Power Finance Corporation Ltd.
A Govt. of India Undertaking

"Power Finance Corporation Limited Q4 & FY 2013-14 Results "

Investor Conference : Convention Hall, BSE, Mumbai
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Moderator Ladies and gentlemen, a very warm welcome to all of you. I am Unaiza Sheikh from Concept Public Relations and we welcome you all to the investor conference of Power Finance Corporation to announce the company's Q4 and FY2013-14 results and apprise on the ongoing activities of the company. The dignitaries on the dais present today are Mr. M. K. Goel, Chairman & Managing Director, Power Finance Corporation in the center. To his right Mr. R. Nagarajan – Director (Finance), to his right Mr. J. N. Prasanna Kumar – Independent Director, to his right Mr. Yogesh Chand Garg – Independent Director, to the left of CMD, we have Mr. A. K. Agarwal – Director (Projects), to his left Mr. Subhash Chandra – Chief Vigilance Officer. Now I would like to request Mr. M. K. Goel to share the performance highlights for the FY 2013-14.

M. K. Goel Good evening everybody and welcome to this investor conference for sharing the performance of Power Finance Corporation. I am happy to share with you, our financial results for the FY13-14 and Q4 FY 13-14.

Despite the challenging economic environment during FY 13-14, our performance during the year has been encouraging. This year, we have shown sound profitability driven by good asset growth and healthy margins, at the same time we have also maintained our asset quality with low level of NPAs in our book. Our capital adequacy ratio of above 20% provides enough headroom for near term growth.

Our strong performance reflects the robustness of our business model and our ability to efficiently manage the challenges in the Indian power sector.

Our profit after tax for the year has gone up by 23% from ₹ 4,420 crores to ₹ 5,418 crores, driven by loan asset growth of 18% from ₹1,60,000 crores to ₹ 1,90,000 crores (approx.). However if we take out all the extraordinary items like standard asset provisioning, forex loss etc. our profit after tax in fact is much higher at 31% increasing from ₹ 4,682 crores to ₹ 6,141 crores.

You might be aware that from FY 2012-13, in compliance with RBI norms we took an initiative of standard asset provisioning at the rate of 0.25% in a phased manner till 2014-15.

However, given our higher profitability in FY 13-14, we have decided to create balance entire provision of 0.25% in Q4 FY 13-14 itself. As a result, the profit after tax grew by only 9% in Q4 FY 13-14 on a QoQ basis. However after taking out the extraordinary items in the Q4, similar items as have been mentioned earlier for the financial year profits, the Q4 PAT has gone up by 25% at ₹ 1,655 crores against ₹ 1,320 crores during Q4 FY13. With this the total standard asset provisioning amounted to ₹ 337 crores during FY 13-14 against ₹ 133 crores during FY13. The entire asset provisioning which was required to be done in compliance with the RBI guidelines, has already been done in respect of the past assets.

Despite the volatile interest rates and forex markets, we have managed to keep our cost of borrowings competitive during the year. We have raised about ₹ 45,000 crores during the year at a marginal cost of 8.96% which includes ₹ 5,000 crores of tax-free bonds.

Additionally, fresh disbursements were made at rates higher than the average yield during the previous year. We also had an additional income of ₹ 144 crores due to the re-pricing of our existing loan assets at higher rates. As a result the interest spread has increased by 59 basis points from 2.86% to 3.45%. Accordingly, our net interest income has increased by 34% from ₹ 6,300 crores to ₹ 8,500 crores (approx.) during the year.

As regard NPAs, we have been able to maintain the NPA ratios at low level despite the industry showing the trends of rising NPAs. As on 31.03.2014, our gross NPA levels have come down to 0.65% from 0.71% last year and our net NPAs have come down to 0.52% from 0.63% last year. We have not restructured any loan in Q4 FY 13-14. However, during Q4 FY 13-14 only one small account has been classified as NPA, Krishna Godavari Power Limited which has a loan outstanding of just ₹ 77 crores against which ₹ 8 crores provisioning has been made. As on 31.03.2014, our gross NPAs are ₹ 1,228 crores and net NPAs are ₹ 985 crores against loan assets of about ₹ 1,90,000 crores which is just 0.5% of the loan book. During FY 13-14, we have declared an interim dividend of 88% which is almost 1.5 times of the dividend declared during the last year.

