



पावर फाइनेंस कॉर्पोरेशन लिमिटेड
(भारत सरकार का उपक्रम)

“Power Finance Corporation Limited Q2 FY-'17 Conference Call”

November 10, 2016



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MANAGEMENT

TEAM OF POWER FINANCE CORPORATION LIMITED:

**MR. RAJEEV SHARMA – CHAIRMAN & MANAGING
DIRECTOR,**

MR. R. NAGARAJAN – DIRECTOR (FINANCE)

MR. A.K. AGARWAL – DIRECTOR (PROJECTS)

MR. D. RAVI – DIRECTOR (COMMERCIAL)

**MODERATOR: MR. R. SREESANKAR – PRABUDAS LILLADHER PVT.
LIMITED**

- **Moderator**
- Mr. R. Sreesankar from Prabhudas Lilladher Private Limited. Thank you and over to you sir.
- **Mr. R. Sreesankar – Prabhudas Lilladher**
- Thank you Stanford. Good morning all the participants, let me welcome the management of PFC. Mr. Rajeev Sharma, Chairman & Managing Director, Mr. R. Nagarajan, Director (Finance), Mr. A. K. Agarwal, Director (Projects), Mr. D. Ravi, Director (Commercial) and the other members of the team who are present at the call. I now hand you over for the update on the Q2 and H1 Financial Year 2017 Results and his opening remarks to Mr. Rajeev Sharma, Chairman & Managing Director of PFC. Over to you sir.
- **Mr. Rajeev Sharma - Chairman & Managing Director**
- Good morning everyone, I welcome all of you to this conference call on our financial results for the quarter & half year ended 30th September, 2016. First of all, I will share the financial performance during Q2 and H1 Financial Year 2017 and then I will talk about the sectoral developments. Our loan assets have shown a growth of 5% to Rs. 2,34,000 crores from Rs. 2,24,000 crores. We are maintaining this loan growth on huge asset base of Rs. 2,24,000 crores despite sectoral challenges and UDAY prepayments of about Rs. 17,000 crores this year so far. We were also able to maintain interest spread at a healthy level of 3.4% and NIMs of 4.90% for H1 Financial 2017. As regards other highlights disbursements increased by 26% to Rs. 22,265 crores from Rs. 17,727 crores. Total income increased by 3% to Rs.14,158 crores from Rs. 13,783 crores. Profit increased by 10% to Rs. 3,586 crores from Rs. 3,272 crores and net-worth increased by 11% to Rs. 39,275 crores from Rs. 35,267 crores.
- As regards Q2 FY 2017 disbursements increased by 45% to Rs. 14,510 crores from Rs. 9,977 crores. Net Profit increased by 11% to Rs. 1,873 crores from Rs. 1,695 crores. Increase in profits in Q2 H1 includes fair value gain of Rs. 106 crores (net of taxes) recognised as per the guidance note by ICAI on derivatives. Profit excluding fair value gain is muted due to increase in NPAs after H1 FY `17 (around Rs. 4,500 crores) and UDAY prepayment received so far (around Rs. 21,300 crores). No new NPAs were added during Q2 FY 2017. Gross NPAs are Rs. 7,585 crores, which is 3.21% of loan assets, last Q1 FY 17 it was 3.34%. Net NPAs are Rs. 5,706 crores that is, 2.44% of loan assets, last Q1 FY 17 it was 2.66%. Three loans around 25% of NPAs are already commissioned and having issues of gas availability/tariff). Two loans that are around 36% of NPAs are to be commissioned in 2016 and remaining 39% NPAs are under

