

## Transcript

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### *Question and Answer Session*

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**Company Speaker:** Good afternoon, ladies and gentlemen. Welcome to the conference. You have heard the presentation. In case there are specific queries, we, the management team, would love to answer them. Please introduce yourself and raise your question.

**Analyst:** Good evening, sir. This is Ajinkya from Motilal Oswal. A couple of questions. One, how much is the fee income from the UMPC consultancy during the full year? And second question is more relevant in the context of REC getting listed. Now both of you essentially do the same business, but the cost of funds advantage because of 54ECs is a kind of unjust enrichment for them. I mean, what's your thought process that - I mean, on this 54EC can PFC sometimes get back benefit or REC might lose that. What's your call on that unjust enrichment of REC?

**Company Speaker:** Hello, as far as fee-based income is concerned from UMPC is concerned, we have earned Rs 25 Cr and net of service tax it is Rs 22 Cr which is getting reflected in our book. As far as 54EC is concerned, well, we had taken up in the past with Ministry of Power as well as with Ministry of Finance, but Ministry has not given us any indication whether they would be giving us this kind of dispensation. But the general view is that the Ministry wants to withdraw such dispensation to other organizations too. As you know that even REC with individual limit of Rs 50 lakh, their advantage has come down drastically. So maybe going forward, we cannot comment whether it will be withdrawn or not, but that is the general viewpoint.

**Analyst:** And just one more question. Sir, can you throw some light on this exchange or fluctuation losses which you have booked this quarter, translation losses.

**Company Speaker:** Well, on yearly figures we have booked the notional exchange loss of Rs 19.6 Cr. Whereas during the quarter, as you know the movement of currencies was pretty high. The notional exchange loss was about Rs 38 Cr. No,

reason is that whatever is our foreign currency borrowing outstanding, it is to be valued at the rate of the last date of the financial year. So it's a valuation. And whatever was the valuation on any previous date on this year. The differential - And it's notional, it doesn't mean anything, in the sense that this is not a hit on the profit of the company. Maybe three months down the line when the currency rates vary, then it could turn positive too. So this being not a part of operation and no control by the company over this as far as valuation is concerned, should be taken out when you compare the profitability. No, no, we are valuing our foreign currency based on ES11 and we have no impact of derivatives, what most banks are facing.

**Company Speaker:**

Well, regarding the competition with REC is concerned, a point you raised, we at PFC do not say what others are doing that that is right or wrong. The others have every right to compete; we have every right to compete. Despite their access to cheap funds, we have been able to maintain our margins. Those of you who were here at the previous conference and at the time of IPO also. I had mentioned that we believe and we look at profiting and not profiteering. And I have said that we look forward to a margin of 200 basis points, plus minus 10% either way, because there is no sacrosanct margin figures cannot be maintained constant at a pre-determined level. So we say that what we do is right, we do not say what others are doing whether it's right or wrong. If somebody has a cost advantage, let them have it. We through our management, through our administration, through our prudential planning and commercial planning, we are trying to maintain our margins, despite competition. And I hope that answers your question.

**Company Speaker:**

And as you might have noticed that our spread has gone up from 1.94 to 2.09.

**Analyst:**

Question here. My name is Sushil Joshi from Rosy Blue Securities. I want to refer back to your slide about the ambition of the company to fund projects worth \$30 billion, if I'm not mistaken, by 2012. Rs 1, 25,000 Cr. If it's so, how are you going to mop up resources from now to 2012? How much is domestic? How much of international?

**Company Speaker:**

Well, upfront it is very difficult to say how much domestic and how much upfront. It depends upon the domestic liquidity, the domestic interstate, the international liquidity and access. If one goes by today's policy, today you cannot have more than \$20 million for funding your rupee expenditure. If you have only import equipment from where you have to make payment outside the country, you

can avail of the ECG or the ECA credit. So it is very difficult to say, "Yes, we have planned." And this years sanctions are a taste of the pudding that that is what we are aiming at and these sanctions will get converted into disbursements. So four years down the line, what will be the financial scenario, how will be the domestic liquidity, how will be the domestic interstate what will be the ECG policy, what will be the international rate scenario, what will be – How will it be the international liquidity and which currency and which part of the world? So it cannot be said provided that so much will have from this currency, from this area, from domestic and from foreign. So this is too preliminary to say so.

