



IDFC Limited

Transcript of H1FY14 Earnings Conference Call November 1, 2013

Moderator Ladies and gentlemen good day and welcome to the IDFC Limited H1 FY14 earnings conference call. As a reminder all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * then 0 on your touch-tone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bimal Giri of IDFC Limited.

Bimal Giri Good afternoon everyone. I welcome you to this conference call organized to discuss our financial results for the first half of fiscal FY14. I have with me Vikram Limaye, Sunil Kakar and Sadashiv Rao. Before we begin I would like to state that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance have been emailed to all of you. These documents have also been posted on our corporate website. I now invite Sunil to provide key highlights of our performance for the first half of fiscal FY14.

Sunil Kakar Thank you Bimal. Good afternoon everybody and thanks for joining us. As all the numbers are there with you I would like to focus more on the macro and spend more time on the Q&A session and keep the numbers session a bit brief. So starting on the macro interest rate environment front, the good news is, that the various steps taken by the RBI have resulted in rupee stabilizing. In the growth versus inflation challenge the regulator's focus continues to be on reining in inflation, although it has shifted a little bit the measure of inflation from WPI to CPI. In the past few months, keeping in mind the fact that the inflation continues to be on the higher side, the repo rate has been increased by 50 basis points and the MSF has been brought down, which is now at 8.75%. The bond markets are active again and our marginal cost of funds, the impact of all this is that there are marginal cost of funds, which had shot up quite a bit from July to September quarter has again come down to normal levels and they have eased by almost 50 to 75 basis points from the peak.

Let's look at some developments in the various infra sectors. In the energy sector, there are a few positive events, starting with the FRP implementation in some four or five key states, which have some weak financials. The CCEA decision allowing pass-through of expensive imported coal price in case of shortfall of domestic supplies and other positive change, signing of FSAs including for tapering linkage for almost 70 gigawatts of power projects and extension of generation based incentives for wind projects commissioned from April 12 onwards are some key steps, which indicate that there are some policy level changes, which will facilitate revival of the investment sentiment in this sector over the medium to long-term.

In the roads sector, the CCEA has granted an in-principle approval to backend the premium, which will allow some sort of a comfort to the private sector involved in this and this should also lead to revival of private sector CAPEX in roads over the medium term. In telecom, TRAI has recommended significant reduction in reserve price for spectrum and spectrum usage. They have also talked of allowing trading of spectrum.

These recommendations are definitely a positive for the telecom industry. To summarize, steps to aid revival of investment climate for private infrastructure are gaining momentum and they do augur well for the prospects over medium to long term. However, in the near term loan growth for us continues to be muted. Our focus continues to be managing asset quality and doing incremental business with a focus on high-quality credit.

Now to share some numbers, consistent with the challenging short-term or near-term macro infrastructure issues, our balance sheet growth was almost flat. Our gross loan book increased 3% from ₹54,137 crore as of September 30th '12 to ₹55,957 crore as of September 30th 2013. In the first half, the gross approvals were at almost ₹15,000 crore, however gross disbursements were only at ₹5,650 crore compared to the gross disbursements of ₹10,487 crore in H1 FY13.

On a consolidated basis, our operating income increased by 18% from ₹1,622 crore to ₹1,911 crore. Our net interest income increased by 9%, which was primarily driven by net interest income from loans which in turn went up by 11% from ₹1,151 to ₹1,273 crore. Another key component of our operating income is non-interest income. This has increased by 52% from ₹348 crore in H1 FY13 to ₹531 crore in H1FY14, primarily driven by some principal gains and largely by excellent first half for our treasury trading gains. Our loan book related fees, however was in line with the lower level of disbursement and they decreased by 68% from ₹103 crore to ₹33 crore. I just want to highlight that notwithstanding a volatile second quarter from an interest rate viewpoint, our treasury navigated the terrain very well and closed the first half of this year with a realized gain of ₹112 crore as against ₹20 crore for the same period last year. It is also pertinent to note that our entire trading book is on a mark-to-market basis.

