give us competitive edge over others, such as we have got the best possible rating, which allows us to borrow at competitive rates. Our administrative cost compared to banks is almost one-sixth or one-seventh. We not being a bank, the CRR, SLR and priority sector lending things are not applicable to us. All our money is deployed at normal interest rates rather than at concessional rates. Bank is almost about I think 60% or so is deployed at concessional rates. The requirement of funds for power project is for very long tenure, which many banks because of their asset liability mismatch are not able to provide. We lend for very, very long tenure. We being big, we can leverage I shall say, or make use of our size to borrow floating, fixed rate of interest based borrowings and mix and match those kinds of things. The net worth size is mostly three times of most banks, leaving top four-five banks. Since power projects require huge quantum of money, they need organizations like us. So, these are the many pluses which we have, which put us on a high pedestal, compared to our competitors. So, we are not scared of any competition. In spite of difficult times, our growth rate has been 31% as I shared with you as far as assets are concerned, We have order book of about ₹ 1,84,000 crores. I am not aware of any other bank or institute which has got such a big size of outstanding sanctions book or order book.

Speaker 6: Good evening. You had mentioned about requirement of around ₹ 40,000 crores in this financial year. Do you think you need to raise equity for it?

Satnam Singh: Well, the Reserve Bank expects us to maintain a capital adequacy of 15%. As of March, it is at 16.29%. Depending on our growth which we will be achieving in this financial year, if additional capital is required, then definitely yes. But, we are not planning to go for another equity issue. We will first go for Tier-II capital. In fact today in the Board we got the approval for perpetual bonds of ₹ 2,500 crores. We will need additional capital, though there is margin available as of now.

Speaker 6: At this point do you think dollar funding is more appropriate? Would you be looking at it? High quantum of dollar funding?

Satnam Singh: It's not this point of time or at any other point of time. Whenever we have to borrow money, either from domestic market or international market, we always compare the fully hedged foreign currency borrowing cost with the domestic borrowing cost. And if we find that it is attractive, then only we will go for international borrowing. As of now, longer tenure that is five years plus, it is not offering competitive rates on fully hedged basis.

Speaker 6: Any effects of European markets, Greece, do you think that could have taken effect on PFC, REC?

Satnam Singh: No, not directly, because primarily our business is within India, except that we do depend on foreign currency borrowing to some extent. It is not directly affecting our overall business. But yes, if the effect comes on an overall country level then country level power requirement goes down or up, but not directly.

Speaker 6: Banks are financing large quantum of power projects all over the country, so if something happens in Greece or Europe, it could affect banks and indirectly it could affect your company.

Satnam Singh: No, not really, because there is huge gap as far as Indian power sector is concerned against requirement. The capacity addition is not up to the mark. So, even if there is any impact, it's not likely to affect the power sector. Even global financial crisis, I may share with you, though it's an old data, before the financial crisis our growth rate was 15%. After the financial crisis, we doubled the growth rate to 30%. So, whether it was really a financial crisis or it was a boon, that's what we want to look at.

Speaker 6: So, how are foreign institution investors looking at PFC as a potential investment opportunity?

Satnam Singh: Well, 27% approximately is with public and including the foreign financial institutions, they are very much interested in investing in Indian power sector.

Speaker 6: Your NPA's have increased in last one year. Do you think in the next twelve months, further there could be any stressed assets on the balance sheet?

Satnam Singh: No, not really. Because the largest project which has gone into NPA is Shree Maheshwar (₹ 700 crores), this was well known, because Reserve Bank had given us special dispensation up to March '12. So, it's not a surprise. Konaseema Gas, because gas not being available to the full extent, is also not a surprise. There has not been any surprises as far as our NPA's are concerned. As soon as the project gets commissioned or gas being made available, these will become standard assets over a period of time.

Speaker 6: I am asking the same question again. Since, these were not surprises; do you feel there could be?

Satnam Singh: There is no further expectation of any addition to NPA.

Speaker 6: What is the status on the progress of UMPP's?

Satnam Singh: I did explain that, but to put it in correct perspective. Out of fifteen, four have already been awarded. Two projects we were allowed to bid out on old documents with some modifications that is Odisha and Chhattisgarh. We have completed the RFQ process for Odisha and it is under evaluation. As soon as new documents for RFP are available, we will go ahead with the declaration of successful bidders for RFQ. Chhattisgarh, we have RFQ, but because of the no-go area we have to postpone it many times and very recently again we have postponed it. Next UMPP which is ready for RFQ is Cheyyur UMPP in Tamil Nadu. We have fulfilled all the pre-requisites for issuance of RFQ, but we are waiting for Ministry to issue new documents even for that. Rest of the projects are under discussion with State Governments either for finalization of the sites or for conducting further studies.