**Analyst:**

I just want to refer back to the same question again that so far we've seen capital constraints in terms of supply of goods or implementation of projects, do you visualize based on other than local resources, the external environment can be a third factor in not implementing our capacity going forward because of supply of money or the global volatility not allowing access to capital at the right cost for the power project?

**Company Speaker:**

Well, again there are endogenous factors, there are exogenous factors. Exogenous factors are beyond the control of anybody. Yes, the governments do at a macro level control it sometimes and try to mitigate the exogenous factors. We must realize exogenous factors are exogenous and beyond the control of X, Y or Z. To the extent the government can, it will and it has been doing mitigating the impact of exogenous factors having adhering on the project execution and implementation achievement of the targets. Same will be the interstate, in case there are some exogenous factors which come up during the next three years which may pose problems, the government, the business community and the entrepreneurs will find a solution to the problem.

**Analyst:**

The government has declared recently about setting up funding financial unit kind of a basis for Rs 1,00,000 Cr of projects. Can you highlight what is the roadmap the government is intending along with PFC or any other organization?

**Company Speaker:**

The government has – One, they have given the mandate to ILFC which will borrow on the strength of the - The government guarantee's dispensation from RBI. They have \$5 billion. PFC was also under consideration for a similar dispensation. Then till such time the need arises, I think the government is also considering that maybe out of \$5 billion some \$1 or \$2 billion can be year marked for

PFC that ILFC raises and gives to PFC at the cost plus token administrative expenditure, what they have incurred instead of a mark up. And if a need be, we will also go for a similar dispensation.

**Jigar Shah:**

Sir, my name is Jigar Shah from K9 Securities. My question is your sanctions were growing very fast and rapid last year, because of the UMPPs and other projects. This year what kind of growth you see in sanctions disbursement and whether on a quarter to quarter basis we will see a lot of fluctuation because of the closure of the projects and their financing. Can you please throw some light on that?

**Company Speaker:**

Well, firstly, let me tell you that sanctions and disbursement of our power projects cannot be compared with the sanctions, disbursement or production level or profitability of an item, making it consumer growth or an FMCG or making an commodity where you have the production of the previous quarter, you have the sales target of the current quarter,...you have a forecast for the next quarter. You see, average power projects take about 42 to 48 months to implement and this has a typical cycle. That is you conceive a project, you make a DPR, you get it approved, you go for financing, those are sanctions. After the sanction is done, then you award the contract. After the contract award there is an activity, the planning activity, then detailed drawing, designing. Then this is with reference to the boiler that is designed to the particular coal which is available, coal sample is taken, analyzed, ash content analyzed and then the boiler designed. Then water characteristics are taken into account and according to that the boiler is designed. All this involves a government activity, which is the first year of the project, during which only 10% to 15% money is spent by way of advances to the various suppliers. And certain things must take place. It is during the second year that equipments start arriving in pieces. Towards the end of the second year, the supply comes in full swing and the last quarter of the second year and the third year, the supplies peak up. And in the fourth year, towards the beginning, they are at the maximum and they taper off by second quarter because if it is a good project execution and not delayed then in 42 months, you get the project executed. This Ultra Mega Power Projects 60 MW is coming for the first time to India. More time has been allowed for settling down the teething troubles and therefore the gestation period is longer. So looking at quarter to quarter sanctions and quarter to quarter disbursements and linking them in terms of growth to the projects is not a correct comparison and correct

understanding. You see, the sanction which is made today, it is a stock variable. Sanction of a 1,000 MW project costing Rs 5,000 Cr, that is \$1.25 billion, is done on one day, it comes into the stock variable, whereas the disbursement is a floor variable which will take place over next 42 months. So it is very difficult to strike and make a comparison or establish a correlation between the sanction and disbursement for any particular year for any particular quarter or for that matter for any two particular years of this year plus two years of the previous plan. Last year the sanction was X amount, this year it is X plus 123%. Maybe next year the sanctions may not increase to that extent, the disbursement may double of what is this year, because the projects which have been sanctioned in this year will start drawing the money in a big way in the next year. So then somebody will question that your sanctions have declined and your disbursements have gone up. So this is an industry where the net outcome is to be correlated to over a period of 42 to 52 months, only then it can reach an initial conclusion and correlation. I hope I have been able to make the point clear.

**Jigar Shah:**

Thank you, sir. Your point is clear.

**Ramesh Bojwani:**

Good evening. This is Ramesh Bojwani from (not sure). At the very outset in your film you mentioned that you have established a subsidiary on 31<sup>st</sup> March of PFC Consulting Limited. Roughly there was a line saying related to power sector and related areas, could you throw light on the objectives of the subsidiary?