In the Board meeting held yesterday, we have approved an additional final dividend of 2%, thereby making the total dividend declared for the year 90%.

As regards the capital adequacy requirement, our capital adequacy has increased to 20.1% as on 31.03.2014 from 17.64% as on 31.03.2013, primarily on account of raising subordinated debt amounting to ₹ 3,800 crores during the current year at very competitive rates. Let me tell you, we have been able to raise the subordinated debt almost at the same rate at which the long term senior debt was raised. Subordinated debt raised has an additional advantage, it has improved our capital adequacy ratio. We are therefore, very comfortable on our capital adequacy given the regulatory requirement of minimum 15%.

As regards our business performance, growth has not suffered despite the economy and Indian power sector facing headwinds during FY 13-14 and we managed to achieve all the business targets. We managed loan sanctions of ₹ 61,000 crores (approx.) during FY 13-14 against our target of ₹ 59,000 crores. Even our loan sanctions compared to last year remained almost at the same level which is about ₹ 56,000 crores if we exclude the transitional loans which were for a specific purpose.

As far as the disbursement is concerned, we have disbursed ₹ 47,162 crores against our target of ₹ 47,000 crores during FY 13-14 registering a growth of 4% over last year. However if we exclude transitional loans which were for a specific purpose, our loan disbursements have actually grown by 23% from ₹ 32,500 crores to ₹ 40,000 crores (approx.) during the year.

Further, we have outstanding loan sanctions of ₹ 1.56 lakh crores, which is more than three times the disbursements made during FY 13-14. This indicates our strong business pipeline going forward.

Further, with the new government at the Centre, markets are expecting a significant push to infrastructure for promoting economic growth. This would only help us to improve our business growth further, given that we are a major player in the power sector and that power sector holds the key for economic growth.

This year has also witnessed several landmark achievements in our business performance. First one being the success of Ultra Mega Power Projects (UMPPs). You may be aware that the Government has come out with the new Model Bidding Documents for case 2 bidding, after addressing the concerns of developers and incorporating the learning from the experience of UMPPs awarded earlier . The most important change which was made was that the fuel was made a pass through.

PFC as a nodal agency had conducted the bidding of two UMPPs, one in Odisha and another in Cheyyur, Tamil Nadu after a gap of five years and based on these Model Bidding Documents, we have received an overwhelming response. We have received 9 applications for Odisha and 8 for Cheyyur at the RfQ stage and total 10 RfPs were purchased, 5 for each UMPP. Another important fact is that all these bidders who have purchased the RfPs are very reputed and serious players in the power sector like Adani, Jindal, Sterlite, GMR, NTPC, NHPC etc.

Another achievement during the year is the kick-start of the commercial operations of our two wholly owned subsidiaries. As we had shared with you last year, we have carved out wholly owned subsidiaries. One was PFC Capital Advisory Services (PFCCAS) to capture the loan syndication business and during FY 13-14 PFCCAS has captured loan syndication business worth ₹ 5,000 crores pertaining to **7** power projects with 5300 MW capacity..

Another subsidiary, PFC Green Energy Limited which was established for promoting the funding of renewal energy projects has also commenced loan operations with a loan sanction of ₹ 300 crores and loan disbursement of ₹ 25 crores.

Another significant achievement is that during FY 13-14, we have been able to achieve all the MoU targets, which we had signed with the Government of India and this we have been able to do after a gap of three years. This achievement will entitle us to the highest MoU score of 1.

Now I would like to share with you the positive developments in the Power sector:

The capacity addition momentum is continuing. The 10^{th} plan added about 21 GW capacity, 11^{th} plan added about 55 GW capacity which is about 2.5 times of the capacity added in the 10^{th} plan. In the first 2 years of the 12^{th} plan, we have seen a capacity addition of 38.5 GW which is 43% of the total 12^{th} plan target of 88 GW and more importantly 60% of this capacity addition during the 12^{th} plan so far has come from the private sector.

To facilitate private participation Government of India has come out with the Model Bidding Documents, for procurement of power on long term, medium term and peaking power to facilitate competitive bidding of power.