Speaker 7: Repeatedly we see in India that in the power sector there is massive under pricing of feedstock, whether in the coal or natural gas or anything else, compared to international prices. If there is already huge pressure on the Government, we have this Court case which is going on in Coal India etc., if some of this comes to light and feedstock goes up, whether it is the gas or coal, I am not talking availability, just pricing, what strategies does PFC have to reduce stress in this sector? And if rates were to go up at the rate, if you look at the last ten years, electricity rates have gone up on a CAGR basis, much less than feedstock rates, so what strategies does PFC have to mitigate this risk?

Satnam Singh: PFC doesn't have to make any strategy to deal with that situation, because if there is any change in the pricing of products, it will be for everyone. If it is done in isolated case for one or two or four companies, then yes. But, if let's say coal prices go up or down for all power projects, what difference will it make? It will make no difference at all.

Speaker 7: But, do you think demand will hold up at much higher nominal prices of electricity?

Satnam Singh: Well, our experience shows that people have bought power at as high as Rs.14. National average tariff is only about little less than Rs.3. So, there is enough scope, even if the prices go up for adequate demand. I don't think it will affect. And more so when people will understand that it is because of the structural change, if at all the Government of India decides to do that.

Speaker 7: But, what makes you so confident that over the next ten years, the trend in price increases in raw material versus finished price of electricity should reverse.

Satnam Singh: There cannot be any product where the price increase can take place over the next ten or twelve years on a continuous basis. Then the price of the product will reach a level where people will start thinking of alternatives. Already in the Indian power sector or for that matter world over, the developers are thinking of solar power and wind based power production or generation. If large number of projects come up on the basis of either solar or wind, there is a possibility that the coal companies may have to reduce the price. Not in the immediate future, but maybe five to seven years down the line.

Speaker 8: What are the effects of Rupee depreciation on your loan book?

Satnam Singh: Our foreign currency borrowing compared to the total borrowing is miniscule. It's about less than 5% or so. So, and moreover we are allowed by Reserve Bank of India to lend foreign currency borrowing in rupee, rupee loans wherein if our borrowing cost in foreign currency is let's say 4% or 5%, we are lending at about anywhere ranging from 12% to 14%, which means there is automatically some kind of coverage which is taking place. But, we also have a policy of foreign currency hedging, depending upon various benchmarks. If they cross that benchmark, each foreign currency crosses a particular benchmark, then there is a committee which looks at hedging of that foreign currency. So, we are protected in that sense. It doesn't affect us, because the percentage is miniscule, it doesn't affect us so much. And moreover the Government allowed that you can amortize it till the redemption of each currency loans. So, we have opted for that and therefore it has not affected us so much.

Speaker 9: What is the scope of PSUs becoming much more lean and efficient over a period of time? Because our impression is that in the past we have been slightly lazy and now being exposed to pressures, they are getting more efficient. And for that reason there should be lot of scope to improve efficiency and become more lean and that should increase your profitability pretty good.

Satnam Singh: I am happy that you have raised this issue for public sector. I would like to give you some data about our company, after which I will leave it to you to draw that inference whether we are efficient or not. We got an award for highest profit after tax per employee in the country. It is ₹ 8 crores profit after tax per employee on an average. Now, I leave it to your judgment whether that is good enough for any company to have it or not. And we are very lean and thin. We have an asset book of 1,30,000 crores and we have about 340 people, 230-240 being executives and the other being supporting staff.

Speaker 9: PFC has always been the more efficient of the lot, that everybody is aware of. We are only wondering whether there is tremendous scope for getting much more efficient, that is the only thought which comes to us.

Satnam Singh: Well, that's where we are not wanting to add too much of manpower. We are relying more on technology than on manpower. So, we will maintain our stand as we have done in the past.

Speaker 10: Yeah, coming out of the broker community, I have couple of questions. One is that last year there have been few products which we have marketed, first of all FPO of shares, followed by infra bonds and then tax free bonds. The people who have invested in FPO have lost money. While there is nothing which we can question on the balance sheet, the EPS of ₹.25 translate into PE of 6, doesn't reflect the intrinsic value of PFC which it has. I am not sure, but I would like to ask if you people can do something to address that, so that to restore certain, amount of confidence in the investors. The second part is regarding the distributor community, the products which we market for PFC, I have seen that the payouts given by the PFC are on a very lower side. It is actually inadequate even to cover the distribution expense. You need to address that, because we are the ones who actually promote the brand PFC in the market. So, looking at the balance sheet and the figures which you have, surely you can, I mean to say put something better on the table for us.

