

PTC India Financial Services Limited

Q4 FY20 Conference Call June 15, 2020

Moderator: Ladies and gentlemen, good evening and welcome to the PTC India Financial Services Limited (PFS) Q4 FY20 Conference Call. We have with us on the call Dr. Pawan Singh – MD & CEO, Mr. Naveen Kumar – Director Operations, Sanjay Rustagi – CFO, and Abhinav Goyal – Vice President, PTC India Financial Services. As a reminder, all participant 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 call, please signal an operator by pressing “*” then “0” on your touchtone phone. For conveyance of all, it is requested to ask maximum two questions in one turn and thereafter you will be placed in the queue for another turn. I now hand the conference over to Dr. Pawan Singh – MD&CEO, PFS. Thank you and over to you sir.

Pawan Singh: Good evening and welcome to this investors call of PTC India Financial Services. And let me, give you a heartfelt welcome and I hope everybody is in good condition. And I pray that none of our people who are here today in the investor call or our investors they are protected in this different times and challenge. Fortunately for us, the team

has been intact and not a single case of so far solitary case of any infection or anything reported. So we are keeping our fingers crossed in the office, of course largely we have operated from work at home and wherever required the team has been going to office. Despite the difficult times we were able to conduct several board committee meetings, sub-committee meetings and board meetings, the audit committees and so on. And, in fact not only we have maintained normalcy, but then if I have to put it in different words that we have been able to maintain as good or even better effectiveness as it would have been in normal times. Of course, last two or three months, we have been very, very vigilant and we have been cautious and we have been taking into consideration the economic environment, the challenges and so on. Fortunately for us, because as things threw up and the way we transformed our business models, it proved the crisis proved for us to, we were able to show considerable resilience, which was possible as we had moved mostly to the projects where the cash flows were certain with must run, or must paid. Our counterparties either they supported by a strong agreements or they were supported by stronger concession agreements. So the payments in all cases were coming. Luckily, we had moved our books from even in the concession or PPA agreements, we had moved away from thermal and only about roughly 5% of our thermal asset was under active, which was active, which was little bit vulnerability delay in payment and all that, but that also payment we got with a little bit of delay here and there. But

most of our since renewable projects got must run status priority. So, the power demand at the bottom of the crisis had follow by 30%, but as I said that renewable power is only close to 10% of total demand and since they have must run status so even power demand falling by 30 to 40%, our renewable plants were operational and they were getting payment on time. And that is why, the loan book size which we have a very small percentage of our borrower, asked for this loan moratorium and that also, whatever a little moratorium there, in and all they were paying it back. So for us it was payments came in time, there were no delay. There were no slippages, we didn't have to take the advantage of RBI circular of having not declared our account as a restructuring account of COVID. So, these were things which were, it was a test of the time and the test of time, our assets prove to be, they stood the test of time. And, we have been able to come out of this crisis quite well. Which of course the sort of confidence and assurance as to the sustainability of our model, not only we are into sustainability, but the fact that our model itself is sustainable from financial angle of long-term viability. And what is also very important is that, we had decided that we will decarbonize our balance sheet. And since we decided to decarbonize our balance sheet, and reduce our thermal footprint and move into areas which are environment and climate friendly and developed our core competence credit underwriting capability to increase the cash flow. Going forward, we feel that this capability of ours, which we have

developed during last maybe several years and more so, in last two years, will hold us in good state . And these are the areas which will be, society would value much more than what it was always valuing these areas, but areas of sustainability will be valued much more than what they have been valued in past. So with this backdrop as to how, we have positioned ourselves how our business model looks in the general context of how the economic environment will unfold and also as to robustness of our business models. So, from here we can, I would like to take you through the quarterly results and also more to touch upon because our whole model has been based on not that, we have been only looking at quarter-to-quarter, but then we have been looking at overall, structural changes within the system. And that is why, the focus has been to improve our most of our operating parameters, get rid of as much as possible, toxic assets, both in terms of carbon footprint and in terms of stresses in the assets and considerable in balance sheet, which we have been able to do in the last 18 or 24 months. And with the large amount of provisioning which we did this time, we are back on business as usual normal and we will be able to have normal growth, normal spreads, normal NIMs and the credit cost which we last two years or three years which has been fairly the kind of becoming a drag on our financial results is what really become kind of more of thing of past and since we have structural changes which we have made like for example, number one is that we have moved to a system where we used to have PFS, earlier we

