IDFC Limited

Transcript of 9MFY14 Earnings Conference Call

February 3, 2014

Moderator Ladies and gentlemen good day and welcome to the IDFC Limited 9M FY14 earnings conference call. As a reminder, all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bimal Giri of IDFC Limited.

Bimal Giri I welcome you to this conference call organized to discuss our Financial Results for 9M 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 discussion 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 9 MFY 14.

Sunil Kakar Thanks for joining us today. I would like to focus more on Q&A and therefore try and keep it short now. I will just share our views on the macro environment and the key highlights related to the financials and then open the floor for Q&A as soon as possible.

Overall in the Energy Sector – the 6 states that contribute to 80% of discom losses have signed the FRP. Although receivables from discoms have seen improvement, this has largely been driven by liquidity on account of FRP loan disbursements. The main root cause, by which the momentum on annual tariff hikes by states, still needs some improvements and there seems to be not too much action in transmitting the tariff hikes to the consumer. But the cash flow positions have improved on account of FRP loan disbursements. The recent decision of the new government in NCR to reduce the tariff and announce the CAG audit of discom appears to be having a contagion impact. Simultaneously allocations of coal blocks are being reviewed by the government. Although clarity on enhanced pricing for domestic gas is emerging, one is not clear on its availability over the medium term. We are also seeing the CERC guidelines have reduced incentive payments and arbitrage on tax for thermal project on a prospective basis. So overall on the Energy Sector, there has been some improvement, but ground level not much seems to have changed.

The road program has slowed down and bids for new stretches are lackluster. Decision to reschedule premium payment to NHAI for stalled/ stretched road project, to provide respite to such projects and aid over the medium term is still pending. Revival of private sector CAPEX in the road sector is still muted.

Privatization of 6 domestic airports under the own, manage and transfer route has also been announced.

In the Telecom Sector – there is regulatory clarity on spectrum pricing, spectrum trading and M&A is emerging and this augurs well for the telecom industry.

On the interest rate side, I would say I would say the recent policy announcement by RBI increasing the repo rate by 25 basis points, we believe, signals a kind of a peak and therefore, we do expect a period of time, rates to remain stable if not start coming down.

To summarize, a bit of clarity on the prospects for revival of investment climate for private infrastructure should emerge post the elections. Hence our focus over the immediate term will continue to be on asset quality and doing incremental business only with higher quality credits. In line with the environment, we find that our balance sheet growth for the 9 month was only 2%. Our gross loan book increased by 1% compared to December 31, 2012. In the 9MFY14, gross approvals were Rs. 20,376 crore. However, the gross disbursements were only Rs. 7,659 crore compared to corresponding period of the numbers were Rs. 18,838 crore and Rs. 13,070 crore in 9MFY13. So the point is gross disbursements are down by almost 40 – 45%.

On a consolidated basis; however, our operating income increased by 12% from Rs. 2,459 crore in 9MFY13 to Rs. 2,763 crore in 9MFY14. NII Increased by 6% from Rs. 1,921 crore to Rs. 2,036 crore. This was driven mainly by NII from loans which went up by 7%. The basic point here is the average loans, although, point to point loan growth was only 1% the average loans had grown by 10 odd %. The second component of our operating income which is non-interest income increased by 38% from Rs. 519 crore in 9MFY13 to Rs. 718 crore in 9MFY14 primarily driven by principal gains. It's actually a timing difference arising from Better results from our asset management and treasury trading gains.

Our loan book related fees; however, decreased by 62% in line with the fact that loan disbursements were poor from Rs. 141 crore is 9MFY13 to Rs. 54 crore in 9MFY14. As on December 31, 2013, our gross NPL was 62 basis points which was 32 basis points in the last quarter and our net NPL was 50 basis points. This is also in line with the guidance we have been giving the market. Having said that, our overall loan provision ratio was maintained at 2% of the total loans which is what we have been targeting. Profit after tax increased by 18% from Rs.1,310 crore in 9MFY13 to Rs. 1,545 crore in 9MFY14. Net of principle gains PAT increased by 6% from Rs. 1,240 crore to Rs. 1,310 crore in FY14.