- construction. I am optimistic that we will resolving these issues of the existing NPAs and definitely in the coming quarter's we may get an upgrade. We are exploring changes in the ownership and trying to discuss with various stakeholders to revive these NPAs.
- As regards, restructured assets; restructured assets as on 30-9-2016 are around Rs. 29,898 crores out of which Rs. 15,981 crores, that is , 53% are already commissioned and will be upgraded. Rs. 6,761 crores will be upgraded to standard in next half year of Financial Year 2016-17. Rs. 7,346 crores will be upgraded to standard in next Financial Year 2017-18 and Rs. 1,874 crores will be upgraded to standard in Financial Year 2018-19. Rs. 11,623 crores are expected to be commissioned in H2 FY 2016-17 and Rs. 2,294 crores are expected to be commissioned in FY 2017-18.
 - As regards, resource mobilisation, we raised about Rs. 39,000 crores during H1 FY 2017, the marginal cost was 7.55%. Our capital adequacy ratio is comfortable at 21.77% with tier I capital of 18.59% against the RBI requirements of 15% and 10% tier I capital respectively.
 - UDAY, is a scheme for turnaround of distribution companies notified in November 2015 by Ministry of Power. It aims at reduction of aggregate technical and commercial losses to 15% by 2018-19, reduction in gap between ARR and ACS to 0 (zero) by 2018-19. Almost all discoms to be profitable by 2017-18, remaining 3-4 by 2018-19.
 - Uday Progress till date: - 16 states and 1 union territory have signed UDAY MoU with Ministry of Power. Bonds worth Rs. 1.82 lac crores, that is, around 83% of UDAY's debts have been issued and subscribed, 95% of feeder monitoring work is complete in UDAY states. Feeder segregation of about 48% achieved (target to complete by March 2018). Atleast 8 states have significantly narrowed gap between ACS and ARR and 12 states have reported reduction in AT&C losses.
 - What will be the impact on Power Finance Corporation due to UDAY? PFC discoms loans covered under UDAY are around Rs. 48,800 crores out of which MoUs are already signed with the states for Rs. 31,000 crores and we may be getting back Rs. 17,800 crores from three states (yet to join Uday). Loans prepaid under UDAY till date are Rs. 21,300 crores. As per UDAY, all PFC loans to the extent of UDAY implementation will be prepaid. Discoms turnaround under UDAY will have a positive impact on overall power sector, improving asset quality of Power Finance Corporation in the long term. 76% of PFC loan assets are to the generation sector; with distribution companies' financial health improving, the stress in generation sector will be significantly reduced. However, PFC in anticipation of prepayments in UDAY, has identified new avenues and business

- segments and modified its product offering to capture more markets so as to maintain its business growth going forward.
- Increased focused on renewable funding :- as per estimates, in next 5 years power sector needs Rs. 20 lac crores investment out of which Rs. 8 lac crores investment is required in renewables. Renewable capacity of 1,75,000 megawatts by 2022 is to be added, PFC has already taken measures like offering competitive terms including lower interest rates and revised policies to attract more renewable business. We are offering attractive terms for debt refinancing and commissioned projects for quick disbursements. We are also aggressively targeting transmission and distribution business including capturing counterpart funding in business from Government of India schemes like Integrated Power Development Scheme and Deen Dayal Upadhyaya Gram Jyoti Yojana.
 - 24/7 power for all envisages investment of Rs.10.5 lac crores by states and union territories. Till date, except two states all the states in the country have signed 24/7 power for all documents with Ministry of Power. Additionally, our outstanding loan sanctions are Rs. 1.68 lac crores which is about 3 times of our annual disbursements; this indicates our strong business pipeline going forward. However, due to UDAY, there will be operational efficiency improvement in the performance of the state power utilities.
 - As regards other developments in the power sector as I told you earlier almost all the states in the country have signed 24/7 power for all documents with Ministry of Power. This document outlines a roadmap for providing 24/7 power to all the consumers of the states, to connect the unconnected households in the states, to improve quality and reliability of power supply and also to add additional investments in upgrading and strengthening subtransmission and distribution system , to expedite the generation capacity addition and to strengthen transmission system. In IPDS, Integrated Power Development Scheme including R-APDRP programme which aims at reducing aggregate technical and commercial losses to 15%, total Rs. 65,424 crores have been sanctioned to all the states. Additional 2,600 towns all over the country have been identified to be brought under IT enabled system so that AT&C losses can be reduced and can be measured properly and all the consumers in urban areas can be metered. Smart meters can be provided to these consumers and out of 1,228 towns Go-Live towns, 923 towns reported reduction in AT&C losses. Under UDAY scheme states are making all efforts to improve their operational efficiency. At the level of Secretary Power a regular monitoring is done every month in which CMD PFC and REC are also the members. Regularly, very intensive monitoring is undertaken with states to improve on operational parameters and I am happy to inform that 12 states have reported reduction in AT&C losses and 8 states have significantly narrowed gap between ACS & ARR.

- Programme of 100% metering of all the feeders is being undertaken on war footing and it is also being monitored at the level of Honourable Minister of Power as well as Secretary Power. Segregation of feeders, agriculture feeders, it has also been sanctioned under Deen Dayal Upadhyaya Gram Jyoti Yojana, projects are under award and very soon it will be implemented all over the country. This Deen Dayal Upadhyaya Gram Jyoti Yojana including earlier scheme Rajiv Gandhi Grameen Viduyutikaran Yojana, which has been subsumed under this scheme. The total outlay is Rs. 75,893 crores which is for strengthening and upgrading rural subtransmission and distribution system so that it can provide access to the unconnected households and can provide better quality of power in rural areas. There is good progress in connecting the rural households in the country, about 8,000 census villages are left which are yet to be electrified and it is being regularly monitored at Ministry level as well in Prime Minister's office. And I am sure, within next six months, all the remaining villages will be electrified in the country. Thank you very much. Now we can have question and answer session.
- **Moderator**
- Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handsets while asking a question.
- We take our first question from the line of Mr. Harshit Toshniwal from ICICI Securities. Please go ahead.
- **Mr. Harshit Toshniwal - ICICI Securities**
- Hi good morning sir. Just I missed a few numbers on the restructured assets category so how are they going to be again getting upgraded to the standard assets over the period. Can you repeat that part?
- **Management Team**
- Yeah, restructured assets as on 30-9-2016 are Rs. 29,898 crores out of which Rs. 15,981 crores, roughly 53% are already commissioned and will be upgraded. Rs. 6,761 crores will be upgraded to standard in next half year. Rs. 7,346 crores will be upgraded to standard in next financial year 2017-18 and Rs. 1,874 crores will be upgraded to standard in Financial Year 2018-19.