used to do pricing based on discounting factors. So, from that we have moved to cost plus pricing where we say that pricing will be not to a certain level and earlier we used to say marginal cost of borrowing and overhead that would be enough for us to do the lending, but now said that it will be not cost plus pricing and cost plus pricing yes my cost of borrowing, my overheads, my risk premium, and my standard provisioning which I do and also a little bit of provision for credit cost which we have provided. So, that has enabled us to keep our yields high, improve all our spreads and assure better management. So, as we expand the business, business when we expand so not only we'll have a kind of asset growth, but we will also have top line growth and along with that bottom line growth. On the structural side we also, apart from RBIs importing on preventive action or the stress assets like SMA 1, 2, SMA 0 and so on. We also developed our own early warning system and notwithstanding where account has come in to SMA 1 or 2, we have our own parameters to judge account and wherever we find that yes tomorrow or subsequently some variables are likely to affect the asset, we take preventive action. So, with this, that is why in last two, three quarters we had no slippage in the NPA category and the actions which we have started taking and ours we have separate team now for the removal of toxic assets and this team has done wonderfully and in last about less than two years, they have been too, close to about 1200 crore of assets they have been able to take out. And not only that, we have not gone one of the few

organizations which have not got one method of stress resolution and not one size fits all, but then we have had, whichever is best for a specific asset, that approach we have taken and we have one type settlement, we had settlement under Samadhan Scheme and we also had sale to ARCs. And wherever it was not possible we had to go through the NCLT route also. So all routes we have explored and probably our own confidence stems from the fact that we have tried all routes and our ability to manage stress and our ability to predict stress, take preventive action on the early warning systems and to also improve our operating systems and margins. Better system of monitoring and control is what we have strengthened. So from now onwards, yes as we start moving towards the crisis today is at the peaks, but surely will be some time to come may be a quarter or so, or maybe a little slightly more than a quarter as things begin to pick up. And as I said that in our case, because we have found that our model too resilient, so for us it's not time for us to backslide, but it's time for us to go forward. So though of course with a lot of vigilance and care we will agree to move forward, we have adequate liquidity for that. One of the few NBFCs who didn't have market borrowings. So almost 97, 98% of my borrowings are non-market borrowings, we are not dependent on CPs, we are not dependent on bonds, we have a very good HQLA, we have done ahead of the curve earlier than what RBI required us to do on creating high quality liquidity assets which we have created, we have undrawn limits much more than our requirement for the next

six months. We have in principle sanction from OPIC that is the US developmental institution and also from International Finance Corporation and JICA, JICA who for the first time would be lending into India to a company like us. So, I have given you overall summary as to how business wise, structure wise, internal control systems monitoring, resolution of preventive acts, assets and of course moving towards a sustainability based both in terms of financials as well as in terms of need of the society or the ecology or environment, we have repositioned ourselves and so that we can now take steps forward may be faster than what we have to take it. So with this, I will request CFO – Sanjay Rustagi to take you through the numbers. But, as Sanjay would go into details, I will just briefly touch upon certain key very, very key areas very briefly as to on the quality of our result and the points which I would like to specially highlight here is, our total income which was slightly more than what it was last year, last quarter and this year, this quarters compared to previous quarter and this we have been able to do despite a large reduction in the loan book size almost you have 1200 crore kind of reduction in the loan book, but despite that our earning has been marginally higher than what it has been in the previous year. And that shows that how we are not looking only at the asset growth, but we are looking at the interest, we are also looking at the top line as well as the bottom line. And the profit after tax of course, would compare to the quarter four of 19 is 7.05 crore but then if I do apple-to-apple comparison and if I have to take

into consideration the provisioning impairment which happened, so against 9 crore provisioning which we did in the last quarter of the last financial year, we did a liberal provisioning of 74 crore and this provisioning has not come out of new stresses, but they are distresses. So, I would repeat there have been no slippages in coming three quarters in the company. And against for the year, against total provisioning which we did in the last year, it was 61 crore and against that we did total provisioning close to 196 crore. So, we have cleaned up a large portion of our balance sheet and as I repeat the impact of credit cost is going to be as we go forward, is going to be as low as possible. We had it not been for this kind of an impairment. If you were to add back make a apple-to-apple comparison then probably, on a quarter-to-quarter basis this profit would have been close to over 52 or 53 crore against what was last year's profit. Then what is also significant that this increase in income has come with despite the decrease in the asset value is primarily because we were able to increase the yield on earnings portfolio, which went up from 11.03% to 11.66% despite the challenges which are faced by NBFC, the ILFS crisis and the ALTICP crisis, the DHFL crisis and subsequently the Corona crisis and the cost of funds also for the year, for the quarter came down from 9.20 to 8.98 and the spreads for the quarter was 2.68 and which is 2.66 in the previous quarter and if I have to take that straight compared to last year, it has gone up from 2.52 to 2.61. And similarly, comparison to last year the NIMs have gone up from 2.99 to 3.31 and the debt