**Company Speaker:**

No, the subsidiary was to do the consulting. Basically, we found that the consultancy business is increasing and as my colleague, Director of Finance, he mentioned that there was a substantial increase in income. Since there was an increase in income we thought it could be developed into a separate profit center, and it is a good fee-based income. That subject was -

**Ramesh Bojwani:**

I think year ending March '08 you've added Rs 70 Cr out of this activity.

**Company Speaker:**

Yes, that's a business earned and the income is about Rs 25 Cr.

**Ramesh Bojwani:**

No, UMPP's Rs 25 Cr, but there are other incomes.

**Company Speaker:**

Other incomes also. Total about Rs 70 Cr, you are right. All put together, but that includes lease income of Rs 22 Cr which is really not a consultancy but rest of the...

- Ramesh Bojwani:** You're looking at an exponential growth in this area of activity?
- Company Speaker:** Of course, we are outstanding consultancy assignment of roughly Rs 60 Cr plus and in the pipeline I think about Rs 70 plus Cr. So depending upon how much we execute and how many new assignments we get and a portion of that we execute in the next year, will give an indication of how much profit on this account is going to be there.
- Ramesh Bojwani:** The thought comes to me that there are foreign companies bidding for our UMPPs. And obviously Indian companies located in India know our demographics and terrains very well. But the area where expediting these big projects will happen, will be with the co-operation of the foreign company setting up shop in India, that will be your opportunity of consulting and providing your expertise to these companies.
- Company Speaker:** Well, yes, if they come, we'll do it. If they come and they seek our consultancy we'll definitely do it. It's for them to come.
- Ramesh Bojwani:** And my last question is you have an interest spread of 2.09%, any measures or any strategies to improve this and by what margin?
- Company Speaker:** Well, given the choice, I would like to have 100% spread. Are you going to permit that? Or is the market going to sustain that?
- Ramesh Bojwani:** As far are there any risks...
- Company Speaker:** As far the spread is given, the sky is the limit. We would like to have everything that is available.
- Ramesh Bojwani:** No. Putting my question more simply is are there any – Do you see any risks to keeping this trend alive or is there any room for improvement, that was the idea of asking.
- Company Speaker:** Well, if there was a room we would have exploited it, as simple.
- Ramesh Bojwani:** Any risks you see for this trend being reduced or maintained?
- Company Speaker:** Well, as I said, we believe in profiting nor profiteering. And we said that we look at a reasonable range of 200 basis points which every banker in this country looks at and internationally. So we have put that we have to be around

200 basis points plus minus 10% either way depending on the market situation and the pressures.

**Ramesh Bojwani:** Thank you.

**Company Speaker:** Thank you.

**Anil:** Good evening, sir. This is Anil Radha Madhav Advisory. There's a question on the spread that was asked right now, could you just give me an incremental cost of funds, what is it and what would be the cost of funds you envisage for the whole year?

**Company Speaker:** Say it again. Please repeat the question.

**Anil:** Sir, could you just highlight your incremental cost of funds and the cost of funds that you envisage for the whole year?

**Company Speaker:** Well, marginal cost for the year '07-'08 was 9.15%.

**Anil:** Okay.

**Company Speaker:** And going forward, you see, it very difficult to say whether the cost in future would be higher or lower. But what we can share with you is that future disbursement won't get affected by increased future cost, because we charge rate based on the applicable rate on the date of disbursement, which takes into account the borrowing cost at that point of time. And old disbursements are covered through ...

**Analyst:** ...and by when?

**Company Speaker:** No. Not really because we raised roughly about Rs16,700 Cr in the last year, and as you know that our capital adequacy is 17.42% as on March, which leaves quite a large room for us to raise resources from the market.

**Analyst:** And third, is what would be your take for this floating ratio, or is it all on fixed basis?

**Company Speaker:** Which ratio?

**Analyst:** Fixed interest rate or floating ratio?

**Company Speaker:** You're asking about liabilities side?

**Analyst:** Yes. The asset side.

**Company Speaker:** Liabilities is about 17% floating and 83% fixed. And assets is 37% fixed and 73% floating, approximately.