On the renewable front, Ministry of New & Renewable Energy plans to set up 4000 MW Solar UMPPs in Rajasthan, Gujarat, Ladakh and Kargil as part of government targets of achieving 20,000 MW of solar capacity by 2020.

As regard to fuel related issues, coal consumption by power utilities is on the rise i.e. during FY 13-14, coal consumption has risen to 488 MT as compared to 455 MT during the previous year. As regards, Fuel Supply Agreements (FSAs) for the projects to be commissioned or likely to be commissioned by March 2015, FSAs for almost entire capacity of 78,000 MW have already been signed and are already in place.

Government has approved the fuel pass through for project based on imported coal i.e. higher cost of imported coal has been made to pass through in the PPA. CERC's decision of compensatory tariff to Tata Power and Adani Power will have a positive impact on imported coal based projects. Although it is being challenged at the APTEL level, nevertheless, it is a step in the right direction. Independent coal regulator has been set up through an executive order to infuse transparency and efficiency in the sector.

On the gas front, various proposals have been made and some are under consideration but concrete measures are yet to be announced resolving the gas issue. MoEF in December 2013 has delinked the environment clearance of UMPPs from environment and forest clearance of the allocated coal block, provided the coal block does not fall in the no-go area.

As far as the distribution sector is concerned, all the states had issued the tariff orders for FY12-13. Almost all the states have issued tariff order for FY13-14 as well in which AP has increased tariff by 23%, Haryana by 13%, Rajasthan by 11% etc. So it is a positive step in this direction that during the last two years, tariffs are being revised regularly by the states. As regards FY 14-15, out of total 29 states, 7 states have already issued tariff orders for FY14-15, increasing the tariff up to a maximum of 8%. In addition to this, 11 states have already filed tariff petitions seeking a hike up to a maximum of 28%. So you can see out of the total 29 states during FY14-15, 18 states have already taken steps as far as the tariff revision is concerned.

After implementation of FRP, FRP states namely UP, Tamil Nadu, Rajasthan, and Haryana have seen noticeable improvement in the power supply, reduced cash losses etc. – These states have also started paying upfront subsidy on a monthly basis, so it is a positive sign in that direction.

Another flagship program for distribution reform, Restructured Accelerated Power Development and Reform Program (R-APDRP) is for reduction of Aggregate Technical and Commercial (AT&C) losses to a level below 15% through implementation of IT enabled framework is progressing well. It is a huge program having an outlay of ₹ 50,000 crores which was launched in the 11th plan. It has gained momentum and is progressing satisfactorily. In fact, Part A of the program is for the IT enablement of the distribution business and covers around 1400 odd towns, out of which 550 towns have already achieved go-live in respect of Part A of the project. It means that the energy audit reports and distribution data, AT&C loss data right up to the distribution transformer level is available with the utility at the data center at the click of a button which will enable them to take corrective administrative measures for plugging the theft of energy and pilferage, identifying technical issues, technical augmentation needs and all these issues can be taken up with respect to that distribution network. Balance towns and entire program of RAPDRP is scheduled to be completed by the end of 12th plan i.e. Part A and Part B. Part B is actual distribution strengthening scheme based on the outcome of Part A of the project.

I am sure the power sector environment is likely to improve going forward with all these positive initiatives. Most importantly the new government which is likely to have infrastructure as its top priority to push the economic growth, may address the power sector issues more aggressively and this is also reflected in the government's coordinated approach of having one minister in charge for coal, power and the renewable ministries. So, we are reasonably hopeful that going forward, all issues which are currently hindering the development of the power sector will be addressed and the power sector will move forward in a positive direction in a bigger way. Thank you so much. Now, we would like to go through a brief presentation by my colleague, Ms. Nalini Vanjani followed by a question and answer session.

Moderator Now I would like to request Ms. Nalini Vanjani – Executive Director to take us through the presentation.

Nalini Vanjani Good afternoon everyone. Major highlights of Q4 FY 13-14 and FY 13-14 have been covered in the opening remarks of the Chairman & Managing Director, PFC and I will now cover the details of the performance in a short presentation. We will start with the figures for FY 13-14 vis-à-vis the FY 12-13.