I shall now open the session for Q&A.

Moderator Ladies and gentlemen, we will now begin with the question and answer session. Our first question is from Suruchi Jain of Morning Star.

Suruchi Jain I just wanted a little more clarity on your net interest income from loan growth. You mentioned that average loans were higher by 10% which is why this is higher. Could you give little more colour on that?

Sunil Kakar The fact is last year towards the 2nd, 3rd, and 4th quarter, loans went up. So the benefit of that for the full year closed into this fiscal. Hence the averages are better. NII is driven by average loan growth and not point to point. However from balance sheet comparison perspective, it's just point to point. So average loan growth was better, spreads have remained constant almost and hence your NII is up by about 7% from a loans perspective.

Suruchi Jain And on the spreads could you just provide some color, I understand that the borrowing was a little difficult in the last couple of months given the interest rates and as well as debt markets drying up. So have you managed to maintain net interest margins?

Sunil Kakar You see there were some challenges, not from liquidity perspective, but more from cost of funds perspective only during the period July to September and October and then we had to borrow from the banks. But to some extent, as you know our loans, our ALM is pretty well matched. So some part of that we could transfer it on towards the customers and thereby maintain our average spreads. Since September end and October, once the rupee stabilizes, again interest rates have been more or less stable, the volatility has come down. So the fact is, through better ALM management, we have been able to ensure that we don't take any significant hit on our spreads.

Suruchi Jain On the provisions, I noticed that they have gone down, could you tell me why the average loans have increased; provisions should ideally increase with that?

Sunil Kakar See what has happened is, it's again comparison over last year. Last year we had a significant provision on one specific asset of Rs. 100 odd crore. So if you take that out, so last year 9MFY13 would be Rs. 85 crore as compared to our total provision is Rs. 146 crore. So that was a one off last year, which if you have been following us you would know but that was an investment and almost a fraud. So obviously we didn't expect that to happen. So if you take off the Rs. 100 crore from the Rs. 185 crore, you will find that Rs. 85 crore to Rs. 146 crore is a significant increase.

Vikram Limaye You have to compare like to like. So the loan provisions have gone up significantly. That is the one to focus on and even if you look at cumulative provisions as a percentage of loans, we are now at 2% which is what we had guided all along, is where we would like to be.

Moderator Our next question is from Veekesh Gandhi of Bank of America.

Veekesh Gandhi Just had couple of questions. One is, could you give us some kind of, obviously you have been talking about it but some kind of incremental guidance in terms of growth and secondly just wanted to get some color on whatever little increase that we have seen in the NPL sequentially?

Vikram Limaye On both those fronts, I think we have been saying now for few quarters that FY14 will be at best a flat year, it could be marginally negative from a loan book perspective. We continue to maintain that. We will have to see how the last quarter evolves in terms of disbursements and what happens to say spectrum related loans etc. if there is some pick up, some of that will also be more short term that longer term in nature. So I think from a balance sheet perspective, particularly from a loan growth perspective, it is flat at best and marginally negative, this fiscal versus last fiscal. In terms of non-performing assets, again it is something that we have been saying for some time that these are likely to pick up during this fiscal and could be anywhere between 1 to 1.5%.

Veekesh Gandhi Would you be able to share some color on 32 going to 62, at the gross level?

Vikram Limaye We can't get into details on specific names and all that.

Veekesh Gandhi No, not the names but just in terms of sector, would it be the same?

Sunil Kakar It will be the same as the sector as we are exposed to. We are 40% in energy, 25% in transport. These 2 sectors would drive the numbers.

Veekesh Gandhi This is outside of your restructured/ rescheduling of the books, so how much would that number, ballpark?

Vikram Limaye That's not something we disclose.

Sunil Kakar We shall disclose it as and when required.

Moderator Our next question is from Rishi Arya of Canara HSBC Life Insurance.