- Analyst:** Thank you.
- Punit Srivastava:** Good evening. This is Punit here from Enam Securities. One question on the financials. If you see the Q4 numbers, on a wider-end basis the spreads have improved, loan growth has been around 16%, I believe, but still the core income has been flat, which is the NII growth. You know, can you explain this anomaly?
- Company Speaker:** No. You see, if we want to compare the quarter-on-quarter profitability, then we got to take out the extraordinary items. Last year, last quarter, if you may remember that there were two very important extraordinary incomes which we had considered. One was AG Industries subsidiary and the other was ERA. Both put together worth Rs 94 Cr, net of tax. So, Rs 371 Cr was the incremental profit, last year, last quarter. Out of that if you take out 94, it leaves about 277. And if you see current quarter's profit, it is 297, but this takes into account the additional liability on account of pay division, which is under served in the near future. So, that goes up to 310, and if we adjust the notional exchange loss, net of taxes, it may work out to about 26 Cr. So, it works out to about 337 against 277. So, you see there is a 22%-23% increase. However, we have showed the investors that our profitability will grow and continue to grow in line with our asset growth, barring some adjustments here and there on account of research. So, our asset growth has been 17%, whereas our profitability growth has been 23%. And Q4 I have already shared with you, it's about 22% if extraordinary items are taken out.
- Punit Srivastava:** Sorry. But this Rs 94 Cr you mentioned, I was just talking about the net interest income figure, which has not grown. It's remained flat. Rs 486 Cr against Rs 463 Cr...
- Company Speaker:** Non interest income for the year has increased from Rs 1,415 Cr to Rs1,800 Cr.
- Punit Srivastava:** Yes sir. Just for the fourth quarter I'm saying...
- Company Speaker:** Quarter, it may be. As I said here you cannot compare quarter-to-quarter in this case. Quarter-to-quarter doesn't make sense. You have to take for the full year.
- Punit Srivastava:** Okay. And second thing, in the Forex borrowings, have you seen some borrowings getting matured in the last quarter? Some proportion coming down or -?
- Company Speaker:** Yes. We have redeemed \$100 million equivalent Japanese Yen loan on 4<sup>th</sup> February.

- Punit Srivastava:** And so now the current structure. How it is looking in terms of currency? Borrowings - Foreign currency borrowings?
- Company Speaker:** Our foreign currency borrowings are about 5% of the total borrowings.
- Punit Srivastava:** Yes. I'm saying though the Yen has matured. Using one very small portion?
- Company Speaker:** Yen. There was one Yen loan, which has been redeemed. Or you want to know the composition?
- Punit Srivastava:** Yes, of only the foreign currency?
- Company Speaker:** Yes. There are three currencies in which we have outstanding borrowings. Euro, Yen and Dollar. Total is about \$536 million, equivalent. And break up into currencies...
- Company Speaker:** And seeing our open position is very small, the rest is all hedged. So, there's not much of the issue on account of foreign currency borrowings.
- Punit Srivastava:** You mean to say, sir that their open account position has come down drastically. But there has been a 38 – There's a Rs 38 Cr in loss which was there?
- Company Speaker:** US Dollar out of 539, total, is 442. Euro is 51 and Yen is 46 million, equal in dollars. Equal in dollars I'm saying. Dollars as Dollars, Euro as equal in Dollars and Yen as equal in Dollars.
- Punit Srivastava:** Sure. So, the Yen has come down substantially.
- Company Speaker:** Yes. One loan has been redeemed on 4th February.
- Punit Srivastava:** What was the growth in disbursement in the last quarter on a YOY basis?
- Company Speaker:** Year-to-year
- Punit Srivastava:** Yes.
- Company Speaker:** 17%.
- Punit Srivastava:** 17%. Okay.
- Company Speaker:** 15%. Disbursement was 15%. Asset growth, 17%. Year on year. You were asking quarter?