Our existing policies and conservative approach has resulted in our aggregate provisions for various asset classes being at ₹1,526 crore as of September 30th. Of these ₹1,094 crore was towards loans and ₹432 crore is for investment and others. As of September 30th 2013, our asset quality continues to be stable with gross NPLs at 32 basis points and net NPLs at 20 basis points. Profit After Tax increased by 22% from ₹855 crore in H1 FY13 to ₹1,044 crore in H1 FY14. Net of principal gain, PAT increased by 13% from ₹805 crore in H1 FY13 to ₹907 crore in H1 FY14. I shall now open the session for Q&A.

- Moderator** Ladies and gentlemen we will now begin the question and answer session. We have our first question from Nikhil Rungta of Standard Chartered.
- Nikhil Rungta** Just wanted to check, first thing, we have seen significant spike in approvals in this quarter. So, what would be the reason behind the same?
- Vikram Limaye** This has largely to do with a couple of large corporate loans in the telecom area that we approved, that haven't yet been disbursed so on a normalized basis I wouldn't read too much into that number from a growth perspective, from a long-term growth perspective standpoint.
- Nikhil Rungta** Okay, so these would be short-term loans only?
- Vikram Limaye** Yes, these are short term loans.
- Nikhil Rungta** Another would be like, what would be our growth target for this full FY14, because currently it's 3% Y-o-Y, our loans, so what would we be looking for FY14?
- Vikram Limaye** So as we have been saying for some time now, we expect this year to be a flat year and the reality is there isn't a lot new project development that has happened in the last 18 plus months, so the new project pipeline has been quite weak over the last 18 - 24 months and if you recall last year we were focused and actually large part of our

growth came from refinancing operating assets. This year as well, as we have outlined, we are consciously focused on making sure that we have and we figure out low risk ways, low risk opportunities for growing, whether it is operating assets or high quality corporate borrowers and so from that standpoint, there aren't too many of those available in the market, as you know given what's going on in the overall corporate Capex related environment. So we expect this year to be a flat year at best from a loan growth perspective.

We have seen some large prepayments in the second quarter and obviously that is an unknown. We do expect some scheduled disbursements from project pipeline that we have. But the prepayments that come in obviously can impact any kind of growth that we see from scheduled disbursements.

- Nikhil Rungta** Last we had around ₹960 million of gains on principal investments, so what would be that, specifically some big or small-small things?
- Vikram Limaye** We can't get into the details of which specific assets we have sold and that kind of thing but as you know, we have a range of financial investments that we make and we tend to monetize investments every year, provided we get the right valuation. So that is something that is therefore, by definition volatile and lumpy, it's not something that you can plan on a quarterly basis.
- Nikhil Rungta** No, what I mean is for this quarter is it only one investment which we have monetized?
- Vikram Limaye** No, it's more than one.
- Moderator** We will take our next question from Umang Shah of CIMB Securities.
- Umang Shah** Just one thing that I wanted to understand that obviously from the recent interactions that we have been having with industry participants as well as some bankers, who are talking about some green shoots. Also in the opening remarks Mr. Kakar mentioned that there are some positive developments which are happening for the sector, but wanted to understand that at the ground level are we seeing any changes per se?
- Vikram Limaye** The answer is at the margin, yes, because at least for some of the projects that for some time were awaiting certain kinds of approvals. Some of those approvals have come through so I would say that at the margin over the last three to six months it has been incrementally positive for infrastructure not only from a policy perspective in terms of announcements that government has made but also in terms of improvement on the ground of certain projects.
- Umang Shah** Secondly, I wanted to understand now that obviously we have seen some normalization in terms of wholesale borrowing cost. How do we see ourselves positioned back into the refinance market that's one and second what would be our outlook in terms of spreads for the remaining period of the year?
- Vikram Limaye** As I said earlier as well we are focused on figuring out low risk opportunities for growth. We haven't seen the kind of refinancing opportunities so far this year as we saw last year. We will obviously be focused on trying to see if there are good quality assets that we can lend to, that's always an ongoing exercise. Given where interest rates are today, we are obviously much better off than what the situation was in August - September after RBI raised rates and our own borrowing costs have come down 50 - 75 basis points relative to where they were a couple of months ago. So we are certainly a lot more competitive now than we were in August - September, but you should know that obviously corporate credit growth for the entire banking system has been quite muted. So bank credit growth is coming largely from either retail or rural, agri some of the other non-corporate related areas and certainly not from the