As already indicated by the CMD, the company has earned a net profit of ₹ 5,418 crores during the FY 13-14 as against ₹ 4,420 crores during FY 12-13, showing an increase of 23%. But if we look at the comparable profit i.e. profit after adjustments for extraordinary items which will be detailed in the following slides, the profit has increased by 31%.

The total income has increased by 25% from ₹ 17,273 crores to ₹ 21,537 crores while net interest income has increased by 34% from ₹ 6,308 crores to ₹ 8,480 crores. The increase in total income by 25% is mainly on account of increase in interest income, increase in loan asset by 18% and increase in yield by 36 basis points. The interest spread for FY 13-14 increased by 59 basis points from 2.86% to 3.45%.

Disbursements increased by 4% from ₹ 45,151 crores to ₹ 47,162 crores and the loan assets as on 31.03.2014 increased to ₹ 1,89,231 crores showing an increase of 18% over the last year. The net worth at the end of the year stood at ₹ 25,098 crores showing an increase of 15%.

Coming to the highlights for the quarter -Net profit has increased by 9% from ₹ 1,294 crores to ₹ 1,411 crores but if we look at the comparable profit i.e. profit after adjustments for extraordinary items, the increase is 25%. The total income has increased by 21% from ₹ 4,670 crores to ₹ 5,636 crores while net interest income has increased by 29% from ₹ 1,739 crores to ₹ 2,243 crores. Interest spread for the quarter increased by 51 basis points over the corresponding quarter and the disbursements for the quarter increased by 13% from ₹ 14,976 crores to ₹ 16,935 crores.

Now, we come to the comparable profit. The reported PAT for FY 13-14 is ₹ 5,418 crores, However, for comparison with earlier year figures, we need to exclude contingent provision on standard assets amounting to ₹ 337 crores, exchange loss on foreign exchange loans after making adjustment for tax of ₹ 334 crores. CSR and IT refund of earlier years of ₹ 23 crores and R-APDRP expenses which were earlier reimbursed by Ministry of Power amounting to ₹ 31 crores. The profit after making above adjustments is ₹ 6,141 crores, which is an increase of 31% over the last year. Similarly, comparable profit for the quarter is ₹ 1,655 crores which is an increase of 25% over the corresponding quarter.

Now we come to the P&L account where total income has already been covered in the earlier slides and coming to the expenditure interest expense grew by 17% from ₹ 10,768 crores to ₹ 12,641 crores. The operating cost for FY 13-14 increased to ₹ 231 crores against ₹ 145 crores. The increase is mainly on account of increase in CSR expenses by ₹ 47 crores from ₹

16 crores to ₹ 63 crores mainly due to the change in guidelines necessitating the charging to the P&L as against appropriating below the line earlier.

Further, there is an increase in RAPDRP expenses by ₹ 43 crores during the year. Provisions during the FY 13-14 grew by ₹ 389 crores primarily due to increase in standard asset provision by ₹ 204 crores.

Further we had one new NPA account during the year requiring additional provisioning and 2 NPA accounts which were downgraded from sub-standard to doubtful. The tax provision including DTL for the year stood at ₹ 2,140 crores.

The tax provision during the year is increased by ₹ 593 crores i.e. an increase of 38% over the corresponding period. The increase is mainly on account of increase in PBT by 27%, increase in provision for tax by ₹ 94 crores(due to increase in surcharge from 5% to 10%), increase in provisions and contingencies by ₹ 389 crores which is disallowed under IT Act.

If you see the quarterly results the interest income showed an increase of 19% while the interest expenses increased by 14%. The reasons for increase in operating costs, provisions and tax during the quarter are similar to those for the financial year. Further, while comparing the provisions over the two quarters there was provision reversal of ₹ 52 crores for RS India during last quarter which was not there this year.

Now we come to the balance sheet. Our balance sheet size as at 31.03.2014 is ₹ 1,94,164 crores of which shareholders' funds constitute 14% amounting to ₹ 27,375 crores and borrowings constitute 82% amounting to ₹ 1,59,215 crores. If we look from the asset side loan assets constitute 97% amounting to ₹ 1,89,231 crores and rest of the assets are quite negligible.

Now we come to the key indicators - The sanctions, disbursement and outstanding sanctions have already been covered by the CMD. I come to the other parameters. The yield for the FY 13-14 increased by 36 basis points from 11.94% to 12.31%. The increase is mainly on account of reset income earned during the FY 13-14 and on account of disbursements of the fresh loans at a higher interest rate.

