

Transcript

Conference Call of Power Finance Corporation Limited

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Presentation Session

Moderator: Welcome to all of you for attending the Investors Conference of Power Finance Corporation Limited. We are gathered here today to gain an insight into the second quarter and half yearly results of Power Finance Corporation. I take this opportunity to introduce the dignitaries on the dais. In the center we have, Mr. Satnam Singh, Chairman and Managing Director, Power Finance Corporation. To sir's right is Mr. M.K. Goel, Director – Commercial, to his right is Mr. R. Nagarajan, Director – Finance. To Mr. CMD's left is Mr. Rajeev Sharma, Director – Projects, to his left is Mr. S.C. Gupta, Independent Director. We will be shortly joined by Mr. Devender Singh and Mr. K.M. Sahni. I now call upon Mr. Satnam Singh to share the company's performance highlight, followed by the presentation from PFC team.

Satnam Singh: Good Evening everyone and thank you for this overwhelming response. I did mention to the press people that why are we organizing our press conference and investor meet here is, because we want to extend our thanks for your participation in the FPO which we came out with in May 2011. Ahmadabad City and Gujarat State were the highest contributors to our FPO. Thank you very much. So, I thought I will begin with the two major issues which are going on in the Indian power sector and maybe dispel some of the fears which the investors have.

First one is the loss level of discoms and the other one is the shortage of coal and increasing prices of coal. See, no issue can be seen in isolation. Issues have to be seen along with the initiatives which are being taken by the Government or the organizations responsible for it. So, in the first case, I will share with you what are the issues which have been initiated, what the initiatives which Government has taken and then see the impact of those initiatives and get a comfort whether whatever is going to happen in future is going to be okay or not so good or very good, whatever.

So, first of the things which have happened in that area is, Power Ministers' Conference was held in July 2011, wherein fourteen resolutions were passed unanimously by all the Power Ministers present, in the presence of Cabinet Minister for Power Mr. Shinde and Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission. So, Power Minister of a State passing a resolution in the presence of such dignitaries, no one can say that it is just formality or something. We have asked various States to give us implementation plan of these fourteen resolutions. Three States have responded as to what they are going to do about these resolutions, others we are following up. But, in the meantime, because of the issues raised by the investors and all stakeholders like us, Ministry of Power, other companies in power financing business, the State Governments have realized that they cannot follow the existing system of whatever structure they were following for running the power business in their State. I am happy to share with you

that Himachal and Jharkhand have already revised the tariff in July, Delhi in August, Rajasthan and Gujarat in September, Maharashtra, Karnataka, J&K in October and you must have also heard Tamil Nadu is likely to increase the tariff shortly. They had said October, but they have not done it so far, but hopefully they would increase. Now, tariff increase and the range of tariff increase is anywhere from 3% -4% to about 22%-23%, so this kind of revenue increase is going to enhance the revenue realization of the discoms, so that's one initiative. Ministry of Power and us, we have already decided that we will develop a common rating mechanism, both for long term as well as for short term. At the moment, PFC, REC and the banks are the major lenders to power sector. PFC was following its own methodology, REC was following almost similar methodology. But, the banks were following a different methodology, mostly relying on only the State Government guarantee, rather than on any other structure. So, we are working on both types of methodologies, one for long term, as I said common and one for short term, which is what is our area of concern that no bank is lending short term money to the discoms. We in any case were lending in only a limited way, we have also put a full stop for the time being, pending finalization of this criteria. So, the message I want to give is that because of the issues raised by investors and other stakeholders, Government and us have become conscious of following a particular structure. And if common rating methodology is followed, both for short term and long term lending to the discoms, then I am sure the impact, the sector cannot go this way, the way it has gone these days.