equity ratio has improved considerably and from 5.28 to 4.43. One of the things which we have highlighted in our presentation which we can be, I can say that we can reasonably be, can give a little bit of pat on our back, is that the liquidity position and we have large undrawn limits. Our cash flow position for next three months or six months or even years is very, very positive. And we have maintained capital adequacy of around 24% which gives us an elbow room of doing further business. So, both from angle of debt equity ratio, to leveraging ratio as well as from the angle of capital adequacy, we have been provided to move forward and I said, what is very important to see here is that the business model again and again I keep on saying because, how we have been able to re-engineer our earnings, spreads, margins, bring down our credit cost and this is not that, we have been able to do. What is very important here is that, it is inbuilt into the system. So, what happens is that what not only what we have done in past but in future, this is what is going to be the roadmap for the company going forward and that gives us again I say that sustainability in terms of profitability, in terms of growth, in terms of contribution to the society, and gross NPA had come down, in fact from the previous quarter that would be a better thing to compare has come down from the previous quarter from 7.22 to 6.77 and net NPA from 3.84 to 3.62. So, I will leave it at that, further detailing of results I will request Sanjay to do and subsequently, I'll also followed by that request Naveen Kumar Ji, who has been very, very actively, proactively

working on our improvement of our operations and also on especially about monitoring systems and procedures. So, and also he has been a great advocate of re-engineering of our business. So, after Sanjay who of course have handled all stresses and challenges which we faced because, not only we have drafted, we are one of the first companies to adopt ECL but this it was ECL with RBI guidelines and the rigorous exercise which we carried out and implemented this in testing times because the March circular came and we had to do results and the COVID crisis, so he has taken us through all that. And, I'll request him to take you through detailed numbers, and subsequently –20:21. Thank you so much.

Sanjay Rustagi: Good evening all I am Sanjay Rustagi, the CFO. I'm just taking through the financials of the company for the financial year 2020. I would like to tell you that the total outstanding loan book as at the March 2020, is 11,005 crore and we have a non-fund based commitments aggregating to 389 combined put together my total exposure is 11,394 crore. I would like to highlight the capital adequacy as on 31st, March 2020 stood at 23.72% against the regulatory limit of 15%. DebtEquity ratio is very comfortable at 4.43 times and I would like to highlight one positive regarding the borrowing mix with respect to the short term versus long term. Our long term borrowing constitutes 91% of the total borrowing and 9% are short term borrowing. It has improved a lot as compared to the previous year from the financial year March 19. I will just take it through the comparison of

financials between Q4 20 versus Q4 19. The net interest income for Q4 20 stood at 91.87 crore as compared to 70.64 crore in the same quarter last financial year. The total income for Q4 20 stood at 332 crore. Profit before tax for this quarter and is 14.41 crore and after tax it stood at 7.05 crore. Yield on the earning assets has improved to 11.66% as compared to 11.03% in Q4FY19. Net interest margin stood at 3.38% as compared to 2.46% in Q4FY19. The asset quality has improved with resolution of the stress assets and settlement of around 144 crore during the quarter ended March where we sold one of the account to the ARC.

With respect to the comparison of this quarter with the previous quarter of the same financial year the net interest income is 91.87 it's almost flat it is 91.72. The debt equity ratio has improved from 4.67 to 4.43, net interest margin with no change and additional business disbursement during the quarter is 511 crore. So and with respect to the whole financial year, the total income of financial year 20 has increased to 1369 crore from 1337. This is in spite of the reduction in the book, as Dr. Pawan Singh told, by around 2,316 crore and that reduction preliminary on account of resolution of the stress assets and pre-payment of few loans to comply with the RBI credit concentration norm. Post-acquisition of one group by the another group where we have exceed the credit concentration norm and net interest income for the financial year 20 increase to 373 crore as compared to 339. Profit before tax is 172 crore against and

the profit after tax is 110 crore against profit after tax of 184 crore previous year, the yield of the earning asset has improved to 11.73 from 11.13, net interest margin is 3.31 from 2.99 and disbursements for the entire year is 2590 crore. This is about the financial results. Now, I am handing over the mike to Mr. Naveen Kumar, the Director Operation.