The cost decreased by 23 basis points from 9.09% to 8.85% as we were able to raise resources at lower rate during the first half of the financial year when the market rates were lower. Due to this the spread has increased by 59 basis points and NIM has increased by 53 basis points to 4.94%.

If we look at the quarterly numbers our yield stood at 12.24%, our cost of funds for the quarter was 8.75% leading to an interest spread of 3.49% which is an increase of 51 basis points over the corresponding quarter. Our net interest margin for the quarter went up from 4.50% to 4.99% showing an increase of 49 basis points.

Our return on average assets for the FY 13-14 is 2.98%. Return on average net worth has increased by 143 basis points to reach 23.07% while the debt equity ratio stood at 6.36 times.

As regards the capital adequacy requirement, our capital adequacy has increased to 20.10% as on 31.03.2014 from 17.64% as on 31.03.2013,primarily on account of raising subordinated debt amounting to ₹ 3,800 crores. We had also higher amount of state government guaranteed loans and loans for commissioned projects which also helps in improved capital ratio by reducing the risk weight of our assets. Our earning per share for the FY 13-14 is ₹ 41.04 and the book value per share is ₹ 190.13.

Now we come to the breakup of the sanctions - The sanctions during the year was ₹ 60,729 crores out of which 69% was towards generation projects, 5% towards transmission, 8% towards distribution, and 17% towards others. If you look at the sector wise distribution of the sanctions 79% is to state, central and joint sector and 21% to private sector.

Out of the disbursements of ₹ 47,162 crores, 67% went to generation, 8% to transmission & distribution, and 25% to others. Again coming to the sector wise distribution - 76% is with state, central and joint sector and 24% with private sector.

The outstanding sanctions as at 31.03.2014, are ₹ 1,56,390 crores of which disbursements already commenced in 46% of the loans amounting to ₹ 71,612 crores and in 21% of loans amounting to ₹ 32,711 crores where documents are executed and disbursements yet to commence.

Now coming to the loan assets composition - Out of the gross outstanding assets of ₹ 1,88,995 crores as on 31.03.2014, 77% pertains to generation projects, 6% to transmission, 4% to distribution and 13% to others category. Coming to the sector wise distribution of borrowers again - 85% of the loans are outstanding from state, central and joint sector borrowers and 15% from private sector borrowers.

Now coming to the asset quality -We have been maintaining strong asset quality and as at 31.03.2014, our gross NPA level stood at 0.65% and net NPA stood at 0.52%. As at 31.03.2014, we have NPA provisions of ₹ 242 crores, standard asset provision of ₹ 469 crores and reserve for bad and doubtful debts of ₹ 1,730 crores.

Coming to the borrowing profile - The total borrowing as at 31.03.2014, stood at ₹ 1,59,215 crores of which bonds constitute 80%, term loans constitute 19% and short term loans constitute 1%. If you see the currency wise composition of the borrowings, rupee loans constitute 94% and foreign currency loans constitute 6% of the total borrowings.

If we look at the resource profile, 15% of our funds deployed have come from equity shareholders and 85% are in the form of borrowings from various financial institutions and the money markets.

Some of the major loans sanctioned in FY 13-14 towards State, Central and Joint sector are :- ₹ 4,555 crores to AP Generation Company for Bhoopalpally, ₹ 3,746 crores to Ramagundam plant, ₹ 3,720 crores to Satpura plant, ₹ 2,843 crores towardsTamil Nadu transitional loan, ₹ 2,394 crores to the GSPC Pipavav Power Company Limited and some major loans to the private sector are 850 MW GVK Ratle Project ₹ 2,500 crores and underwriting of the same project at ₹ 2,206 crores, Karcham Wangtoo additional loan of ₹ 1,500 crores and the Tuticorin project of ₹ 1,142 crores.

This is the shareholding pattern - As on 31.03.2014, Government of India holds 72.80%. Other major stakeholders are foreign institutional investors with 11.17%. Indian financial institutions and banks with 7.92%.