Rishi Arya First question is you were talking earlier about the energy portfolio and you were giving some data on SEB, the recent subsidy which SEBs are giving and they have also signed FRPs, wouldn't it be a contradiction of any of the provisions of the restructuring packages they have agreed to subsidies. So how is this going through?

Sadashiv Rao The 6 states that account 80% of the discount losses basically have opted for FRP of which 4 states that account for 65% actually have implemented the FRP. Now the part of the FRP package also includes the rise in tariff year on year. Now 2 states, which have actually indicated a higher increasing tariff have actually given a lower tariff. Which is primarily Tamil Nadu and Haryana and that's not necessarily comforting. But the liquidity situation has improved because they have started getting working capital loans which they have implemented FRP and therefore the receivable position has come down. But the medium term outlook, is that they should stick to the tariff mentioned in the FRP, which they are not.

Rishi Arya Hasn't Haryana also announced the subsidy on the electricity bills, can we do that even after the FRP?

Sadashiv Rao I know the FRP was the commitment made with the state government. State governments are state governments. With elections approaching they are doing whatever it takes. So the planning commission needs to look into it and basically has come down heavily on these sort of sops that the state governments are giving.

Rishi Arya Basically I was saying that even with public sector banks they have entered into specific agreements and Covenants can be broken, would supply to SEB or funds, can it get stalled?

Sadashiv Rao You need to talk to the banks who have funded the FRP basically. We are not involved.

Rishi Arya And my second question is more on as you already said most probably anything that will happen in infrastructure will be post-election, it is very difficult but what kind of outlook can you share for next more than a year or 2 year. Definitely you think will depend a lot on election, but anything you can share for a bit long term, now days I struggle a lot on this question. What happens 2 years from now, 3 years from now, banking license is also on cards. How do you see that going through?

Vikram Limaye If you are asking me the question more from a macro perspective, what I would say is that we certainly expect that over the next 2 – 5 years infrastructure investment should pick up because the hope is that based on some of the announcements that have been made in the last few months as well as the issues that we have talking about for a couple of years now we certainly expect that there will be resolution to those issues. There is still a huge demand supply mismatch in terms of infrastructure services and assets? So I do feel that if we are able to bring more clarity and reduce the execution risks in infrastructure, investments will again come back into infrastructure. I believe that it certainly needs to be a much lower risk landscape than what it has been historically and if everything we have experienced in the last 3 years we learn from those experiences and we revise how infrastructure investments are done and how infrastructure financing is done, then the landscape could certainly evolve to becoming a lower risk landscape than what it has been in the past. That could attract a new class of participants as well that have not so far participated in infrastructure. The existing developers will, I am sure, once execution risks go down continue to be interested in investing in infrastructure but they first need to fix their balance sheet and leverage and have equity to invest in new projects. So the medium term outlook is certainly dependent on whether we learn from our mistakes and therefore enable asset creation in the country to actually become lower risk than what it has been in the past. And if that were to be the case then I have no doubt that investments will flow back into infrastructure.

Moderator Our next question is from Manish Shukla of Deutsche Bank.

Manish Shukla Of the incremental provisions of Rs. 49 crore towards loans during the quarter, how much was for the fresh NPLs?

Sunil Kakar Normally, it's standard 10% of the intermediaries in NPL. So whatever 70 – 75. Why don't you get back?

Manish Shukla The reason I was asking that question was to look at the stock of specific NPL provisions as gross NPL minus net NPL that actually seems to have gone down quarter on quarter. So has there been some write offs for asset sales during the quarter?

Vikram Limaye Our IR department will talk to you in more detail because we will take some time to dig out the numbers.

Manish Shukla Second question is now RBI said that the restructuring guidelines which apply to banks would also apply to you. If at all does it make any difference to the way you have been doing your business in terms of restructuring or nothing changes?