- **Mr. Harshit Toshniwal - ICICI Securities**
- Okay sir. Thanks a lot.
- **Moderator**
- We take our next question from the line of Ms. Sneha Ganatra from Subhkam Ventures. Please go ahead.
- **Ms. Sneha Ganatra - Subhkam Ventures**
- Hello. Sir, how much Discom bonds we have received till date?
- **Management Team**
- It's prepaid, states have prepaid to PFC, Rs. 21,300 crores till date but we have not taken bonds, this is cash we received.
- **Ms. Sneha Ganatra - Subhkam Ventures**
- Okay and my second question is from here on where do you see our loan book growth?
- **Management Team**
- Government of India set a target to add 1,75,000 megawatts of renewable capacity by 2022, which require an investment of Rs 8 lac cores. So we are aggressively working on financing new renewable projects, we are also working with states to refinance their T&D profile which have already been funded by banks or other lenders. We are also working on the schemes, counterpart funding, part of Integrated Power Development Scheme and Deen Dayal Upadhyaya Gram Jyoti Yojana.
- **Ms. Sneha Ganatra - Subhkam Ventures**
- Could you share any number on how much is the growth for FY `17-`18?
- **Management Team**
- Future it will be difficult to tell but there are many avenues and we are trying to explore all of them and we have been successful in that.

- **Ms. Sneha Ganatra - Subhkam Ventures**
- Anything on the asset quality front, any risk on the asset quality front?
- **Management Team**
- Asset quality front is improving as there is no NPA during this quarter and we are making sincere efforts with the help of the states to revive stalled projects, overstressed projects. But at this stage I cannot share with you, but on specific projects we are working with the state government to revive some stalled projects.
- **Ms. Sneha Ganatra - Subhkam Ventures**
- Okay. And on the margins front?
- **Management Team**
- Margins, our spread is already very good, 3.4% and NIM is also 4.9% so we are working on good margins.
- **Ms. Sneha Ganatra - Subhkam Ventures**
- And what is the medium term outlook on your return on asset and return on equity /net worth that you have maintained?
- **Management Team**
- Future we cannot talk about it. We have done very well as on 30th September having 3.06% as return on asset and 19.61% as return on avg. net worth.
- **Ms. Sneha Ganatra - Subhkam Ventures**
- Okay. Got it. Thank you.
- **Moderator**
- We take our next question from the line of Mr. Arpit Malviya from Reliance Life Insurance. Please go ahead.
- **Mr. Arpit Malviya - Reliance Life Insurance**
- Sir, my question is regarding this bond programme, you mentioned that you have already got around Rs. 39,000 crores for H1. So what is the plan for H2 and

can you please share the split of the long term and short term borrowing of this Rs. 39,000 crores?

- **Management Team**

- Our borrowing programme for the balance period of the years is depending on whether we are getting funds from the state discoms under Uday Scheme because some of the states have joined UDAY like Maharashtra, and so far they have not talked about prepayment of loans, raising money from the bond market and then the takeover of the loan by the State Government. We are hearing from Tamil Nadu that they will go for UDAY. So depending on whether, we are getting money from UDAY, accordingly we will plan whether we have to go for a long term borrowing or short term borrowing. If we come to know that the discoms are prepaying loans under UDAY then to that extent we will go for CP, so that, as and when the money comes we will prepay the CPs. In case they are not coming to the market for UDAY then we will go for a long term borrowing.

- **Mr. Arpit Malviya - Reliance Life Insurance**

- Okay. My question is, if UDAY is not happening what could be the amount of borrowings?

- **Management Team**

- Estimated borrowing for balance period may be around Rs. 20,000 crores or Rs. 25,000 crores.

- **Mr. Arpit Malviya - Reliance Life Insurance**

- And can you also share the split of H1 borrowing till now, the long term and short term?

- **Management Team**

- We have borrowed around Rs. 19,000 crores bonds and then Rs. 20,000 crores in CP.

- **Mr. Arpit Malviya - Reliance Life Insurance**

- Okay. Thank you sir.