As already indicated we have exceeded the sanctions for the FY 13-14 and the key performance targets for the FY 14-15:Sanctions - ₹ 55,000 crores, disbursements - ₹ 44,000 crores and resource mobilization - ₹ 44,000 crores.

With this I come to the end of the presentation. The floor is now open for question and answer session from the investors.

Moderator Now we can take up your questions please.

Khandwala Our income is more but we are showing depreciation little less than last year.

R. Nagarajan We have already made provisioning on standard assets @ 0.25% and provisioning is one year before the agreed date. Regarding the provisioning on the restructured assets, we are not clear whether Reserve Bank of India circular is applicable to us or not, so we have taken up the issue with Reserve Bank of India. We already have norms approved by the Ministry of Power as per the guidelines of RBI in 2000. As per the approved norms, restructuring of the loan being considered once before COD, onetime after COD and onetime after it becomes NPA. If we club the norms approved by Ministry and norms of RBI, there will be confusion in our books. RBI is considering restructuring based on the period whereas we are talking about the number of times. So, that is the reason that we have taken up the issue with Reserve Bank of India and also supported by Ministry of Power. We expect some favorable response from them. Therefore, we are not making provisioning as per these norms.

Punit I am Punit from Daiwa Capital Markets. My first question is on the average yield on transitional loans, if you can give that for this last year.

R. Nagarajan All loans are sanctioned at 12.25% to 12.50%, and backed by state government guarantee.

Punit And there was one mention about slippage of one account during the quarter, so any particular reasons you can give for it?

R. Nagarajan There is a project in Andhra Pradesh which is an imported coal based project of only ₹ 77 crores. Actually, the borrower was doing well but there was a problem with the EPC contractor and consequently the bank guarantee was invoked. Firstly the borrower account still has ₹ 11 crores and if we appropriate the money, the account need not become NPA. However, we want to ensure the completion of the project. Secondly we have got comfort of PTC which is also one of the equity partners for this. The promoter has put 51% and PTC has put 49%. We are discussing with the EPC contractor, PTC and the borrower for settlement of the EPC problem.

Punit Yes, of course it is a smaller account. So just one thing more on the liability side how much of your all liability is floating now? Actually at one point you are following to the process of manage your asset and liability because most of your loans were having a three years reset and then you were trying to match with a liability of at least that proportion almost 30%. So are you continuing with that process now and in that regard how much of the liabilities are floating?

R. Nagarajan As on 31.03.2014, fixed liabilities are 78% and floating liabilities are 22%. On the asset side, fixed rate assets are 2% and floating rate assets are 98%. Assets that are reset every 3 years constitute around 94%.

Punit Last question, these RBI guidelines, any update?

R. Nagarajan We are corresponding with RBI on this and also supported by Ministry of Power So we hope to hear something by June.

M. K. Goel We are pretty hopeful that just as in previous instances, once we take up with the RBI and justify our case, we may be given a specific dispensation.

Manish Manish from Deutsche Bank. Sir first question is on the internal norms that you follow. What is the size of your restructured book and the rescheduled book?

R. Nagarajan Reschedulement for delay of DCCO is around ₹ 9,665 crores and where the repayment has come and thereafter we have done the restructuring is ₹ 1,835 crores. Total is around ₹ 11,500 crores in case of private sector.

Manish All this is in the private sector?

R. Nagarajan Yes, all are in private sector.

Manish And these norms do not apply to your state exposures?

R. Nagarajan As per the norms approved by the ministry, they are not applicable to state government entities.

Manish Secondly sir what is your exposure to gas based projects?

M. K. Goel It is only 3% of our total loan book and for the private sector it is just 0.6% of the total loan book.

Manish And lastly of your private sector exposures in terms of loans how much is under construction? How much is still to be operational?

R. Nagarajan Against assets of private sector generation scheme of ₹ 26,000 crores, commissioned is ₹ 6,670 crores and balance yet to be commissioned is around ₹ 20,000 crores. On an overall basis of loan book, 28% is commissioned i.e. around ₹ 52,747 crores commissioned and balance is yet to be commissioned.

Ankit This is Ankit from CRISIL. You said that you are exempted from the RBI prudential norms. Sir, what would be the impact if you adhere to those norms and if you are actually asked to adhere to those norms? What could be the impact on the P&L?