infrastructure area. So to the extent that there are high quality assets that become available they are being very competitively placed and priced in terms of even the banking landscape and therefore the higher quality borrowers are also getting financing at very attractive rates. So, while we may be able to get our share of some of those opportunities, the margins on those opportunities will certainly be much lower than the average that we have on the book or I would say even the kind of margins that we got on similar opportunities last year.

- Sunil Kakar** On the overall NIM or spreads, we can expect the overall book to see 10 to 15 basis points of margin compression.
- Umang Shah** Fair point, just one last question. Last conference call wherein we had touched upon one of the points that the FM had announced that close to ₹7-8 trillion worth of projects which had got stuck obviously even you mentioned that the number was looking slightly on the higher side. Any sense that you have got that. What could be a more realistic number in that sense?
- Vikram Limaye** The Cabinet Committee decisions are obviously a positive in terms of reviving sentiment and bringing back some focus on getting bottlenecks sorted out on projects that have been pending for some time. But frankly, when we look at our own portfolio we really don't have assets that were counting on Cabinet Committee intervention for the development, there may be one or two, but it's not a material number. I mean, obviously one area that requires sorting out is gas, but on gas there is no clarity at this point. So gas based assets in general have been restructured by everybody in the landscape because the availability of gas has potentially been pushed out by a couple of years.
- Moderator** Our next question is from Adarsh Parasrampur of Prabhudas Lilladher.
- Adarsh P** My question is again relating to refinance. The difference is obviously not enough growth opportunities on refinancing as you said. But are you all seeing some of your projects as well or because some of it getting refinanced when they become move from under construction to a working project. Is that a fear that you may have given that SBI is trying to get a little bit aggressive in that sense?
- Vikram Limaye** Yes, so one of the reasons why Sunil said we are likely to see some compression spread has also to do with what we do to protect our assets. One has to try and figure out opportunities for growth and refinancing operating assets but we have to also make sure that our book does not shrink because our own assets get refinanced. So there have been a couple of situations in the first half as well, where we have had to take margin compression in order to preserve and protect our assets. So I think as I said earlier given that there is a dearth of good quality infrastructure assets in the landscape. Once they become available, banks are also quite aggressive and trying to lend to those assets and therefore margins will get squeezed on that front as is the case also with high quality borrowers as I outlined.
- Adarsh P** I was saying that you said that you let go off a few opportunities in the first half.
- Vikram Limaye** No, what I said was we had to take some margin compression in order to protect our assets and retain assets on our balance sheet because otherwise those would have got refinanced at tighter rates by the banking system.
- Moderator** Our next question is from Rahul Jain of Goldman Sachs.
- Rahul Jain** I had a quick question on your fee income. First of all on advisory fees, I know the environment has been challenging, you have not been doing lot of construction projects or project finance and now as I see the income was about ₹10 crore or so in this quarter. So just wanted to understand in terms of guidance going forward, where

do you see this line item heading? And then I will ask some other question on our fixed income.

Vikram Limaye This is a line item that you have to track based on what you see in disbursements on loans. So, as we have said our net loan book growth this year is going to be at best flat but that doesn't mean that there will not be incremental deals that we do. So depending on the volume of deals that we do, there will be a pickup in fees as well. So, I certainly expect that this number will be higher for the full year, but it may not be, I mean we have to see what happens on specific deals and what kind of deals we do, because the margins on fees and on deals also differs depending on the type of deal you are doing right. So, if you do corporate loans to AAA borrowers, you don't get any fees so it really depends on the mix of transactions that you do and in this environment as I said we are focused on lower risk opportunities for growth.