- Punit Srivastava:** That's for the full year.
- Company Speaker:** Yes.
- Punit Srivastava:** And for the – if I can ask for the last quarter also, what was the growth?
- Company Speaker:** Last quarter of this year as compared to last quarter of previous year?
- Punit Srivastava:** Yes, sir.
- Company Speaker:** I think, against Rs 5,000 Cr, it was Rs 6,000 and odd Cr.
- Punit Srivastava:** Okay.
- Company Speaker:** No. To be precise it is Rs 4,523 Cr last year. This year it is Rs 6485 Cr. Or roughly 25%. Quarter-to-quarter.
- Company Speaker:** 4523 and 6485.
- Company Speaker:** 6485.
- Punit Srivastava:** And any target which you can disclose for the next year? The disbursement targets for '09?
- Company Speaker:** Boss, disbursement targets, as I said, these are linked to projects execution...
- Punit Srivastava:** I understand, sir, but...
- Company Speaker:** I put up a target. I disburse 30,000. The projects do not come. The equipment – There is some slow down or - Then you will say you have given a target, this is not coming up. You see, my target is a derived target; it is dependent on the activity of several hundred agencies.
- Punit Srivastava:** Sure. Okay. That's fine.
- Company Speaker:** So, I have – I can at best tell you, gentlemen, I have sanctioned this much quantum for these many projects, these many thousand megawatts, to be completed by 2012. Now, some projects, one may go ahead, one may lag behind in the second quarter or in the second year. The one which was running fast may become slow. Something other may run. So, it's very difficult to put a target, where you are totally dependent on several hundred agencies for the coordination and execution of the project. For manufacturing items, for certain things where you know the input, you know the output, you have a trend, you have a capacity, it is workable. But in an industry

where you have a gestation period of 42 months, it's very difficult to say how much you will disburse. Because your disbursement is again going – is directly related to the project progress. And the project progress in 2012 will be -  
 - The projects will start coming on stream somewhere in 2011 first and second quarter. And then every quarter there will be substantial progress in commissioning of capacities. Some projects will still slip from 2012 March to 2000 June or maybe down below up to 2000 September.

**Punit Srivastava:**

Okay.

**Company Speaker:**

So, every year this will be – This is a project execution driven requirement.

**Punit Srivastava:**

Sure. Thanks.

**Jasvinder Agarwal:**

Sir, Jasvinder Agarwal from ABN Amro. Just one question on your spreads. If you could give some light as to how (not sure) impact next year your spread. One, in terms of your own funding cost and second for rates at which some of the corporations to which you lend at?

**Company Speaker:**

At macro level I can say, the best is to implementation will reduce the risk on account of lending to PFC, so we should get better terms and the margins should improve, at macro level. How the market takes it, absorbs it and reaches equilibrium is to be seen by -- after the interaction of the market forces.

**Jasvinder Agarwal:**

Those are exactly to some of these SEBs and joint projects that we lend. Are most of these projects rated? Or are they unrated?

**Company Speaker:**

None of the projects is rated. 76% of the projects are being done by the state entity.

**Company Speaker:**

And also whatever projects are being done by private entities, they are done under a special purpose vehicle. Even if they go in for rating, they would not have best of the ratings.

**Company Speaker:**

For example, even if you take Tata's project, if you take Reliance's project, these are being done by the FCVs. What rating will you have the FCVs? Now, do you mean to say that that the Tatas will not be able to do the project or that Reliance will not be able to do the project? Though there is no rating, but still the project is moving.

**Jasvinder Agarwal:**

Correct me if I am wrong, sir. Theoretically then your spreads should improve, because your ratings on a AAA

your cost of funds gets lower and because banks do not effectively compete in the unrated corporate segment to that extent, your lending rates probably may not crack to the same...

**Company Speaker:**

You see, at the moment the banks probably are not taking into account the exact capital required as per Basel 11 norms. Because with unrated, they have to have 150% of the capital and even otherwise as far as lending to us is concerned, currently they are taking 100% risk rate. Now with Basel 11 norms they will have to take 20% as the risk rate while lending to us. So, our borrowing cost at macro level as CNBC said should come down, and banks lending to non-rated entities should go up. The lending rates should go up, thereby working in the positive direction as far as we are concerned.

**Company Speaker:**

Well, you see that theoretically a lot of things appear to be very good, but ultimately the outcome is dependent on how the market forces interact and at what equilibrium level they settle up – settle down.

**Company Speaker:**

And as you know that most banks have sought already extension of time for implementation of Basel 11 norms from Reserve Bank of India. So, how much time the Reserve Bank would allow, that itself would delay this kind of market happening.

**Jasvinder Agarwal:**

Thank you, sir. And just on that PFC Consulting. Could you give a more longer term, you know, some targets or some vision as to how do you really see that business growing, to what size, over probably a three to five-year cycle. Because exactly what you said, your core business is probably into a five-year bucket. So, do you probably have almost the same outlook on your consulting business? What type of core revenues do we look at in a five-year cycle?

**Company Speaker:**

Well, I think Mr. Singh had given you a trailer of what income we have in this year, what business we have in hand and what business is there in the pipeline. And somebody from the audience had given a very good clue that there are a lot of foreign companies waiting in the wings to seek consultancy and give various services to the UMPPs. So we are looking at it and this is as the things take shape, because we would not like to make a wild guess and then regret.