R. Nagarajan As I told you in the past, RBI norms talk about time period of 2 years whereas we are following two times restructuring. So it will be a problem for us.

Ankit Sir if you could just tell us the status of the projects in your NPA, few major projects that are in your NPA and what is the status on that?

R. Nagarajan First project is Om Shakti Energy which is around ₹ 9 crores. There we have filed a suit and have fully provided for. In the case of Konaseema Gas & Power we have provided 20% against about ₹ 400-crore loan and we have done the restructuring along with the IDBI Bank, hoping that from April 2014, they will get the gas but today also they are in limbo. Then another account is Maheshwar Hydel Power, the biggest NPA we have seen. Around ₹ 700 crores exposure alongwith ₹ 400 crores non fund based exposure. We are getting money from Madhya Pradesh government because these are all backed by the Government of Madhya Pradesh but still we are not getting the full money, We are requesting that it should be taken over by some other government companies. Still it is under negotiation, nothing has been finalized and I hope that thing will shape up by at least September end. . Another account is Empee Power Company, in which the exposure is ₹ 27 crores, they have some overdues and there is a possibility that we may be upgrading this account. In the case of Krishna-Godavari power the exposure is around ₹ 77 crores. As I told already that we are discussing with PTC and the promoter to resolve the issue. In case of Konaseema and Maheshwar, we have already provided 20%. In the case of Om Shakti 100% provision and in the case of Krishna-Godavari and Empee power, 10% provision is made.

Umang This is Umang from CIMB. Just a couple of questions. What proportion of your loans and borrowings are coming up for repricing in FY15?

R. Nagarajan In FY 14-15, assets coming up for repricing are about ₹ 46,000 crores and liabilities coming for repricing are about ₹ 33,000 crores.

Umang Okay. And in fourth quarter we have seen margins of about 5% which probably are the highest for us. How confident you would be on maintaining this kind of trajectory going forward?

R. Nagarajan Actually we cannot talk about future. And on the basis of the past performance, as I told in the IPO and also FPO, we will try to maintain a spread of 2% only but we are maintaining higher level. Same way we cannot predict that margin will be 5% always. However, our aim is to ensure that we maintain NIM between 4.75% and 5%.

Umang And sir, a couple of clarifications on the restructured loans. You mentioned that it is closer to ₹ 11,500 crores in the private sector. So internally what is the procedure or what are the norms based on which the state or the central government loans get restructured or rescheduled and what would be that amount?

R. Nagarajan The same system is followed irrespective of whether provision is there or not. The important thing is that there is no sacrifice in the case of any restructuring we do because of the change in the DCCO.

M. K. Goel With respect to state sector projects, whatever restructuring is done, it is only with respect to deferment of DCCO. Normally there are no such cases where the repayment has started and there has been default.

Umang For private sector loans there could be some sacrifice depending on a case to case basis.

R. Nagarajan Our board has decided as early as in 2007, that even in the case of a loan where we have done the restructuring because of the account has become NPA, we are not to give even a single rupee sacrifice to the borrower. In line with the other banks, we have reduced the rate for the loan period along with the banks but after the loan period is over, we are recovering balance interest. Suppose my rate of interest is 15.0%,.if the loan period is 12 years for other banks, up to 12 years we charge along with other banks that is 11%. Balance 4% including the interest suppose at 15.0% we are recovering after the 12^{th} year.

Umang Fair point. And just last question that hypothetically if RBI would ask us to provide for these restructured or rescheduled loans I assume it would be 5% and whatever the sacrifice is or it would be higher?

R. Nagarajan In an earlier reply, I have said that we will have a problem. In the case of state sector borrower, the loan is coming to us at the initial stages when the DPR only is prepared (containing the commissioning date). After four years only, the state government gives the approval. By that time, the original DCCO is gone. Then only, they come to us for documentation, guarantee and disbursement.

There is time gap between sanction date, documentation, guarantee and disbursement. So, that is the reason that we have requested RBI to give us five years atleast for us to be in line with the RBI norms. We have to make state government entities also to come on par with us.

Previously, accounts, were pending for even 5 years but with a lot of effort, accounts are now prepared on a timely basis. So, in the same way here also, we have to push the state government entities to come to the level that RBI wants.