Rahul Jain But does this also mean the fee income charged as in terms that the commission rates have also seen some bit of a pressure because of market conditions and lack of deals that are available in the market?

Vikram Limaye No, see I mean the commission the fee rates being compressed is not the issue but the point is the fees that you would get on a typical project loan could be very different from what you would get on a refinancing opportunity or what you would get if you are financing AA plus AAA corporate. So I am saying, the type of growth that we are focused on will necessarily have lower margins and lower fees. Other thing you should also focus on is, if you look at our ROA tree, that also gives you on a rolling 12-month basis what your loan book related fees are as a percentage of assets. So, that has been relatively stable at around 0.2% to 0.3% that's one other way of thinking about it if you look at our ROA tree.

Rahul Jain Another quick question was on your fixed income fee. Of course, I understand in this quarter you had booked on some losses but going forward, what do you see especially on the core fee part from debt syndication side. Do you see any pickup happening there as well in the second half?

Vikram Limaye We certainly expect to see some pickup in the client related fees in fixed income. On the trading side it's really very hard to predict, we hope that there will be few more windows of opportunity where we could make some gains and we have actually done a pretty good job in protecting whatever gains we made in the first quarter, although we did lose some money in the second quarter. Relatively speaking the net result for the first half is still quite good, but the trading revenues are difficult to predict. We do expect a pickup in client related revenues.

Rahul Jain Is it possible to get a breakup between the trading related income and client related income in this line item, just ballpark number?

Vikram Limaye Unfortunately, we are not able to give that breakdown at this point.

Rahul Jain Okay, no problem.

Moderator Our next question is from Sameer Dalal of Natverlral & Sons Stockbrokers.

Sameer Dalal Actually I had a couple of questions on certain statements you made regarding government is trying to clear a lot of projects. Even if these projects do get cleared in some time, when do you actually see these projects taking off and starting to borrow, when do you actually see fresh approvals coming along for you guys and disbursements happening?

Vikram Limaye In a broader sense if you were to ask me that question, what I would say is that what is being put in place in terms of the Cabinet Committee process is important in terms of reviving sentiment and confidence for developers to start thinking about new

projects. But that they will do only with a lag right, till they see some clarity on their existing projects getting operationalized and cash flows coming in from those projects. It's only once that happens that they would also be able to reduce leverage and raise some equity because a lot of the developers today are quite stretched in terms of their own resources and balance sheets. So for them to start thinking about new projects and investing in new projects will require equity and very few of them actually have equity, which is why they are also focused on asset sales and expecting projects that are under construction or actually ready to operate to start generating the kind of cash flows that they anticipated. So, the investment cycle will obviously come back with a lag and that lag could be 12-18 months from now. It also depends on what the outcome of the elections is, so you are not going to see a rush of investments in the next six months - that's definitely not happening.

Sameer Dalal So based on that I mean even for FY15, what would you peg your loan book growth target at?

Vikram Limaye I can't give you FY15 target at this point.

Sameer Dalal Second question is on your outstanding approvals, you have quite a large size of outstanding approvals. What is the problem there, why the drawdowns not happening out there, one? And two, how many of those projects are actually going to continue and how many of them may actually get scrapped or even pushed back by huge amounts, where you will also re-evaluate whether you want to fund these projects? I mean if there is some sort of breakup you have of that how, I mean what the outstanding approval book is like?

Vikram Limaye Yes so like I said, I made a comment on some short-term corporate loans that were approved that have not yet been drawn down in the last quarter in telecom. If you look at the approval and disbursement tables that we give right, which are also on your website and you look at what the gap is, then for instance, for energy, I mean the gap is not that large. So, for the energy portfolio you have the difference between your approvals and outstanding disbursements would be about ₹2,500 crore. On the transportation side, it's about ₹3,000 crore so these are projects that are ongoing and we are seeing disbursements from project pipeline. So some of the disbursements that you have seen in the first half have to do with project pipelines. So we don't anticipate large cancellations of projects that are under construction. The difference that you see right now has to do with a couple of large corporate type of loans, short-term loans that we approved in the second quarter, which are not yet disbursed and even if they were to disburse, these are not long term. These are likely to come back within three to six months after disbursement because they are in the nature of short-term loans. So that skews the numbers you are looking at.