The other big initiative is of, implementation of restructured APDRP scheme, which is aimed at bringing down the distribution losses to below 15%. Now, one may say that, well you have been talking about this scheme for quite some time, what is the result? See, 64 towns and there also I congratulate Gujarat. Gujarat is leading in the implementation of that scheme. 64 towns have already been integrated based on the IT system. I think those of you must have heard me when we came for FPO here that, the first time in India, IT based technology was used for bringing down the electricity losses. In last fifty years, we have never used it. Only under this scheme, we are using it. And the results will be known after all the States implement that, but Gujarat has taken a lead, followed by West Bengal. 64 towns have already been integrated. The message I want to give is, once you know based on an IT based system that the losses are in this particular area, you can try and control those through the administrative measures itself, rather than even otherwise improvement in the system. So, some change is going to take place immediately, followed by system upgradation, which will bring the losses down further. Prime Minister's office has already constituted about a year back a committee to look into the financial viability of distribution sector, under the chairmanship of Mr. Shunglu, ex-CAG. I am also a member of that committee. We have done lot of work in last one year, bringing the accounts of the discoms up to date, up to 09-10. Based on the discussion with Mr. Shunglu, I am sharing this data with you, we are likely to submit our final report by November end. Based on which, Government will take a call on recommendations what is to be done. So, that's another initiative.

The Electricity Act provides for revision of tariff by the regulators suo-moto, even if the ARR, Annual Revenue Recovery statement is not submitted by the respective discoms to the regulator. Now, Ministry of Power has talked to Appellate Tribunal and based on that discussion, Appellate Tribunal has asked the respective ERC's, Regulatory Commission of the States as to why they have not exercised this power which was given to them under the Act. So, some solution in that area may also come up. Some of the regulators may start raising the tariff and therefore enhancing the revenue of discoms in the coming days. Of course, there is another scheme called National Electricity Fund,

which is being contemplated, it's a subsidy based scheme for all towns which are not covered under R-APDRP scheme for bringing down the losses. That means, the Government will give money for upgradation of the system, but it will be at a subsidized cost of 3% to 7%, depending upon the reforms status in that particular area.

So, these are the initiatives which, now you have to gauge whether with these initiatives discoms will continue to make losses or is their situation going to improve? From my side, I can share with you that we have been lending to power sector for the last 25 years and we haven't had any NPA. In fact, there was one NPA in the State sector called from Bihar Hydropower Corporation, but that has also been paid to us in this financial year. So, other than that, there has not been any NPA in the State sector in spite of the fact that discoms were incurring losses. So, even though it's an area of concern, it is not that kind of area of concern which should cause some kind of discomfort in the minds of investors, given the fact that Government is very well aware of this issue and has taken a large number of initiatives in this area.

The next issue is the coal. Well, I don't know whether you people have come across this or not. Honorable Finance Minister had indicated in a program in New York, I was attending that program that Indian Government has done away with go, no-go area for various mines where they had earlier said they are in the no-go area, that issue has been resolved. Of course, we have also not received formal communication to that effect, but some of the projects we have definitely received formal communication. So, possibility of decision in the near future exists. Prime Minister's office has contemplated meeting about resolving the coal issue many times, but somehow that meeting couldn't take place, but it is anticipated that it will take place in the second half of November. So, some direction about the coal supply, coal issue will also come. But, the message that I want to give is, that issue is also highlighted at the top most authority level and when an issue gets that kind of focus, the result always comes. On our side, we have taken up with the Coal India as to what is going to be the position about various projects, which we have funded with respect to the coal supply. What they have shared with us is that as far as projects which are commissioned up to March 2009, there will be no issue of coal supply. For projects which we are sanctioning after 1st April 2011, we have started putting pre-disbursement conditions with respect to fuel supply agreement as well as power purchase agreement to the extent of loan amount, which means that our money will not be disbursed unless these two things are in place. And why did we do that? Because, we realized that in the last 2 to 2½ years, these agreements were taking considerable time and people were not able to execute these. So, we have already initiated action in that area. But, now the natural question would be, what happens to the projects which are sanctioned between March 2009 to March 2011? Yes, our projects are open to risk, but one comfort we have is that majority of these projects are, which are ready for immediate commissioning are in the State sector and State sector is being given priority by the Coal India. But then, that does not mean that other projects are not, we don't have a concern for other projects, no. So, for other projects, I have already shared with you that issue has been highlighted up to Prime Minister level. We have also written to Ministry of Power, asking them to take up with the Ministry of Coal that once linkage is given, linkage is a commitment by the Government and based on which the developers conceived the project and lenders agreed to lend, after that if the Government says, well we cannot keep our commitment, then who is at fault? So, hopefully this issue will also get resolved shortly.