Vikram Limaye It certainly changes because now we have to fall in line with what the regulatory requirement is. Earlier on, we had the flexibility to restructure in a different way and not necessarily the way the banks were doing things but there is also a positive to it because now what ends up happening is particularly where COD is extended for 2 years, it doesn't actually count as restructuring and prior to that expiry of 2 years, you have the opportunity to restructure which would be considered as the first restructuring. From that stand point, it certainly gives you an additional opportunity to think about what time frame a specific asset requires in order to become operational, functional etc. So that is the positive side. Obviously we will have to provide against restructured assets which we were not doing earlier and that will be based on the regulatory requirement of 2.75 going to 5%.

Sunil Kakar If I may add that from the provisioning perspective, although we were not doing specific as per regulatory, we have created a general contingency provision and we believe that the overall 2% of loans as our contingency provision including some specific is more than adequate to take care of any regulatory requirements. So we do not see any stress on our P&L numbers.

Moderator Our next question is from Jatinder Agarwal of CIMB.

Jatinder Agarwal I have 2 questions, one on the restructuring guidelines. Can you quantify what is the existing restructured loan book as per your numbers and what will it be, on a ball park number if you actually move to the new guideline?

Vikram Limaye We will disclose that only in the next quarter, as its required to disclose as of March 31st.

Jatinder Agarwal Just on your loan book, of this Rs. 53,000 – 54,000 crore loan book, can you give me the actual maturity in the next 12 – 15 months?

Vikram Limaye If you look at the average, there are 2 data points that we share, one is duration of assets versus liability, 1.4 versus 1.7, then you have the average maturity of assets is 5 years.

Jatinder Agarwal What I meant to ask is, if you go by the annual accounts, what we get in the annual accounts is less than 1 year over 1 – 3 years and over 3 years to 5 years, that type of a break up, do you have it ready?

Sunil Kakar We don't have it now but in the annual account, these numbers will be there.

Moderator Our next question is from the line of Kashyap Jhaveri of Emkay Global.

Kashyap Jhaveri Just a clarification on numbers, you mentioned about this 2% provisions on book. In the presentation where we have mentioned about Rs. 987 crore of provisions, does that include all kinds of provisions, GP special provisions as well as any contingency provisions that we would have created.

Vikram Limaye In the loan provisions as a percentage of assets.

Kashyap Jhaveri I am just looking at Slide #8, gross loan book minus provisions, would include all kinds of provisions, general, specific as well as?

Sunil Kakar There is a standard asset provisioning of 0.25. My total number of provisions for loans is about Rs. 1,100-odd crore.

Kashyap Jhaveri This number would not include, only general provisioning.

Sunil Kakar Yes.

Kashyap Jhaveri If I look at this Rs. 987 crore number, and your provisions based on your GNP and NPA disclosed is about Rs. 536 crore. So the residual would be available to you for this restructuring part?

Sunil Kakar Yes, we have contingency provisions which we can use for whatever be the regulatory purpose. You would appreciate that over the years we have built up our provisions far more than our regulatory requirement. And our philosophy is more important specifically than this, as we look at all our assets, semi-annually if not every quarter and then arrive at the total level of provisioning which we may require. This is as close to dynamic provisioning as we can get and basis that whatever if we may feel as the asset quality changes we may need the overall provisioning to be higher, then over a period of time, we achieve the target. Keeping that in mind we had guided that this year, we think that 2% of our loan provision would be adequate level and we have strived towards that and as of December 31st we are there. We keep reviewing that number, the 2% may go higher, may go lower depending on how the overall portfolio asset quality is.

Kashyap Jhaveri In fact I appreciate that. My question was slightly different. If the residual number is about 451, would it be safe to assume that based on 275 basis points, which would be required for 31st of March that would easily suffice to about Rs. 16,000 crore asset number. In that case, it would be more than sufficient for us.

Sunil Kakar Yes.

Kashyap Jhaveri And just on regulations part, just to be very clear about it, this Rs. 451 crore if it's not account specific, this can be used for some other purpose?

Vikram Limaye Rs. 451 crore is not the number. In principle the provision for contingency is that we create and we use for either specific ad-hoc provisions or for restructuring provisions.

Moderator Our next question is from Devam Modi of Equirus Securities.