Umang Sure, so as on date we would be holding around just the standard asset provision against these loans that is 25 basis -

R. Nagarajan Yes, we have already provided on the assets outstanding on 31.03.2014at the rate of 0.25% as per the RBI norms.

Digant This is Digant from Antique. If you can give a brief update on what is happening with the FRPs as you know the new sanctions, disbursements and the performance of the states and have PSU banks again started lending to those states?

R. Nagarajan Four states have participated in the FRP scheme i.e. Uttar Pradesh, Tamil Nadu, Haryana, and Rajasthan. There is an improvement in power supply in Tamil Nadu, UP also will be filing the tariff petition for FY 14-15 and seeking tariff hike. In the case of Rajasthan and Haryana, they have not drawn the full amount sanctioned to them under FRP, indicating that their position seems to have improved. Banks are prepared to lend and that is the reason that they do not want money from PFC for the FRP we have sanctioned. Haryana has not taken around ₹ 800 crores and Rajasthan has not taken around ₹ 1,700 crores, out of the loan we have sanctioned to them. The tariff increases for the current year was discussed in a review meeting taken by Mr. Chaturvedi. At that time, we are told that once the elections are over, the 16th All States Regulatory Commission will be increasing tariff. In the case of states which have considered for FRP scheme in 2014 i.e. Jharkhand, Bihar and Andhra Pradesh. Bihar and Andhra Pradesh do not want any funds from anybody. The state government is prepared to help them, so they are not interested. Only Jharkhand has made a request to us for funding and we may sanction ₹ 3,000 crores to them.

The FRP scheme is still under process,. The states of UP, Rajasthan, Haryana and Tamil Nadu have already issued the bonds, i.e. 50% bonds required to be issued to banks. The tariff increase required to be filed by 30th November of each year have not been completed. Although slowly the increase is expected, now that the election results are over.

Digant And have PSU banks started relending to these states?

R. Nagarajan The states of Tamil Nadu, Rajasthan and Haryana have got funding though UP has not got. .

Kunal Kunal over here from Edelweiss. Sir on the restructuring side if you can just give some flavor in terms of the status of some of these restructured projects, so whether there is any scope that any of these projects could actually slip into NPA over next 12 to 18 months or so?

R. Nagarajan Out of the ₹ 11,500 crores restructured/ rescheduled assets, Krishna-Godavari ,Maheshwar Hydel Power and Konaseema Gas & Power are already NPA.

M. K. Goel In case of Suzlon, payment is due after December 2014 onwards.

Kunal So no major discount there?

M. K. Goel No further downgrade in the NPA is expected.

Kunal Okay. And restructuring and NPA anywhere we are seeing stress? So from the standard book are we seeing any kind of a stress in any of the projects?

R. Nagarajan From the standard book as on date, we do not expect anyone slipping into the NPA category. We cannot talk about the future.

Kunal And sir the question on I think the targets which we had given for disbursements and sanctions, so I think in MoU we tend to be quite conservative and that seems to get reflected in terms of disbursements and sanctions of say ₹ 44,000 crores. So what is the realistic number considering the outstanding sanctions of ₹ 1,56,000 crores and what is the loan growth because this year also we saw 4% disbursement growth. Next year in terms of MoU targets we had given almost like a decline of another 1% or 2%, so that would actually lead to further moderation in loan growth below 18% odd. So where do we see it post this election? So what is the number in terms of the loan growth which we could not look at?

M. K. Goel I think it is too early to predict at this moment and also I think it is too premature at this stage to say. Definitely, we are going to surpass our targets which we have already set for ourselves and to what extent we will do that I think we will be able to tell may be a little later, not immediately.

Kunal And sir in this ONGC Tripura it is like entire prepayment which has been done or they have just done the payment?

R. Nagarajan It has fully prepaid. ₹ 2,165 crores in January'2014.

Kunal Okay, so it is entirely out of restructure and out of loan book as well?

R. Nagarajan Yes.

M. K. Goel I hope we have been able to respond to all your queries and the doubts. Thank you so much for your patient hearing and your active participation. Please join for a cup of tea. Thank you.

Moderator Thank you all for your valuable time and we welcome you for high-tea. Thank you.

Note: This document has been edited to improve readability and relevance.