Now, onto developments relating to PFC. These are general developments in the power sector. Well, we have been given permission to raise infrastructure bonds, tax free bonds, ECB. Infrastructure bonds of ` 6900 crores, tax free bonds of ` 5000 crores, ECB of 1 billion dollars. All this, we will be raising before March 2012. And this will help us reduce our borrowing cost further. Ultra Mega Power Projects, which is another area for which we are the nodal agency, we have made headway after no-go, go issue was resolved in the case of Orissa. We are in the process of evaluating RFQ. Twenty bidders had bid for this project. We asked for certain clarifications, eighteen bidders have provided those clarifications. And we are likely to issue the RFP by the end of November. Chhattisgarh of course, we are yet to receive the formal communication with respect to the no-go, go issue. So, we have not been able to take any action in that area. Similar work regarding Independent Transmission Projects is also been given to us, where we they are also at an advance stage of award for two of those additional lines.

Restructured APDRP, I have shared with you already that this is an important scheme and we are the nodal agency implementing it. Just to give you broad idea, we have cumulatively sanctioned about ` 25,000 crores of loans under this scheme, disbursed about ` 4500 crores of loans. 1200 towns out of 1400 have been ring fenced. 295 towns out of 1400 towns have already established baseline data. Baseline data is, one way of assessing power loss, AT&C losses is estimate, guesstimate, whatever is the balance, put it in loss. But, based on IT technology, if the utility is able to project exact loss, that's what this figure is, 295 towns are in that area. And I have already shared with you, 64 towns have been integrated. Sometime back we had signed a MoU with Nuclear Power Corporation. I am happy to share with you that we have made a beginning, we have sanctioned one loan of ` 8021 crores to Nuclear Power Corporation, of course and it is for the project being set up in Gujarat. Of course, the terms and conditions relating to interest cost etc. are yet to be resolved. Earlier, I have shared with you that we are opening two new subsidiaries, PFC Green Energy and PFC Capital Advisory Services. We have already got the business commencement certificate for both the companies and we have begun the process. Of course, detailed progress by these companies, we will share after a quarter or so. We are consulting, which is another third subsidiary of ours, we are doing well. Generally we have been doubling the revenue from consulting.

Today was our Board Meeting also in Ahmadabad and I am once again happy to share with you that equity investment opportunity, which we have been talking about for so long, today in the Board, approval has been accorded for selecting an Indian partner. See, we have specialization in power sector funding. We do not have core competency in fund management. So, if we want to float power equity fund, then we need somebody who can provide us that core competence of fund management. That is why we have decided that we will float tender for inviting bids or inviting offers on the basis of which we will select an Indian company as a partner for fund management and thereafter we will make a Trust and AMC and create power equity fund, equivalent to 1 billion dollars ultimately, but to start with may be 300 million dollars or so. So, this process will take anywhere from three to six months, that selecting the partner.

Banking, we are still in the process of appointing a consultant, from whom we will seek the advice whether we should, in the very, very long term convert ourselves into bank or

acquire stake in a bank or how should we go about or remain as NBFC only. So, all this after the consultant is appointed, but till then it's only an issue of process.