Satnam Singh: I think if we follow either of your suggestions, your one of the questions will remain unanswered. If I pay more for raising resources, then my borrowing cost will go up. And therefore my profit is going to come down. You are going to ask as an investor, what do I do? Your profitability has come down. But, if I do this side, maintain that profit, then I have to necessarily pay less cost as far as borrowing is concerned. So, to my mind it's a mutual agreement. You see if market does not allow, then we will not be able to do anything like that, because the market community is allowing us to pay lowest cost for raising resources, we are doing that. So, I am sure he had raised the issue about efficiency; this is an efficient way of doing it. As far as first question is concerned that the earning per share not reflective of the market price. In fact I should be asking that question from the broking and investor community that when there is data of a company, why is it that share price is not going up? Because, data speaks volumes about the company's performance. You have to tell us, when Power Finance Corporation's data is available to you, where it clearly shows that the price is not what it should be, people should be investing and buying.

Speaker 11: The Government interference in PSU, their mandate to fix a higher price whether is it for the power grid or NBCC recently is what is creating trouble. Your share would have quoted much above this, had your FPO price been lower.

Satnam Singh: You can say so in the hindsight, but when we issued IPO at ₹ 85 and price went to ₹ 385, you didn't say this or for that matter anybody didn't make any comment. But, when FPO went ₹ 203 or ₹ 193 for individuals, then it is an issue, because it's temporarily come down. What is important is, whether the company's credentials have come out to be different from what the company said at that point of time. At FPO when I addressed the investors and said this is what we will do, have I done that or not? That's what should instill confidence in you; it is because of other factors, other than the performance of the company which is affecting the price, not the performance of the company.

Speaker 11: No FPO price did not look sustainable and expectedly so, the price came down. It affects sentiments. Maybe your intrinsic worth is more, but if this happens then the investors run away. The small things the Government doesn't understand. You should rather have avoided the FPO. But, if you came out with the FPO, at least there should be, one should think ahead that the price shouldn't come down, otherwise the investors will run away. I was one of them who did not apply for the FPO, realizing that the price will come down and then the price rightly did come down, but after that even at this price .

Satnam Singh: For your information, it was only our company's FPO which was successfully oversubscribed even under difficult situations, that's the reflection of the investors reposing confidence in the management of Power Finance Corporation and we are grateful for that.

Speaker 11: The company is good, the company is efficient, it inspires confidence as compared to so many others, there is no doubt coming there. But, generally we feel that it's the Government's wish to keep the price higher ---.

Satnam Singh: Alright, anybody else?

Speaker 12: In the current financial year, are there any plans to raise funds for the general public in the form of tax free bonds?

Satnam Singh: Yes, as I already said; the Indian power sector has been allocated 10,000 crores of tax free bonds by the Government in the budget. How much will be allowed to us, will be seen when the notification is issued. But yes, tax free bonds, definitely.

Speaker 13: These tax free bonds gets subscribed in one or two days, that means it makes no sense for small people like us who want to put a lakh or 2 lakhs.

Satnam Singh: Nobody stops you from investing on first day. It's a question of demand and supply. I come out with a product and declare that much in advance that I am going to come out with such product, with such rate of interest. It is for the respondents to capture that opportunity on day one, day two, day three, whatever they feel appropriate.

Speaker 13: But something should be kept for the retail investors.

Satnam Singh: We did. Our last year's public issue of tax free bonds for the retailers remained open for fourteen days, not for one day. And we did say that we will not, even though we had the option to adjust and reallocate oversubscription to the retail category, we didn't do that. We wanted to encourage the retailers and the limit is not 1 lakh, it is 5 lakhs.

Speaker 13: This opportunity comes once in a while.

Satnam Singh: Don't worry.

Speaker 13: The Government also can let the retail investors put their money.

Satnam Singh: I agree with you.

Speaker 13: Big investors are there, they have got loads of cash and they put everything.

Satnam Singh: Let me give you the idea that this year the tax free bonds are going to be of ₹ 60,000 crores, not ₹ 30,000 crores. So, there will be enough opportunity for everyone to invest.

Speaker 14: Environment is difficult, that the big projects don't even take off, then their profitability doesn't come in, so if the profitability doesn't come in, then how will you repay the money

Satnam Singh: Who said that the environment is difficult or that the profitability is not coming in? If the profitability is not coming, we have been lending for 25 years and in those 25 years, not even one rupee has become bad debt. People say that the State sector doesn't even have money and they are in red and they don't give any money, we have been lending to them as well. But, we have never written off even one paisa. So, it's not that there is no profitability. There is profitability, but there can be at times isolated projects, which doesn't work out, all that is part of the game. Everything can't be efficient at all times.

Speaker 14: Thank you very much.

Speaker 15: What according to you is the fair price of the stock?

Satnam Singh: I don't think, I am authorized to make that statement. At whatever price you are prepared to buy, that is the fair price. Thank you. Thank you very much.

Moderator: Thank you everyone for being a part of this conference. Now, on behalf of the management, I would request you to join us for high tea.

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