Sameer Dalal So there is actually no visibility on loan book if you look at it as such apart from the short-term loan?

Vikram Limaye Yes, which is what we have been saying the new project pipeline over the last 18 months has been slowing down quite a bit and which is why even last year half or little more than half of our growth came from refinancing operating assets not from new projects.

Sameer Dalal You also commented one more thing on, in Q3 you got some large prepayments ahead of schedule and you also mentioned that in an attempt to ensure that you protect your asset books, you are having to cut a little bit of your margins, so, that prepayments don't happen and other people don't poach into your loans. Going forward, how much more of this impact is going to come given, like you said, the number of good borrowers is very limited or stable borrowers is very limited. How much more time do you see something like this and how much more impact do you see this happening on your profitability?

Vikram Limaye So, we have already told you what we expect in terms of margin.

- Sameer Dalal** 10 - 15 bps, yes.
- Vikram Limaye** Perspective for the year and you would have asked me about whether this environment changes immediately, the answer is no. But the benefit that we have is now our cost of borrowings is obviously much better than what it was two - three months ago. So the ability for us to protect assets and reduce the impact on margins is therefore better than what it was in July, August, September timeframe.
- Moderator** Our next question is from Sanjay Parekh of Reliance Mutual Fund.
- Sanjay Parekh** This is more of a hypothetical question that you applied for a banking license and one is, of course it is subject to you getting the license. But in terms of your asset book, do you have to plan in advance in terms of maneuvering it particularly because we also have a priority sector that we will have to fulfill over a period of time. So in that case, does your planning for asset book change ahead of the time? If you can give some perspective over this next two years, what is our thought process?
- Vikram Limaye** So as you know the bank license timeline is obviously after you get in principle approval, you have 18 months to operationalize the bank and in terms of meeting PSL targets you get an incremental 12 months after that to meet your PSL targets, that has to do with what your asset book is at the end of 31st of March. And so I don't want to get into the details depending on when you get the license and all that, you potentially have three years before you have to meet any of those targets. We will obviously be focused on making sure that we do our best to be compliant and meet those targets. So, we don't have to do anything right now to do that, once we get in-principle approval we will have to start looking at what we do and the timing of when we operationalize the bank, etc. So, I think that this is a question that is better answered maybe a couple of quarters down the road should we have visibility on what's going on with the bank license.
- Moderator** Our next question is from Nischint Chawathe of Kotak Securities.
- Nischint Chawathe** Restructuring guidelines for NBFCs, I mean just trying to understand how would that impact your business?
- Vikram Limaye** Unless we know what the guidelines are, it's difficult for me to answer that question, but the reality is if you were to take one aspect of it which is where banks have been allowed to change their repayment profile of their loans in line with the extension of COD. And if you were to do that it doesn't actually count as a restructuring for banks. If that were to apply to us obviously it would help us a lot, because for instance gas based projects or other projects where COD has been pushed out for a variety of reasons having nothing to do with the fundamental viability of the project. If those guidelines were not to apply to us it would count as first restructuring for us and as you know in infrastructure you are permitted only one restructuring. So, if we were to be in line with what the banks have been permitted then it obviously is beneficial because that's what pushing out a repayment would not count as a restructuring. So we will have to see what they come out with by the end of November. If they were to just give us this feature that the banks have got I would say it is a positive for us.
- Nischint Chawathe** Some of your corporate loans have got refinanced by banks and I guess that possibly happens in the course of the business. Have there been any specific or large instances where project loans also kind of get typically financed by banks or by some other lenders?
- Vikram Limaye** We haven't seen large project loans getting refinanced by banks; it has been more of the high quality corporate type of loans that have got refinanced.
- Moderator** Our next question is from Devam Modi of Equirus Securities.