- **Moderator**

- We take our next question from the line of Mr. Dhaval Gada from Sundaram Mutual Fund. Please go ahead.

- **Mr. Dhaval Gada - Sundaram Mutual Fund**
- Hi sir. Firstly, could you highlight what is the quantum of stalled projects outstanding at this point?
- **Management Team**
- Restructured, we can say about 2-3 projects but we are working on them to revive them.
- **Mr. Dhaval Gada - Sundaram Mutual Fund**
- What would be the quantum sir?
- **Management Team**
- Maybe around Rs. 20 billion.
- **Mr. Dhaval Gada - Sundaram Mutual Fund**
- Okay. Rest all is operational in our portfolio, is it?
- **Management Team**
- No, either it is under construction or it has already started working.
- **Mr. Dhaval Gada - Sundaram Mutual Fund**
- And what would be the proportion of under construction at this point of time?
- **Management Team**
- Under restructured assets about Rs. 29,898 crores, out of this, the proportion of under construction is 8 out of 16 projects.
- **Mr. Dhaval Gada - Sundaram Mutual Fund**
- Okay, fine sir. Secondly, on the renewables front could you highlight, you mentioned that you are offering lower rates in the segment to attract growth. Just wanted to understand what would be the rates that you are offering in this place?

- **Management Team**

- From 9.75% to 11% depending on the rating of the borrowers.

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

- Okay. Secondly, in the pipeline that you have the sanctions, could you break it up how much would be for the renewables segment at this point?

- **Management Team**

- No, it will be difficult.

But everything has been classified under generation we have already put it on the website, page number 12, under the investor presentation where we have mentioned generation around Rs. 126,000 crores. So this may also include renewables sanctions, transmission around Rs. 20,000 crores, and distribution around Rs. 11,000 crores etc.

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

- And on the generation, what proportion would be renewables, ballpark?

- **Management Team**

- Maybe very less, maybe Rs. 5,000 crores will be there because traditionally we have been focusing mainly on thermal assets so it maybe around Rs. 5,000 crores outstanding.

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

- And just wanted to understand the impact of coal prices on the overall portfolio. How would you see that shaping in the current environment?

- **Management Team**

- What is the theme of your question you want the impact on the portfolio?

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

- The recent movement that you have seen in the coal prices, would you see any pain per se on the portfolio.

- **Management Team**
- Rather things are getting brighter because more coal is available now. The plants which were being operated at lower PLF, PLF is improving now. And Coal India is asking the generators to pick up more coal. So coal availability has improved and imports have reduced and Ministry of Power is also trying that we should try to reduce our import of coal because abundant coal is available with Coal India. All state gencos are being asked to pick up more coal from Coal India.
- **Mr. Dhaval Gada - Sundaram Mutual Fund**
- Sir, final question just wanted to get a sense of the sanction pool that we have today. How much can we disburse over the next six months in terms of the visibility that we have for disbursement of this in the next six months?
- **Management Team**
- Out of the Rs. 1,68,000 crores of outstanding sanctions, sanction where documents have been executed and disbursement commenced are around Rs. 71,000 crores and sanctions where document executed but disbursement not commenced are around Rs. 20,000 crores,. This gives lot of opportunity for disbursement by March 2017.
- **Mr. Dhaval Gada - Sundaram Mutual Fund**
- Okay sir. Thank you.
- **Moderator**
- We take our next question from the line of Mr. Kunal Shah from Edelweiss Securities. Please go ahead.
- **Mr. Prakhar - Edelweiss Securities**
- Hi sir, this is Prakhar from Edelweiss. Sir, couple of questions, on provision composition; if you could give in terms of what was the NPL provision, standard asset provision for this quarter?
- **Management Team**
- Contingent provision against standard assets is Rs. 645 crores, contingent provision against restructured standard assets of Rs.1,159 crores, specific provisions for loan assets is Rs. 1,879 crores and reserve for bad & doubtful debts is Rs. 2,768 crores , so the total is Rs. 6,451 crores.

- **Mr. Prakhar - Edelweiss Securities**
- Sir, incremental provisions could you give the breakup of that?
- **Management Team**
- Increment over previous quarter or increment over the last year?
- **Mr. Prakhar - Edelweiss Securities**
- Previous quarter will be beneficial.
- **Management Team**
- The increment over previous quarter is around Rs. 300 crores, provision for contingency NPA is Rs. 313 crores , contingent provision against standard asset Rs. 65 crores, because we have to increase the provisioning as per the RBI norms. And then there we have done reversal of the contingent provision on restructured assets of Rs. 78 crores, provision for decline in value of investment Rs. 0.08 crores. So total net increase is Rs. 300 crores.
- **Mr. Prakhar - Edelweiss Securities**
- Sir, this Rs. 313 crores odd that you said because of higher NPA provisions or some other factor?
- **Management Team**
- No, it is because of the increase in the percentage because wherever it is completing 18 months we have to increase the provision from 10% to 30%, beyond 3 years we have to increase it to 50%.That has happened not because of any new NPA added but because of the restructured assets which have completed 2 years and have already commissioned. The reversal is around Rs. 78 crores. And contingent provision against standard assets of around Rs. 65 crores have gone up because as per RBI guidelines we have to move towards 0.40 , so for 31st March we have to do around 0.35. So every month we are providing proportionately that's why it has gone up by Rs. 65 crores, total increase is of Rs. 300 crores.
- **Mr. Prakhar - Edelweiss Securities**
- Okay sir. Thank you so much. On this restructured book there was no fresh restructuring however there was an increase in restructured book from 300 billion odd to around 335 billion. So that is largely due to additional exposure towards additional restructured book?