Now, onto the figures for second quarter as well as half year in the current financial year. First of all, on 30th September, we have crossed total business figure of ` 2 lakh crores, ` 1,10,000 crores of asset book, ` 90,000 crores of liabilities, borrowings that means, so total business the company is worth 2 lakh crores. Our loan assets during this period have grown up by 26%, from ` 87,906 crores to ` 1,10,421 crores. Total income for the quarter is higher by 24%. Total income for the half year is higher by 22%. So, it is in line with the asset growth. Net interest income is higher for the quarter by 20% and for the half year by 18%. This is also in line with our asset growth. Profit after tax, as you know that we have a borrowings of about 1100 million dollar equivalent, but we as per our policy, we don't hedge it on the day of borrowing, because we want to flex our muscles to see whether we can make a gain or loss there. At the moment, because in the last week of September, rupee depreciated by about 10%, in this quarter we have shown a notional loss, because of which our profit after tax is showing a dip of 40% for the quarter and 18% for the half year. However, if we take it out, this notional loss, then the comparable profit has gone up by 25% in the quarter and 20% in the half year. So, it is not that our profit has come down; it's because of the accounting which we do of notional loss, which is actually not there. We have not incurred it, but we have to represent it that way, that's why it's looking like that. Our yield has gone up in the quarter to 11.29%, from 11.21% and for the half year, from 11.08%, to 11.19%. Cost of funds, as you know that RBI has been increasing interest rate every now and then, has gone up for the quarter from 8.60% to 9.08% and for the half year, from 8.45% to 8.93%. Spread accordingly from the usual 2.5% to 2.6% has come down to 2.2% to 2.26%, why? Because, actually we have at macro level, matched our asset re-pricing and liability re-pricing on full year basis. But, because RBI has been doing it every now and then, increasing the rates, our liabilities cost goes up on the day the RBI increases the rate. Whereas, assets we do not re-price on that basis. Assets are re-priced based on a structure which is quarterly. So, as and when RBI stops this rate hike, which will be anytime now, our spread is likely to come back to the usual level of 2.5% to 2.6%. Our sanctions compared to last year are lower, however our target itself was reduced compared to last year, against overall yearly target of about ` 45,000 crores, we have already done ` 26,000 crores. And today also in the Board we have done some sanctions, with that it will be still higher. So, it's not an area of concern. Outstanding sanctions which actually indicates how our growth rate is going to be in future, they stand at ` 1,79,000 crores. So, with yearly disbursement of ` 35,000 crores, this is a very good level, which means we can ensure our growth rate of anywhere between 20% to 25% easily. Return on average net worth, after considering notional foreign exchange loss, will look very lower. But, if we do not take into account that, then it is comparable range. That's about all and capital adequacy finally, we stand at 18.22% against requirement of 15%, which gives an indication of how this scope will be like. Thank you very much for patiently listening.

Moderator:

May I now invite Mr. K. Sridhar to discuss the performance highlights presentation.

Satnam Singh: No, no, I think, I have covered majority of the things, if you want to see the presentation, we can run through, otherwise we will address the questions which you have. Which way do you want? Run through?

Audience: Question and answer.

Satnam Singh: Question and answer? Okay, okay.

Question and Answer Session

Satnam Singh: So, the first question.

Moderator: Can you please raise your hand?

Speaker 1: Sir, as you rightly mentioned that procurement of coal is a big problem and even for the private electricity manufacturer, the PLF is hardly 70%-75%. So, in such a case scenario when we are financing new projects, how do you get assurance from them that you will get timely procurement of coal?

Satnam Singh: No, for the new projects I have already shared with you, from April 2011 onwards, we have started putting this as a pre-condition that you have to have fuel supply agreement in place of the required quantity before you can take money from us. So, my money, your money I am not putting at risk after April. But, till April we were allowing developers to procure FSA/ PPA within 12 months of 1st disbursements, but now we no longer we are allowing that.

Speaker 1: So, but in such a case do you think that the projects, they will be coming at a slower pace, because they will need to go for the fuel linkages?

Satnam Singh: Of course yes, but then the question is that we are big player in power sector, now if State Bank of India, ICICI Bank, they used to earlier underwrite projects with this condition not being there and come to us. Now, no longer we consider such projects, because we put these additional conditions, with that their own conditionality's have to undergo a change. So, if we being the leaders in the market, it is we who will give a direction as to what is to be done. Now, once Government gives a direction, that this linkage means linkage, it does not mean that Coal India will not supply thereafter, then the scenario will be different, but till then I think we need to continue with this structure.

Speaker 1: Sir, we have read in the newspaper that Tamil Nadu State Electricity Board is in very bad shape and they are not like giving their dues at the right time. So, do we have any problem with that particular said State Electricity or what?