- Devam Modi** Mainly wanted to understand the reason behind, I mean what is that to the increase in approvals for this quarter because if you look at on a year-on-year basis also there is a growth in spite of a relatively muted first quarter for approvals?
- Vikram Limaye** So, it's the same. As I said before this number is skewed a little bit because of couple of large telecom related corporate loans that we have approved but not yet disbursed.
- Devam Modi** I also wanted to understand that, do we have any mark-to-market losses that are yet sort of not been booked on the fixed income or the treasury book?
- Vikram Limaye** No.
- Devam Modi** And on our asset quality front given that the provisioning is also coming down with regards to the loans would we sort of feel that the worst of the asset quality anomaly sort of behind us or are we can still be relatively unsure on this aspect?
- Sunil Kakar** Let me just add here that first half provision as against last year first half has gone up by 40%, so I don't know where we are getting the impression at first that's coming down yet. Sequentially, it has come down but the timing of that keeps varying on a quarter-to-quarter basis. But if you look at H1 versus H1, H1 current year is ₹92 crore, H1 last year was ₹66 crore. So loan provisions have gone up, but the overall provision may be looking lower because last year we had a one-off provision pertaining to Deccan Chronicle in the investment side which is not there right now.
- Vikram Limaye** The other thing you have to remember is certain things that we have been saying for the last couple of quarters now. Our loan provisioning policy is based on gross disbursements. So, if disbursements are slow the natural provisioning that happens based on disbursements will be lower but what we said is that on an overall basis we wanted our loan provisions to be at 2% or maybe a tad north of 2% and today we are already at 2%. Your loan provisions as a percentage of assets is 2% at September 30th and it was at around 1.7%, if I recall, at the end of March 31st. So we have been steadily increasing provisions and that has to do with just the environment we are in and the fact that we want to be prudent and conservative and from our non-performing asset standpoint as we have said for the last couple of quarters, 0.2% NPAs are not sustainable. We cannot be immune to all the risks that we are seeing around us in the infrastructure area and we have said this over the last couple of quarters that this net NPA number will inch up for this fiscal year and could get to 1%.
- Devam Modi** Sure that was very helpful. And finally if you could help us with sort of the number on what would be the total restructured asset percentage and I mean what will be the rescheduled asset percentage because there are those two types of restructuring that will be happening?
- Vikram Limaye** We don't get into that detail as you know. We have outlined this before as well, so that is not a number that we get into the details and that has largely to do with the fact that what we are saying is, for instance we have said for some time now that the gas based assets will get restructured because there is no gas availability. So it's not in the nature of typical restructuring that you see in the banking landscape against which there are provisions and naturally migration of certain percentage of restructured assets into NPA line, etc. These are more in the nature of rescheduling principal payments because there are certain things that have happened, surrounding delays or surrounding unavailability of raw material temporarily, etc., so we don't get into the details of what is rescheduled and how much and all that. Suffice to say that asset quality continues to be strong. We are focused on making sure that asset quality will remain strong. We had been prudent and conservative therefore in terms of the type of assets we book and we have been quite open about the fact that we do see non-performing assets inching up over the next few quarters.
- Moderator** Our next question is from Sanjeev Agarwal of Ficus Research.