- **Management Team**
- The increase in restructured book may be because of two reasons .First, if the project is already restructured and we made additional disbursement in this quarter then automatically asset size of the project will go up, then the provision will go up. Secondly, we have to book provision @4.25% this year on all these assets. So these are the two reasons why restructured book would have gone up.
- **Mr. Prakhar - Edelweiss Securities**
- So additional restructuring that we did this quarter as an additional disbursement that we did towards restructured loan. How many of them would be towards operational?
- **Management Team**
- If you have got any question on the specific asset I can tell you.
- **Mr. Prakhar - Edelweiss Securities**
- No sir, generally I just wanted to see what proportion it has?
- **Management Team**
- In the restructured loans, additional disbursement to the tune of Rs. 6.01 crore has been made during H1 of FY 2016-17.
- **Mr. Prakhar - Edelweiss Securities**
- And sir last question. In terms of yields we have seen some bit of pressure on yields going through and that is what is also reflected in our margins. Can I have a book yield and incremental yields if possible?
- **Management Team**
- The yield in Q1 is 11.94% & Q2 is 11.76%, so it has come down, the data is also available in the website in investor presentation.
- **Mr. Prakhar - Edelweiss Securities**
- Sir, that is largely due to repayment under Uday or anything else?

- **Management Team**
- One is due to repayment of Rs. 21,300 crores because of UDAY and generating companies are also asking us to reduce rates because after the UDAY scheme they feel that the risk on the distribution companies will be going down for all the generating companies. So they are also asking for reduction in the rates whereby the projects are commissioned. And we also introduced the rebate wherever the projects commissioned in last year. So last year it was beginning of the year now some other projects we have given the benefits last year that has also having an impact on this financial year.
- **Mr. Prakhar - Edelweiss Securities**
- Okay sir. Thank you so much.
- **Moderator**
- We take our next question from the line of Mr. Praful Kumar from MSD Partners. Please go ahead.
- **Mr. Praful Kumar - MSD Partners**
- Good afternoon sir and thanks for the opportunity. Sir, what part of the restructured book will not have PPA signed yet may be as you said some names like Lanco, India Bulls. Sir, what part of the restructured book will not have PPAs today?
- **Management Team**
- Out of 13 restructured accounts under private sector, in 5 accounts PPA is yet to be signed.
- **Mr. Praful Kumar - MSD Partners**
- Got it. And in terms of the restructured accounts we have, I assume that is there any delays? We obviously, you know, fund those as well because these are genuine projects that will come on stream and we keep accruing the interest income on all of these assets, correct?
- **Management Team**
- Yes.

- **Moderator**
- We take our next question from the line of Mr. Sameer Bhise from Macquarie. Please go ahead.
- **Mr. Sameer Bhise - Macquarie**
- Hello, thanks for the opportunity sir. What proportion of restructured was upgraded during this quarter?
- **Management Team**
- Around Rs. 3,350 crores.
- **Mr. Sameer Bhise - Macquarie**
- Okay. And when we say that the amounts that we have given for H2 upgrade and FY `18 upgrade, these are basically the projects that are getting operational?
- **Management Team**
- The condition is 2 years from the date of restructuring or the commissioning of projects whichever is later. So depending on that condition it will be upgraded.
- **Mr. Sameer Bhise - Macquarie**
- Okay. Fair enough. Thank you sir.
- **Moderator**
- We take our next question from the line of Ms. Manisha Porwal from Taurus Mutual Fund. Please go ahead.
- **Ms. Manisha Porwal - Taurus Mutual Fund**
- Good afternoon sir. Just a small question on continuation of the question that was asked last, what gives us confidence when we gave the pipeline of restructured upgrades. So these are based only on the year of commission as you said, I mean 2 year completion. So these numbers have been given on the basis of the 2 year completion date, right?
- **Management Team**
- From the date of restructuring, yes.