So, we formulate a strategy and try to look at things as they evolve. Today, the three UMPPs have gone, maybe two or three more. One is right - hot as of now, we will be

issuing the RFU by end May. Maybe if the required land and water conditions are provided by some other state, maybe one, maybe two. Again get into fast track and that may attract a number of foreign investors and foreign agencies offering services or trying to retain PFC consulting as their consultant, for them to get into the power sector here. You see, as of now the energy conservation - What do you call them? Energy saving companies and the energy conservation companies, lot of them are watching and waiting and they keep on consulting us. So, maybe if somebody comes with a good business model, we give them the consultancy. Similarly, the foreign companies waiting to provide services to the UMPP. They are all going to come. You see, it is all in the process of evolution, and if at this stage we don't assess properly and watch and observe very meticulously, we will be making only a wild guess, which we don't wish to.

**Company Speaker:**

If I may add. You see, we have developed, through the process of implementation of UMPPs a USP for our company. And you know that more and more projects are being implemented through UMPPs or on the same pattern, smaller projects by states. Now given that situation, the business will continue to grow. Now how much would grow would depend upon how many projects various states take on this line of direction.

**Jasvinder Agarwal:**

Thank you, sir.

**Company Speaker:**

Thank you.

**Jigar:**

Sir, this is Jigar from Parag Parikh Finance.

**Company Speaker:**

Yeah.

**Jigar:**

My question pertains to private sector power players. A number of private sector power players announced plans to set up you and UMPPs in other larger projects come out with IPOs or some stuff like that, but because of this subdued market environment all these things have really fallen less. You actually see the subdued capital market environment as a hindrance to your growth and the projects itself if equity funding is not available to that extent.

**Company Speaker:**

Well, power sector growth and our growth is in the same direction. If there are private sector power projects and they are coming and they need funds. So where is the hindrance? We exist for power sector projects.

**Jigar:** No, sir. For every power sector project there is a certain equity component and a debt component.

**Company Speaker:** Yeah.

**Analyst:** Raising that equity component has become slightly more difficult in the current times. And there is no issue on the debt part of it. But because of that difficulty in that equity component, do you see your side of the business getting impacted?

**Company Speaker:** Absolutely. That is why we have devised that PFC advisory, where we will be trying to tie up equity for the private sector projects.

**Jigar:** Okay.

**Company Speaker:** We are very much aware of that and we are very much active into that direction of addressing that concern as well.

**Jigar:** Also, sir, is there any scope where, suppose you are funding 60% or 65%, 70% of the project, is there generally a scope for some expansion on that front that any shortfall in the equity can be covered up with slightly more leverage?

**Company Speaker:** Well, as of today we don't have the mandate to fund the equity, but our advisory service will definitely identify the equity funds for the projects once we have settled down into the advisory business.

We are addressing this issue by identifying funds and by identifying the projects. And as all of you are aware, the Indian entrepreneur is very touchy about the equity part. Though he says there is no equity, equity has a big problem, but at the same time he doesn't want to share his equity with any fund. Because the moment the foreign fund puts equity in an SD, he wants that audit committee should be his, expenditure committee should be his. Any expenditure beyond a committee should have the approval of the expenditure committee to which the Indian entrepreneur is not willing to give.

Because we had a dialogue with both sides of the table. We talked to the entrepreneur also; we talked to the funds also. Funds has its own conditions. The entrepreneur wants his own dispensation. And we are trying to narrow down that gap so that you bring the two to a meeting point where they can shake hands and say, "Yes, gentleman, this is what I am going to yield you."

The other gentleman says, "This is the concession and dispensation I am going to give you." So the equity subscription is not just like that that I have a gap of - I require an equity of 30% and if somebody is standing with a bag with 30%, then gentlemen, I am going to put in 15% equity. There is entrepreneur who is going to entertain equity like that and there is no equity fund who is going to put an equity like this.