Satnam Singh: Well, first of all, 64% of our loan book is with State Electricity Boards and the State Power Utilities, 27% with the Central and Joint sector and 9% with private sector. This 64% which we have lent to State Power Utilities, we have been lending for last 25 years. As I said, we have had no NPA except one Bihar Hydropower Corporation, that also for a different reason. And in 25 years, we haven't had any NPA. Our recovery rate has been of the order of 99% plus generally. And even October dues were received there is no NPA. Of course, Madhya Pradesh has not paid some money, which they are promising to pay very shortly. So, that's our area of concern, but it is not,

as I said, along with the initiatives, it is not such an area of concern that it is too alarming situation.

Speaker 1: Okay. Thank you sir.

Speaker 2: The FPO price was 193; the low of PFC was 132. Today's price is 172 and the low 166. My pointed question is, how investor can protect the wealth which he has or the money which he has invested in PFC, considering yourself as an investor, so how will you manage this situation? How you will manage? And how PFC can help the investor? The way it has been sinking lately and you have the Navratna status. Being a Navratna company and still the investors are facing this situation. So, the rate that you have fixed for FPO, it has become 132. At this point of time how to manage? What is your consultancy or advice on this, please guide me? Guide us.

Satnam Singh: Surely, surely. We will surely inform you.

Speaker 2: Guide us and guide the whole lot.

Satnam Singh: Surely. First thing is the price, the price that was fixed for FPO at that time, more or less or less than that was not in our hands. The pricing at that time was fixed based on the rules of the SEBI and even the Government was involved in it. That is a different matter altogether. Now, the question that you have asked is, how should the investors protect their investment? That is why we have first gone to the shareholders who have invested the most money, to give them the comfort that discoms face the biggest problem. But, whatever we have told you, didn't you get any comfort from it? Didn't you feel that the problems faced by discoms are not that bad, the way we thought it to be?

Speaker 2: The money has gone from the people. Money earned through sweat has gone away from people. You won't get comfort only from listening. Like you are saying, you have not fixed this price. Now this is what happens, whenever the price gets fixed, then even at that time the investors are never kept in mind. His policy and his paying capacity, they are never kept in mind, he is always looted. Now, look at the whole situation, wherever there are PSU's, wherever prices have peaked, now if this is the case then the people undertaking, the Government of India is of the people and for the people, and even then the people are being looted through the people's company. This is the reality. Look sir, I am not a person who agrees to everything, I am a person who disagrees. I tell the truth, I tell the truth on face. What I am trying to tell is that the public undertakings belong to the people. They belong to the people and even then they are being priced high and the people are being looted. And the price that is fixed, much less than that, the reason is that the people's high salary, their TA, DA, their entertainment expenses, they are all borne by the company only.

Satnam Singh: It's not like that, it's not like that.

Speaker 2: Sir, everybody knows this. Everybody knows about this, it is an open secrecy.

Satnam Singh: No, please sit down and I will answer you. No, one second, one second, let us first satisfy him. See, it is true that compared to the FPO price, our

price has gone down, no doubt about that. But, you should never look at any issue in isolation. When we did the IPO, I am sure you would have invested at that time also. We had fixed the price at `85, and the price went up to as high as ` 380 sir, so at that time many people would have earned a lot of money due to this, even we know this. But, whatever you are saying, TA, DA, salary, I will tell you that the administrative cost of our company, compared to all the banks, State Bank, ICICI, HDFC Bank, the administrative cost of all these banks is 2%.

Speaker 2: They are big looters, they are big looters.

Satnam Singh: One minute, first listen to what I am trying to say, listen to me first please, due to that you would not have gone below the issue price. For them, it comes to around 2% or somewhere around that number, in the loan book and for us it comes to around 0.12 or 0.13 or somewhere around that number. So, it's not like that since the administrative cost is very high, that is why you are facing problems. These two issues in the power sector, when their direction becomes clear, then the share price will come back to that level. So, it is not a matter to be alarmed about.

Speaker 2: Please guide us, how do we handle this situation?

Satnam Singh: No, all you have to do is eat well and sleep well with the knowledge that this investment is safe and that other investments are not safe.

Speaker 2: Now, should we invest here or not?

Satnam Singh: This is your individual decision. I have presented before you both the positive and the negative factors.

Speaker 2: You are such a big officer, judge yourself to be a shareholder and if you were a shareholder, what would you do?

Satnam Singh: In private I can give you some consulting, as CMD PFC I can't do the same.