- **Ms. Manisha Porwal - Taurus Mutual Fund**
- And the visibility, it may happen that these may not be operational the way we thought. Is there a chance like that or...?
- **Management Team**
- Both the project which are upgraded are the operational assets. In one of the assets , the assets is having problem on coal and is Government Company's asset so we have done the restructuring after the commissioning of the project within 2 years of the operation. So coal problem is gone now and we have upgraded it after 2 years and there is no issue. Second is the case of private sector borrower, they have already commissioned the projects so that is why we have upgraded after 2 years.
- **Ms. Manisha Porwal - Taurus Mutual Fund**
- So, it is almost certain that these numbers which you have given will go through?
- **Management Team**
- Yes, that is why we said 2 years or commissioning whichever is later.
- **Ms. Manisha Porwal - Taurus Mutual Fund**
- Sir, also wanted to know is there anything further in the pipeline for restructured?
- **Management Team**
- For my knowledge we have not received any proposal.
- **Ms. Manisha Porwal - Taurus Mutual Fund**
- And sir while mentioning about UDAY, you said UDAY has actually reduced your Balance Sheet and you are mulling for new products, you have identified in place of UDAY to grow your book. So can you elaborate bit on that what kind of new products are these, are these renewables only or is it something else that we are venturing into?
- **Management Team**
- Refinancing - transmission, distribution portfolio of the state power utilities and some new products to some good state power utilities.

- **Ms. Manisha Porwal - Taurus Mutual Fund**
- So basically, these new products are on the transmission side?
- **Management Team**
- Yes, on transmission also and we are offering 25 basis points less interest rates for competitively big transmission projects also which generally you never used to get but now we are trying to get few projects.
- **Ms. Manisha Porwal - Taurus Mutual Fund**
- These are going to be long term big projects or we are also venturing into smaller one?
- **Management Team**
- Either they are system strengthening big projects or they are evacuation systems of large generation projects. So they are projects worth more than Rs. 1,000 crores or something like that.
- **Ms. Manisha Porwal - Taurus Mutual Fund**
- Okay, great. And sir, anything on, is there any plan for OFS again, like is it anything heard...?
- **Management Team**
- Actually you have to ask this from Government of India, we cannot tell whether they will go for OFS again.
- **Ms. Manisha Porwal - Taurus Mutual Fund**
- Okay, sir. Thanks, that's it from my side. All the best.
- **Moderator**
- We take our next question from the line of Mr. Manish Shukla from Deutsche Bank. Please go ahead.
- **Mr. Manish Shukla - Deutsche Bank**
- Good afternoon everyone and thank you for the opportunity. First on restructured books sir, you said of the 29,000 odd book, 16,000 odd is commissioned and will be upgraded. What is the status of the balance 13,000 odd book? Is there a risk that some of it could sleep to NPL?

- **Management Team**
- Rs. 11,623 crores are expected to be commissioned in H2 FY `16-`17 and Rs. 2,294 crores are expected to be commissioned in `17-`18.
- **Mr. Manish Shukla - Deutsche Bank**
- So from the date of commissioning its 2 years, right for you to upgrade it?
- **Management Team**
- 2 years from the date of restructuring.
- **Mr. Manish Shukla - Deutsche Bank**
- I mean are these entities servicing their liability instalments in current or even without that you can upgrade? What I am saying is there any instalment due from them which they are paying in cash?
- **Management Team**
- If it is a project which is under operation and it is firmed up to be commissioned then actual commissioning will take place. So IDC will come either from equity or debt so accordingly it will be serviced by the lender, other lender or the equity will service.
- **Mr. Manish Shukla - Deutsche Bank**
- So basically even if it is commissioned and not servicing debt, it still can get upgraded in theory?
- **Management Team**
- No, but what CMD saab has told, he talked about FY 16—17 & FY 17-18, he talked about both the balance, explaining 11,000 and 2,000. He said about commissioning H2 and then FY 17-`18. It means these projects are under construction only hasn't been commissioned. So that is why he said to be commissioned, that is why he has not used the word commissioned. So we are expecting this will be commissioning by `16-`17 second half or `17-`18 so it will be upgraded.