Devam Modi Firstly wanted to check on your AUMs, assets under assets and management and alternatives, they have risen with higher with project equity funds, however, the AUM fees do not seem to have increased. If you can just provide some light over here.

Vikram Limaye The close of the fund happened only couple of months ago. So you will see the fees on the new fund from this quarter.

Devam Modi What kind of fees can be expected over there?

Vikram Limaye Anywhere between 1 to 1.25%.

Devam Modi In this quarter, while our assets year on year are more or less, we have seen basically a contraction of NII is higher than the lower average asset during the quarter. So is there some impact due to interest on restructuring being lost or something like that?

Vikram Limaye I don't know about the specific quarter, what we have said is NII on a 9 month basis has grown by 7% on loans. That's because the average loan book is higher by 10%. Not really focused on this specific quarter.

Devam Modi And just on this provisioning part, basically what we understand is that when you are arriving at the provisioning requirement of say whatever number you are saying is 2% as of now. From a perspective of this year, 2% is more than sufficient or from a perspective of this entire cycle and current health of your portfolio, it so seems that 2% is more than sufficient to handle whatever stress lies ahead.

Vikram Limaye This is a dynamic thing as we have said. So if you have to remember our provisioning policy calls for certain amount of provisioning based on disbursements. So if for instance, next year is a robust enough year and therefore the disbursements are high, whatever provisioning accrues as a result of that, we will continue to make. We then look at the overall provisioning in the context of asset quality related issues to see whether or not we are adequately provided. If the formulaic provisioning that we do as part of our provisioning policy is insufficient given the environment we are in, we end up making ad-hoc provisions every quarter or every 6 months or end of the year for sure, to make sure that we are adequately provided. So that's the overall framework within which we plan to operate.

Devam Modi Typically, if we look at sequentially the provisioning on loans have gone down. So we are currently sticking to the framework that based on our dynamic assessment we think 2% is more than sufficient to handle whatever?

Sunil Kakar As of 31st December this is the position, that's all I can say.

Vikram Limaye I can tell you that for this fiscal year, as we have said, we would like to be at 2% cumulative provision as a percentage of loan assets.

Moderator Our next question is from Kajal Gandhi of ICICI Direct.

Kajal Gandhi Can you share what is the outlook on any principal gain or carry that you are supposed to get this coming quarter or coming 1 – 2 quarters and one more question was regarding your NIM on loan book, that you have said you have maintained on a quarter-on-quarter basis as we can see on the ratio slide and on the other hand, the ROA tree is showing the NII loans segment declining the NIM?

Vikram Limaye I think on your first question on principal gain, this is not something that we can predict because it is really a function of the right valuation etc. So we'll see what happens in this quarter if there are exits that either our funds make through portfolio companies or there is any compelling offer on anything else, we will have to decide whether it is worth monetizing or not. So that is something I can't give you forward guidance on. On your points surrounding NIMs what was the point, it is a rolling 12 month.

Kajal Gandhi Rolling 12 month Slide #10 shows loans declining from 3.5% to 3.4%. And whereas on the next slide NIM on loans seems to be remaining flat.

Vikram Limaye There is a difference between NII and NIM.

Kajal Gandhi Correct, but then broadly the ratio should show the same trend as we can see the January FY13, 4.6.

Sunil Kakar It's a surrounding thing, it's a decimal point. So on the second decimal place if you go you will find they are in the same direction. I would request if you can get in touch with the IR department, but I can assure you it is only a second decimal point difference.

Kajal Gandhi What is your guidance on the margin in terms of this loan margin at these levels are sustainable as per you?

Vikram Limaye As we have said the incremental loans that we have been doing because we are focused on low risk assets and high quality borrowers, the incremental spread will be lower but you have to remember that given the incremental disbursements have also not been very high. The impact on average book will take some time. They have a Rs. 55,000 crore loan book. So depending on quantum of incremental disbursements at a lower spread, the impact on the average spread is therefore much lower than what you would anticipate.