Speaker 3: Sir, when are you coming with the infrastructure bond again? Already one infrastructure bond has been completed on 4th November? And second thing sir, your profit has gone within four years, 1,600 something crores. And you are giving only 10 paise commission in tax free bonds, what will be the position, more worse than the 10 paise commission in the tax free bond, why you cannot increase that and give some answer to us?

Satnam Singh: If in order to increase the money, we give more commission, then how will I satisfy everybody, then I won't be able to pay more dividend? That is why we don't give more commission.

Speaker 3: Sir, there are many expenses.

Satnam Singh: No. We are trying to reduce every expenditure sir.

Speaker 3: You please listen to me, 10 paisa commission, if a broker comes with 10,000 from Maninagar to here, he has to put `200 from his own pocket as well as the petrol price is `.75 per liter, how it can work? How you can cooperate?

Satnam Singh: Please ask your own colleague that do we have any freedom that we can increase the borrowing cost, by giving commission or any such way? We can't do that, right?

Speaker 3: The way you are giving to infrastructure, the same way give in that also, you can give a little less than that.

Satnam Singh: See, in everything, in commission or whatever....

Speaker 3: No, 10 paisa is very less sir.

Satnam Singh: We have to look at the Government norms and based on that only the prices are being fixed.

Speaker 3: Even Ahmadabad beggars refuse to accept less than `.2.

Satnam Singh: Beggars are very rich here anyway.

Speaker 3: They refuse to accept.

Satnam Singh: Tell me sir.

Speaker 4: My basic question is, have you received any request from SEBs for loan restructuring?

Satnam Singh: No.

Speaker 4: And the second question is, you have told that your PAT is down by 40% due to dollar, because you don't hedge it. Now, everybody is moving to safe haven dollar and ECB, European Commission, means bank, they have 3 trillion dollar exposure to emerging countries. So, and the dollar index moved from 72 to 77 and it crossed maybe 78. So, if it goes up further, if it crosses 80 and how will you ensure your profit in future?

Satnam Singh: It is like this, today when Euro crisis has happened, it is very easy for anybody or everybody to make a comment that dollar pricing will go in this way. But, till that issue had come up, did anybody think that dollar will go this way? No, actually our foreign currency borrowing is only about 6%-7% of the total borrowings. And as per our internal policy, we had decided not to hedge it, because the redemptions are, major redemptions are due 2014 onwards. So, still we have got 2½-3 years time. And that time, according to us is good enough for that notional loss to come down. We will see, by March 2012 what happens and then we will take a call. Yes please.

Speaker 5: Sir, do you think that current measures by SEBs to increase the tariff by 20% to 25% tariff hike is enough to lower the losses or do they need to take more measures to improve their financial health?

Satnam Singh: No, definitely more measures. Actually, it is like this, tariff is only one issue. There are issues about payment of fuel escalation based on a formula rather than delaying it for very long time. There are issues about payment of subsidy by the State Government to the discoms. Because the tariff is not revised, subsidy amount itself works out to a lower figure. If they had revised the tariff on time, the subsidy figure would also have been very high. So, all these initiatives are required rather than only one initiative of tariff increase. In any case, this tariff increase is something is better than nothing. But, it has to be a continuous process of tariff revision based on the realistic data, rather than an isolated tariff revision.

Speaker 5: And sir, as you said that banks are not giving now short term loans to SEBs and you have also freeze. And REC and IDFC have also told that they are not giving now short term loans to SEBs. So, do you now think that there may be more cases of maybe restructuring or cases of defaults, because they are not getting short term loans and they would be having cash problems now, SEBs?

Satnam Singh: In my sentence there was another sentence which probably you have conveniently decided not to mention was that, pending finalization of the methodology based on which short term lending would take place. We have stopped that only. Not that, we have taken the decision that from now onwards we will not lend at all or the banks will not lend at all. A common methodology is being worked out, which may take ten days, fifteen days, because this discussion has been on for last two-three months. And then once it is final, the State discoms will start getting the money from banks and us.

Speaker 6: Sir, one national question, when India should be power sufficient?

Satnam Singh: When will India be power sufficient?