- Jigar:** Yes. Just one more question.
- Company Speaker:** Yeah.
- Jigar:** During your IPO meet, you said that you would be charging a percentage fee on the amount sanctioned.
- Company Speaker:** On the...?
- Jigar:** On the sanctioned amount. On the new sanctions which you would do, you will charge a percentage fee so that the sanctions are more meaningful and they are just not of cancellation stuff. Have you actually started charging that one percentage fee on the amount sanctioned?
- Company Speaker:** No, I think, about at the time of disbursement we are charging the...
- Company Speaker:** No, for private sector, yeah, its 1%...
- Company Speaker:** Yeah, its 1% on private sector.
- Jigar:** All right. So have you started charging it and if you can tell me the number which is factored in the current financials in the...?
- Company Speaker:** I will just... Upfront fee on loans in the current year was 13.21%. Rs 13.21 Cr, sorry.
- Jigar:** Thank you.
- Company Speaker:** Against Rs 1.22 Cr last year.
- Jigar:** Again, thank you.
- Company Speaker:** Yeah, there I think...
- Kunal:** Hello, sir, this is Kunal from Edelweiss. If you go to see our disbursements over the past three quarters then they have ranged in between Rs 3,200 to 3,400 Cr, and in this quarter it has immediately shoot up to round about Rs 6,500 Cr. So, sir, is this the concentrated across like two

or three projects or it is well distributed among 10-11 projects? And if it is concentrated then how much of this disbursements have taken place on the sanctions which were there?

**Company Speaker:**

A, this is not concentrated. B, there has been an all; somehow it is there in the Indian financial system as such. You see any bank, you see any government department, you see any PSU. The activities done during the nine months is less than the activity done during the last quarter. We have been trying to even out this bunching in the last quarter. It's not considered in a few projects, it is a large number of projects, but there has been bunching of projects. And we have been trying to reduce this bunching to the extent possible, but somewhere we have succeeded, somewhere we have not.

**Kunal:**

Okay. And, sir, one thing on the e-payment side. If you see your total loan book, it was Rs 44,000 Cr in FY'07, you have disbursed almost round about Rs 16,200 odd Cr in this year. Okay, so your repayment has been round about Rs 9,000 odd Cr which is almost 23% of your outstanding loan book. So will this be more or less the pattern over the next three to four years, or it should range in between 15% to 17% which has been over the last three to four years?

**Company Speaker:**

No. You see, the repayments are dependent upon the asset book composition. As you know that our asset book composition is undergoing change. Wherever we lend longer term the repayments will be lower. So depending upon the asset book composition, this may go up or down. But since most of the loans are for longer term, it maybe marginally as a percentage, marginally lower than past.

**Company Speaker:**

I get your point. We will try to have a statistical analysis done and it is good we look at it statistically. How the two - What's the correlation between them.

**Kunal:**

Yeah, so is there any change in the average tenure of your assets, over like last three years and even in this year because of the change in the repayment?

**Company Speaker:**

Well, it is having marginal impact. The average tenure has changed from 5 years to 5.2 years, average maturity of the assets.

**Kunal:**

Okay. And on the liability side?

**Company Speaker:**

On the liability side it is 4.2. It was earlier 4.12 and it is currently 4.2.

- Analyst:** Okay. And, sir, one last question. On the total loan books, how much is your percentage of your loan book with three year research close outstanding as of now?
- Company Speaker:** Say it again.
- Kunal:** Percentage of three year research close loan book as of March '08?
- Company Speaker:** Percentage of three year research...? Percentage of three year loan book? Just one second. It will be about 66 to 67%, but we will just give you figure.
- Company Speaker:** We will give you the figure.
- Kunal:** Thank you.
- Company Speaker:** Yeah, please.
- Shyam Bhatt:** Shyam Bhatt from Principal Mutual. One question regarding the role you will play in funding the UMPP projects. For example, if we take Mundhra's case, what kind of share would you have in funding a... Or what kind of share would you target while funding the UMPP?
- Company Speaker:** Sir, we will cross the river when it comes. Unless and until I get the proposal from the borrower, how do I say how I am going to look at it?
- Shyam Bhatt:** Is there a significant delay in the Mundhra financial closure?
- Company Speaker:** No comments there. It is for the project developer to see where he is and to whom it is talking in the process of financial closure. We don't comment on that.
- Shyam Bhatt:** Thank you.
- Sarika:** Yeah. Good evening. This is Sarika from Kotak Securities. Just a little highlight on your foreign loan transactions. Can you just tell me how much would be your foreign loans as a percentage of your total borrowings in your books as in...?
- Company Speaker:** 5% of the total portfolio.
- Sarika:** Okay. And secondly, in the beginning for this financial year, you had mentioned that about 46% is uncovered. 56% is... 54% is hedged loan. So whatever you have redeemed in this particular quarter is out of the unhedged, uncovered borrowings, which you had in your books?