Kajal Gandhi Can you share what will be the duration of your investment book on the total assets?

Vikram Limaye I don't have that number but we categorize our investments into long investments and current investments and obviously some of these investments like put in at National Stock Exchange.

Kajal Gandhi Not on the equity side, may be on the fixed income.

Vikram Limaye So I don't have the number for average duration for the investment book.

Moderator Our next question is from Hiren Dasani of Goldman Sachs.

Hiren Dasani Just two questions, one on the fixed income line of Rs. 30 crore loss, is that a mark to market or is that a realized loss?

Sunil Kakar Realized.

Hiren Dasani There is no mark to market involved here?

Sunil Kakar Mark to market would go through the provisioning line.

Hiren Dasani Second thing is on the loan growth side, this year you are saying that it will end the year flat or marginally negative, assuming that the outlook improves after the elections and all, would you grow again in FY15 or would the strategy be that, if you are getting the banking license to keep the balance sheet, in a shrinking mode only because of the PSL and SLR related issues?

Vikram Limaye It depends on the kind of opportunity that presents itself and as you know even if we were to get an in-principle license, it will take a couple of years for us to operationalize the bank and therefore in the interim we will have to obviously balance what type of loans we do and what duration and maturity of loans in order to make sure that we try and grow in a sensible way that also allows us to be compliant from an RBI perspective when we operationalize the bank.

Hiren Dasani So does that mean that you would grow much slower in plain simple terms?

Vikram Limaye No that's not the case. What I am saying is, that's why I said it, depends on the type of loan, and the tenure of the loan, so we will have to balance the long term loans versus shorter term loans and those kind of things.

Moderator Our next question is from Amey Sathe of JM Financial.

Amey Sathe I have one question, this is on the RBI guideline which you talked about framework for revitalizing the risk assets. Also includes the systematically important NBFCs. If you can help us understand what will be the impact of gross NPL because of the framework in the initial years?

Vikram Limaye We are still assessing what this means for NBFC because if you look at the framework it talks about a) it has just been released on Friday. We are still evaluating what it means. Also when you look at the bucket, it goes up to 90 days where as you know for NBFC at least from a NPA perspective you have 180 days whereas for banks it is 90 days. So we are still trying to get some clarity on what it is that they are trying to achieve. And therefore what it means for NBFC say for instance beyond 90 days. So we don't have an answer because we are currently evaluating it ourselves and we will need to have a discussion with the Reserve Bank of this as well.

Moderator Our next question is from Sneha Kothari of Shubhkam Ventures.

Sneha Kothari Wanted to know how much progress has been made in Delhi-Gurgaon toll issue and how soon we will see a solution on that.

Vikram Limaye This is something that it is ongoing and we are certainly working very hard to find a solution. We have made progress. As you know there are multiple parties involved in this. It is in the courts as you know and in fact there is a hearing today as well as we speak. So it depends on how things evolve and how the other parties react to what it is that we are proposing. I am hopeful that we will have a solution but it depends on how things progress in the court. So right now it is premature for me to give you any firm indication on where it's likely to end up. All I can tell you we are certainly, on behalf of lenders, working very hard to make sure that we resolve this expeditiously.

Sneha Kothari And how much is our gas based project of the overall book?

Vikram Limaye That's in the energy tree that we have on the website. If you look at that, it gives you a fairly clear idea, the gas based exposure is 2.9%.

Moderator Next question is from Mangesh Kulkarni of Almondz Global.

Mangesh Kulkarni I just wanted to know about this principal gain which we have booked this quarter. Is it from the NSE only?

Vikram Limaye No, there are other things also which we've monetized.

Mangesh Kulkarni Okay, so what is our current stake in NSE?

Vikram Limaye 5.8%.

Mangesh Kulkarni My next question is on the NPA front, addition in this quarter of around Rs. 160 crore, is it from any single account or multiple account?

Vikram Limaye It is more than 1 account.

Mangesh Kulkarni And specifically from the Energy Sector or again it will be a diversified sector?

Vikram Limaye It will be across sectors.