- Sanjeev Agarwal** Could you comment on how much is your exposure on the NH8 project, The Delhi-Gurgaon Expressway.
- Vikram Limaye** So as a general rule we don't get into client specific or project specific exposures but I guess it is around ₹500 crore.
- Sanjeev Agarwal** Would you be able to characterize the risk that you see on this exposure given the litigation that's going on?
- Vikram Limaye** No, because it is under litigation, so I cannot comment on Delhi – Gurgaon because it is sub-judice.
- Moderator** Our next question is from Manish Ostwal of K.R. Choksey.
- Manish Ostwal** First of all, can you give us the number of cost of funds during quarter one and quarter two?
- Sunil Kakar** See on the margin, it could be say about 9.60% – 9.70% during the second quarter, so that's it. It varies between 9.5% to 9% it's difficult because it is a function of duration, which kind of investor do we look at, but as I said, during those peak periods obviously it went up even above 10% because we are borrowing from banks. Now, when the bond market has opened up, the mix of borrowing has changed we are now back to bond markets and bond markets, like any other AAA rated entity, you then look it up on Bloomberg which generally is a G-Sec plus 100 bps or lower.
- Manish Ostwal** Secondly, during this given the current trend in the asset quality last two quarters, you have given the guidance of 1% to 1.5% NPA. So, will you update that number downward or this guidance is intact, because the trend is quite stable for last two quarters?
- Vikram Limaye** So, like I said for the remainder of this fiscal we said that we could get up to about 1%. If you are asking me for a longer term forecast over the next 12 - 18 months, it's hard for me to tell. But the range that I indicated to you was not to do with the next six months, but slightly longer than that. So even for this fiscal year what we are saying is that we could inch up to 1%.
- Manish Ostwal** And lastly you compared the fee income profile on typical project loan refinance and AAA customer loans. So, I want to ask whether there is any what do you call the provisioning level difference on these kind of lending?
- Sunil Kakar** The provisions which we make is a function of internal risk rating like disbursement.
- Sadashiv Rao** We have a provisioning policy on disbursements basically is linked to the rating of the proposal, better rated ones have a lower provisioning and the lower rated ones have a higher provisioning.
- Manish Ostwal** So, I mean the typical project finance loan to a refinanced loan, what is the difference of provisioning?
- Vikram Limaye** We can't get into all these specifics but it suffice to say that on average we are about 70 - 80 basis points of gross disbursements.
- Moderator** We will take our last question from Mangesh Kulkarni of Almondz Global Securities.
- Mangesh Kulkarni** I just wanted to know about our project equity, we have recently raised \$644 million. So, going forward can we expect some increase in asset management fee from this AUM?

- Vikram Limaye** Yes. One of the positives this quarter has been the fact that we have been able to raise and we have been able to announce first close of our infrastructure fund in a very difficult environment. As you know, sentiments surrounding India has been quite low for some time and sentiment surrounding infrastructure has been even lower. So in that environment we have been successful in announcing first close of about \$650 million and we are certainly quite optimistic that we will get to a billion dollars. The fees on our alternatives business will certainly pick up in the second half because we would end up getting fee on the entire amount that we close from the date of first close of the fund. So we do expect a pickup in fees from alternatives in the second half of the year.
- Mangesh Kulkarni** And what is our NSE stake right now?
- Sadashiv Rao** 5.3%.
- Moderator** I now hand the conference back to Mr. Sunil Kakar for closing comments.
- Sunil Kakar** Thank you everybody and we wish you all a very Happy Diwali and we hope Goddess Lakshmi smiles on the infra sector. Thank you very much.
- Vikram Limaye** I would just like to make one other comment this first half has been very good given the environment we are in and I think we have delivered a very good set of results in terms of profitability as well as in terms of margins and asset quality, etc. I think it's important to keep things in context and therefore we have been quite transparent about how we see the year evolving but whatever guidance we have given in terms of growth and profitability if we were to achieve those results that would be a very good outcome given the kind of environment we are in. So I think we are certainly very pleased with how we have managed the business in difficult times. We think that we will continue to focus very aggressively on asset quality as well as on figuring out low-risk ways of growing and there have been positives in terms of how we managed our fixed income book. The fact that we have been able to raise an infrastructure fund in an exceedingly difficult environment, our asset management business on the public market side is doing very well in terms of market share as well as fund performance. So there are lots of good things going on despite a slowdown in the overall infrastructure growth environment. So, we are doing our best to manage through this slowdown in a very prudent and conservative way and I think that will be reflective in the overall results for fiscal 14. So, once again thank you very much and we will talk to you again next quarter.
- Moderator** Ladies and gentlemen on behalf of IDFC Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.