- Company Speaker:** No. It was, the principle portion was mostly hedged, majority of that.
- Sarika:** Okay then I could not get as to how much would be your uncovered - You said its very small amount of this particular would be - Like, can you give a bifurcation of that sum?
- Company Speaker:** You see, if you want the exact number we will give you. 5% of the total portfolio is the foreign currency. Within that nearly 2/3<sup>rd</sup> will be hedged. Before we did this redemption on 4<sup>th</sup> of February. If you take that out it will be a miniscule of the total portfolio, even it is unhedged, doesn't make any difference on the health of the company.
- Sarika:** Okay. Thanks.
- Company Speaker:** Yeah.
- Vikas:** Hello, sir, this is Vikas from Reliance Mutual Funds. Just wanted to know about your asset liability management as on 31<sup>st</sup> March '08?
- Company Speaker:** 31<sup>st</sup> March? You want the average maturity and the average life of asset and average life of liability?
- Vikas:** If in any of your bucket you have any asset liability mismatch?
- Company Speaker:** Asset liability mismatch on the whole, no. And in terms of components, I don't think we have any mismatch.
- Company Speaker:** Asset liabilities?
- Company Speaker:** No. Because, you see, I shared with you...
- Company Speaker:** Average asset life is more than the average liability life.
- Company Speaker:** And we have a huge net worth of \$2 billion plus, which is our perpetual money available with us. So there is no question of any mismatch.
- Vikas:** And the other one is when you are lending to state entity you have different recourse mechanism, but while you are lending to private ones, what kind of recourse mechanism you have?
- Company Speaker:** We have trust and retention account. All the income of the private developer goes into that trust and retention

account, which is controlled by one of the banks appointed by us, by the lenders.

**Vikas:** Thank you.

**Mahesh Chabria:** This is Mahesh Chabria from Fidelity. I had a question on a liability profile. Could you tell us how much of your borrowings are due for maturity in the coming year and what would be your incremental borrowing in the coming year and for what tenure?

**Company Speaker:** Maturity...? You see, if you go by average, our total liabilities are 41,000 Cr. Okay, and average maturity is 4.02, so about 10,000 Cr would be the new amount in the current year. But depending upon individual items, it may vary marginally.

**Mahesh Chabria:** Sir, but against this what could be the incremental borrowing for what tenure? I mean, would you be having the same kind of borrowing expected in the coming year?

**Company Speaker:** No, borrowing - Borrowing in the future is dependent on markets. We have as you know that it maintains best possible rating both in the domestic and international market. Our borrowing cost will be in line with our rating. Of course, the borrowing cost can vary depending upon the tenure and the amount we borrow at a particular point of time or the structure we follow, whether it is bonds or structure one-on-one be - So to say that in future this will be the cost of borrowing is very difficult.

**Mahesh Chabria:** But in terms of leverage, sir would be maintaining your fixed time leverage going forward or you expect that to increase?

**Company Speaker:** No, leveraging as our assets to growth takes place, leveraging will improve. It was 18.34% last year. It has come down to 17.42%, and we can go as low as 10%, but we may not go up to that level. But with asset growth with every year, it may come down to 1% to 1.5%. And I have already shared with you, raising of resources is not an issue. We have adequate capital adequacy and with Basel 11 norms, our cost may also come down in coming time.

**Mahesh Chabria:** Thank you.

**Company Speaker:** But to say that exact figure, whether that will be 9% or 8.5%...

**Company Speaker:** That will be difficult.

- Company Speaker:** Is very difficult.
- Company Speaker:** So any more questions from the second half? Because we had most of the questions from the front bench.
- Company Speaker:** Kunal, to respond to your query. Out of the asset book, about 71% is the three year and ten year reset. 52% with three year reset, 19% with ten year reset and 23% is fixed and balance is other products.
- Analyst:** (Inaudible – Away from the microphone)
- Company Speaker:** That average cost was less than 2%.
- Analyst:** How much?
- Company Speaker:** 2.16%.
- Analyst:** And including hedging?
- Company Speaker:** Everything put together. 2.16% was the cost...
- Analyst:** For that loan of \$4,000.
- Company Speaker:** 4,000 means...?
- Analyst:** 400 Cr.
- Company Speaker:** Yeah, 400 Cr, correct.
- Company Speaker:** Okay, so any more? Thank you, ladies and gentlemen. Now everybody is invited to tea served in the foyer. Thank you.

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**Note:**

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