Moderator Our next question is from the line of Manish Ostwal of KR Choksey.

Manish Ostwal My question on the approval growth and disbursement growth in outstanding cumulative sanction book. So there is a growth in approval 8% YoY and during this year, the degrowth in disbursement is 4%. My question is when do you see your approval growth kicking in the loan book also because either your repayments are higher or loans are not getting disbursed. So could you give some sense?

Vikram Limaye It is actually both. We have some approvals or sanctions that we have not yet disbursed. So we see whether we are able to get those disbursed in this quarter. We have also seen in the first 9 months higher prepayments than what we have envisioned in the beginning of the year. And those have to do again with higher quality borrowers that have either raised cheaper funding in the bond market or overseas or in fact have raised equity to delever their balance sheets. So I think it's a combination of both. There are some undisbursed sanctions that have not yet gone into the disbursements and balance sheet and second is larger prepayments than what we had expected at the beginning of the year.

Manish Ostwal And second question on the fixed income line item in the P&L, this quarter we have seen negative Rs. 30 crore. So it's a pure trading income or interest income on the fixed income book? What is the nature of this income?

Vikram Limaye It's only trading related.

Moderator Our next question is from Jai Mundhra from CRISIL.

Jai Mundhra Small clarification, you mentioned this loan loss reserve of 2% that actually amounts to around Rs. 1,100 crore. So this is excluding specific provisions right?

Sunil Kakar It includes everything.

Vikram Limaye We will get to around Rs. 1,100 – 1,200 crore for this fiscal and that would include provisions for contingencies and specific assets.

Jai Mundhra So the 9.87 billion, that we are carrying, this amount is also in Rs. 1,100 crore.

Vikram Limaye Yes, as part of the total.

Jai Mundhra And small clarification on NSE holding, can you quantify the amount or the gain that you may have booked from the sale?

Vikram Limaye That really depends on valuation and whether we believe it's the right time to monetize on not.

Jai Mundhra You only have offloaded NSE holding.

Sunil Kakar Nothing this quarter.

Jai Mundhra Our next question is from Jigar Valia of OHM group.

Jigar Valia Just one question, RBI has been saying banks and the lenders should basically take over operations from promoters who have been defaulting continuously and stuff like that. How easy it is for the banks or NBFCs or for even private equity fund like our fund that we have in terms of to take over the day-to-day operations of a company for an NPL Account?

Vikram Limaye Not easy, because by definition we are not in business of running assets. We will see how this evolves but the point is even if we were to take over an asset, we will have to bring in the right management team or the right kind of operator to step in. Typically at least in infrastructure asset very often what you have is substitution rights. In the event that there is a concessionaire default where you can substitute the concessionaire with somebody else. So in that case you invariably end up bringing in someone who has the expertise and who has experience in operating those assets in that sector to step in and take over the asset. So for a short period of time it may well be the case that lenders have to run an asset but that can't be the long term solution. It will necessarily need to be somebody who has got experience in the sector who steps in and runs the asset.

Jigar Valia For the new fund that we have raised money, are we looking forward to invest into and take over assets, and do we have a pool of people who are in the operation side and not the finance side?

Vikram Limaye For the new infrastructure fund that we have raised will be focused largely on brown field or operating assets, not planning to take development Greenfield development risk on infrastructure asset. So by definition we are going to be investing with promoters, developers who we are comfortable with and whom we want to work with. It is not necessarily where we want to take majority ownerships and rate the asset. It is still you want to be a financial investment in brownfield and operating assets.

Moderator Our next question is a follow up from Manish Ostwal of KR Choksey.

Manish Ostwal One data point, do we disclose restructure asset number?

Vikram Limaye No, I think based on the revised guidelines, we will have to disclose it for the fiscal year. So post the March results.

Moderator Ladies and gentlemen, that was our last question. I now hand the floor back to Mr. Sunil Kakar for closing comments.

Sunil Kakar Thank you everybody and we hope to meet you again in the next quarter.

Moderator Thank you. On behalf of IDFC Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.