- **Mr. Manish Shukla - Deutsche Bank**
- Got it sir. The other thing is sir, as per your understanding with RBI in March 2017 you need to move to 4 months overdue NPL. Any estimate on what could that mean in terms of NPL addition to date, if you were to be 4 months overdue today, what would be the NPL number?
- **Management Team**
- Already got clarification from Reserve Bank of India that we are given the implementation plan that how will we do the reduction from 180 days to 90 days. Last year we had demonstrated 150 days, we have completed on 31st March 2016 and there was no impact on that except one.
- **Mr. Manish Shukla - Deutsche Bank**
- Okay, sir. The other thing was on UDAY, you said about Rs. 31,000 crores of your loans, states have already signed the MoU of which you have got Rs. 21,000 crores. The balance Rs. 10,000 crores odd should you getting it this year from the states which have already signed?
- **Management Team**
- Some of the states, the classification of UDAY prepayment was that they have to go on the basis of the interest rates. So, if the interest rate of PFC is higher they would have paid me 100% also, if the interest rate is lower they will not pay me, they will pay some other institutions. So on that basis we have got around Rs. 21,300 crores, Rs. 10,000 crores which may or may not come.
- **Mr. Manish Shukla - Deutsche Bank**
- And what could be the average yield of this Rs. 21,000 crores?
- **Management Team**
- May be around 12% -12.50%.
- **Mr. Manish Shukla - Deutsche Bank**
- Okay. That is it from my side sir. Thank you.
- **Moderator**
- We take our next question from the line of Mr. Punit Shrivastav from Daiwa Capital Markets. Please go ahead.

- **Mr. Punit Shrivastav - Daiwa Capital Markets**
- Hi sir. Just one question on the gross NPLs around 76 billion. Is it possible to give the breakup of the aging profile how much would be like above 3 years because you have changed your guidelines for provisioning?

- **Management Team**

- Out of Rs 76 billion Gross NPA , around Rs. 31 billion are doubtful.

- **Mr. Punit Shrivastav - Daiwa Capital Markets**

- Okay. So roughly what is the total amount and how do you see these I mean on approximate basis how much of these loans you think sort of will get upgraded in maybe next 2 years or so? I want to try to understand the actual position?

- **Management Team**

We have already informed that in Maheshwar, we have taken over the equity including management of project so maybe 3 years down the line we may see some light of the day. In Ratnagiri Gas and Power also, the problem is of gas availability .However, now under PSDF scheme, they are getting some allocation of gas and then it may take another 2 years and now they have agreed to take PFC as a partner in the LNG business also. Earlier they had not agreed for that, they said we will be there only for our business now with demerger they have prepared to accept PFC also and as a lender in the LNG business also. So the problems may get settled by December, so some inflows will start coming in the second half. Then Konaseema Gas and Power- because no banks are prepared to give the bank guarantee, they are not able to bid and generate even though the price fixed for the government is very low. Now, actually, as there is no reverse bidding, I think they need not give any subsidy to gas based platforms .Still no banks is prepared to give the bank guarantee so that is why that are not able to do any business. In Krishna Godavari also the loan amount is relatively small however it may take another 3 years to get it upgraded.

- Jal Power also we are trying to revive.
- And KVK Nilachal again, these accounts also we are trying to revive bringing in some new promoters into the projects. So maybe another 2 years because of commissioning. And if they do on the basis of whatever sanctions they will do it might be another 2 years. So all these accounts maybe we will see the light of the day in `18-`19.

- **Mr. Punit Shrivastav - Daiwa Capital Markets**
- Okay, sir. Thank you. Sir, just one more questions on this provisioning side of around 3 billion because we have changed the guidelines. So do you think this provisioning will go up?
- **Management Team**
- We have not changed the guidelines because we are following RBI norms from 01st April 2016. So we are changing in line with the RBI because RBI said over a period of time you have to be aligning with RBI norms so we are trying to align with RBI. We want to follow our norms but RBI instructed us to follow RBI norms.
- **Mr. Punit Shrivastav - Daiwa Capital Markets**
- So assuming that the NPLs don't go up just assuming that do you expect these provisioning levels to be like similar to these numbers sir?
- **Management Team**
- In-a normal business operation and if there is no astonished situation, there will be no fresh NPLs by March.
- **Mr. Punit Shrivastav - Daiwa Capital Markets**
- Okay, sir. Thank you.
- **Moderator**
- We will take a follow-up question from the line of Mr. Sameer Bhise from Macquarie. Please go ahead.
- **Mr. Sameer Bhise - Macquarie**
- Hi. Just continuing from Manish's earlier question. So, if a project has been commissioned or restructured whichever is later from the date of restructuring if 2 years have progressed. You said the IDC will be serviced by other lender, I think that was the comment made. Can you elaborate on that?
- **Management Team**
- In any projects IDC funding is done either by equity or debt, suppose if my debt is fully completed. Somebody debt is still there before the commissioning then the servicing will be done by other lender. If debts from all lenders have been exhausted, it is funded out of the equity not from the debt funds.