Speaker 6: Because, there are many States, there is scarcity of power, including Delhi also. After the Independence we are not sufficient regarding the power. First I want to ask you, as a learned person that when India will be sufficient regarding the electricity?

Satnam Singh: My answer can be that, well we are currently at per capita consumption of 700 and odd units, whereas the world average is about 2700. So, we have to enhance our capacity four times before we can think of equalizing the world average. And that requires huge amount of funds, which we do not have. So, to say that India will be power sufficient by what time, it is anybody's guess. As and when we have sufficient money to enhance our capacity to four times, that is the time we will be sufficient for power.

Speaker 6: Sir, do you mean that we may not be self sufficient?

Satnam Singh: No, no, it can happen in one decade, it may not happen for five decades. See, all depends upon our own attitude. Yes please, anybody else?

Speaker 7: Sir, as you said you are going for the nuclear power plant. But, recently newspaper we have read that two nuclear power plants, their expansion is in a mess, and you have also example of Japan. So, don't you think this is the right time to restrict yourself from going into nuclear power plant?

Satnam Singh: Look, we are not taking decision about setting up of a nuclear power plant. Nuclear Power Corporation, which is implementing nuclear power stations cannot do that without the Government's go ahead. Once Government gives the go ahead for implementation of a project, only then we are saying that we will provide financial support. So, it's not that in isolation based on Japan incident or any other incident, we will give or we will not give. So, we will move in line with Government's thinking, not otherwise. Yes please, anybody else.

Speaker 8: Sir, my basic question is, the Indonesian coal is right now at 120 dollars per ton. So, do you think that this UMPP, who has quoted at around Rs.2 to Rs.4, they can survive?

Satnam Singh: They can survive

Speaker 8: Yes.

Satnam Singh: See, it's like this, that in UMPP award the structure followed was, for imported coal based UMPPs, the parameters of cost escalation on account of fuel to be decided by Central Electricity Regulatory Commission. At that time, just one week before the bid date, the parameters were given. And the developer is entitled to get compensation based on corresponding parameters currently. Now, if those parameters are not fully compensating the developer for the differential cost, then there is a need to look at those parameters. Otherwise, the structure exists for compensation of fuel escalation.

Speaker 8: Sir, as PFC is a nodal agency for UMPP and one Reliance UMPP is on gas based power plant, so gas is also scarce.

Satnam Singh: Then there is no UMPP on gas based, no, no. All the four which we have awarded and the ones which we are going to take up, all are coal based. As of now, there is no decision to construct UMPPs on gas.

Speaker 9: Sir, your outlook on asset growth for the rest of the year and for FY13, what can it be, will you be maintaining 20-25?

Satnam Singh: First tell me, am I supposed to give guidance? But, anyway since you have asked that question, our yearly disbursement target is about `35,000 crores. Since we have outstanding sanctions of about ` 1,79,000 crores as of 30th September, that is a fairly good indication of that we will be able to maintain the growth rate based on what we have been doing for last two-three years or so. See, year before last, our growth rate was 24%, last year was on a higher base, was 25%. Current year, on a still higher base, we are growing at 26%. So, you have to see whether with given this kind of outstanding sanctions, whether we will be able to maintain that or not.

Speaker 9: And sir, spreads will be maintained at current levels?

Satnam Singh: Sorry?

Speaker 9: Spreads.

Satnam Singh: Spread. Spread also I have explained to you. It is lower than the normal spread of 2½%, because there is a mismatch. Because, every time RBI raises, the cost of our borrowing goes up on that day. Even though we have a system of passing on that increase to the borrowers, but that to the borrowers we can't do it on daily basis. We have to do in a structured manner on quarterly basis. That is why there is some time gap. Once this increase of the interest rates is stopped by RBI on so regular basis, then our spread will come back to the same level.

Speaker 10: Sir, what is your tenure for borrowings?

Satnam Singh: No, we borrow for different tenures, one year, five years, seven years, ten years, fifteen years...

Moderator: Do we have any more questions?

Satnam Singh: Thank you.

Moderator: On behalf of Power Finance Corporation, we thank you all for attending this Investor Conference. Please join us for high tea. Thank you.

Note:

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