- **Mr. Sameer Bhise - Macquarie**
- Fair enough and then we can upgrade it.
- **Management Team**
- Yes. But only after commissioning please.
- **Mr. Sameer Bhise - Macquarie**
- Yeah, after commissioning. Thank you.
- **Moderator**
- We take our next question from the line of Mr. Alok Ramachandran from Future Generali India Life Insurance. Please go ahead.
- **Mr. Alok Ramachandran - Future Generali India Life Insurance**
- Thank you for taking my question. I would like to ask what is the bifurcation of the private sector and government sector in the restructure book?
- **Management Team**
- 21,400 private sector, 8,500 is public sector.
- **Mr. Alok Ramachandran - Future Generali India Life Insurance**
- Rs. 21,000 crores is private and Rs. 8,000 crores is government, right?
- **Management Team**
- Yes.
- **Mr. Alok Ramachandran - Future Generali India Life Insurance**
- And just wanted to know new disbursements, any idea where it all has happened in the first half primarily?
- **Management Team**
- During the quarter, NLC Tamil Nadu around Rs. 3,000 crores, Damodar Valley around Rs. 2,000 crores, and MP power Rs. 634 crores, all distribution companies Rs. 2,100 crores, Tamil Nadu transmission 500.

- **Mr. Alok Ramachandran - Future Generali India Life Insurance**
- And given the expectations that UDAY will kind of lead to a kind of yield structuring go down from nearly 12% to 8% or so for you. Now UDAY is only nearly about Rs. 50,000 crores of your entire total book size. The balance amount is also expected to come down to what levels, any particular guidance you have?
- **Management Team**
- What is the meaning of the word 8%...?
- **Mr. Alok Ramachandran - Future Generali India Life Insurance**
- The UDAY scheme per say the lending rate would have actually shifted entirely from nearly 12% of 8%.
- **Management Team**
- In case of PFC and REC loans are to be converted into non-SLR bonds or state government guaranteed discom bonds and such bonds are to be offered to markets including pension and insurance companies, balance if any will be taken over by the bank in proportion of their current lending to Discoms, therefore all PFC loans to the extent of UDAY implementation will be prepaid. We have not invested in any of the UDAY bonds as on date, whatever we have got for repayment or prepayment of the loan, the money has again been deployed in the business may be @10% or 11%.
- **Mr. Alok Ramachandran - Future Generali India Life Insurance**
- All right. That's about from my side.
- **Moderator**
- We will take a follow-up question from the line of Mr. Dhaval Gada from Sundaram Mutual Fund. Please go ahead.
- **Mr. Dhaval Gada - Sundaram Mutual Fund**
- Thank you. Sir, just wanted to get some colour on this upgrades that are expected in the second half of FY `17 and FY `18, the upgrades that you mentioned from restructured books. Could you highlight accounts, how many accounts are these and if names possible sir? Thanks.

- **Management Team**
- We don't want to tell the names, we have done the consolidation .However, the number of accounts to be upgraded pertains to 3 borrowers.
- **Moderator**
- We take our next question from the line of Mr. Harshit Toshniwal from ICICI Securities. Please go ahead.
- **Mr. Harshit Toshniwal - ICICI Securities**
- My questions are answered. Thanks a lot.
- **Moderator**
- We take our next question from the line of Mr. Abhishek Maheshwari from Wallfort Financial Services. Please go ahead.
- **Mr. Abhishek Maheshwari - Wallfort Financial Services**
- Hello sir. Thank you for the opportunity. Sir, my question is regarding household electrification. So the village electrification has been happening at a good speed but the household electrification still stands at 65%. So could you tell us what disbursement activity is happening in that area?
- **Management Team**
- That comes under Flag ship scheme of Government of India, Deen Dayal Upadhyaya Gram Jyoti Yojana. Initially the definition of electrified villages that where 10% households are electrified and minimum access of power given to primary health centres, primary school or any community centre. And if Dalit basti is there it is also covered and then all below poverty line (BPL) households are also covered. According to that all villages are getting electrified and now government is emphasising on 100% household electrification i.e. to cover Above Poverty Line (APL) households also .But Government cannot force above poverty line households to take compulsory connection , so what Government of India can do is that, it can provide additional electricity infrastructure in the villages so that, when any APL household ask for a connection he can get it so that sufficient transformation capacity is available in the transformers in the villages.
- **Mr. Abhishek Maheshwari - Wallfort Financial Services**
- Okay sir, thank you. That's about it.

- **Moderator**
- Ladies and gentlemen since that was the last question, as there are no further questions from the participants I would now like to hand the conference over to R. Sreesankar from Prabhudas Lilladher for closing comments.
- **Mr. R. Sreesankar – Prabhudas Lilladher**
- Thank you Stanford. Thank you very much the management of Power Finance Corporation, Mr. Rajeev Sharma, Mr. Nagarajan, Mr. Agarwal and Mr. Ravi for participating on the call and answering patiently all the questions that analysts/investors had. And thank you to all the investors and analysts who participated in the call.
- **Mr. Rajeev Sharma - Chairman & Managing Director**
- Thank you very much.
- **Moderator**
- Thank you very much. On behalf of Prabhudas Lilladher Private Limited that concludes this conference, thank you for joining us and you may now disconnect your lines.
- **END**