Naveen Kumar: Thank you Mr. Sanjay Rustagi. Good evening to all our esteemed investors, Dr. Pawan Singh and Mr. Sanjay Rustagi have covered a whole gamut of the activities, the strategies adopted in difficult situations to carry on the business operations of PFS effectively. They have explained the important financial parameters and the overall vision of the organization. So, here is an opportunity with me to share with you the operational aspects. As you are aware, that in the past few months, (I would like to include some of the period prior to beginning of the last quarter also), this period have constituted quite event packed rather a difficult period. The defaults by NBFC like DHFL, ILFS and ALTICO Capital, etc. have been instrumental in drying up of the availability of the funds, liquidity for NBFC as we all know, which has resulted in limited growth of loan book size and increase in the cost of borrowing for various lenders. And apart from this, we have witnessed a flurry of merger and acquisition activity also in the Indian renewable energy sector, including the billion dollar deal in which Greenko. acquired orange renewables in 2018-19 and Renew power acquired Ostro Energy, which necessitated restoring

exposure of such acquiring companies within regulatory limits, which was a great challenge for us. But, we have been rising to the occasion and we have been taking the corrective action required in this regards.

Considering this gravity of the situation during this period PFS has focused on improving the spread and NIM level and endeavored to maintain the liquidity. Then, we had followed a multi-pronged strategy, in the wake of the situation like this there was a shift in the liability mix from short run to long term as Mr. Sanjay has explained, then we focused on the stress asset resolution, he has indicated figures also, and what I remember, about 11 stress accounts, with outstanding principal of about 1300 crore have been resolved since financial year 19, which includes stress assets of 685 crore in financially year 20. We have moved away from the conventional power projects funding and the primary focus has been on funding renewable energy projects, diversification of loan portfolio to other infra projects like roads and ports etc. that was also undertaken. Then another strategy we opted was to introduce EWS framework for early detection, prevention, initiating corrective measures etc. . Then some internal process improvement was also initiated. And one of the most important thing which was done by us was interest rate regime which was shifted from reference rate to benchmark rate which resulted in increase in NIM by about 0.85%. Earlier as you know, we were following PFSRR system where a discount on reference rate

was offered to the clients based on risk grading, some negotiations with them and their credit standing etc. . And then we started following PFS benchmark rate where minimum rate to be charged from the clients with a view to cover all operational costs and to ensure a minimum return on the equity and not only this further based on the risk rating negotiations credit standing etc. suitable spread is added to PFS benchmark rate in arriving at the final interest rate and in case of decrease in the interest rate benefits to some extent they were retained by us. So, that goes to our advantage. Now, the situation is like this that, all borrowers are being charged interest as per the new pricing mechanism of PFS benchmark rate. Then internal risk rating models have been re-designed by CRISIL to address the sector and product specific risks and challenges. So, after having taken all the steps, where do we stand at the moment. Just to share with you the information in this regard, cumulative effective sanctions of the loan by PFS is of the order of around 16,000 crore slightly higher than 16,000 crore and for that PFS has sanctioned about 119 loans which are active at this stage and documents to the extent of 112 loans out of 119 active loans have been executed. And the total outstanding as on date is of the order of 11,105 crore. And when I say 119 loans are active, out of that disbursements have already commenced against 110 loans as on the financial year 20, PFS has sanction loan amounting to about 3040 crore as Mr. Rustagi has already mentioned and a gross disbursement of 2590 crore has been made. In this whole portfolio, the generation

projects constitute about 61% of the total portfolio and distribution projects constitute about 17, the contribution of transmission project is around 6%. And if I talk about the sector exposure, then the renewable energy portfolio constitutes about 49% of projects about 8% are from wind in this. Then there are of course, some contribution by other infrastructure areas such as coal, mining, port and water. And apart from that, another important thing is some structural loans also we are sanctioning to the holding companies, which constitute about 7% of the total loan portfolio. So, just to sum up this renewable they constitute 49% and thermal and percentage of the conventional hydro project is about 12% and total generation portfolio is around 61%, out of total about 11,005 crore. We plan to continue with our existing portfolio which includes renewable energy projects, transmission distribution projects and apart from that, we shall endeavor to fund projects which may include sustainable business areas such as solid waste management, city gas distribution project, sewage treatment plants, biogas projects, electrical vehicle charging also. Then while I talked about some of those problems in the past, now one of the present problems, which is disturbing the whole world is the onset of this COVID-19 problem. The growth of business at the end of financial year has been adversely affected by the lockdown situation in the entire country on account of this epidemic COVID-19 as there has been shut down for some activities related to clearances, land acquisition, for projects under construction, specifically in renewable and road sector

projects funded by us. Though government has announced various packages to support all these segments, however, we have been consistently following up even in this situation and as I've already mentioned, out of 119 effective sanction loans, accounts disbursement has commenced in 110 loan accounts and only 7 loan documents are yet to be executed. And of course the reasons are different and all cannot be attributed to the COVID-19 which may be mainly on account for certain negotiations which are going on regarding the terms and conditions stipulated in the loan, as well as the borrower's resorting to raising of money through bonds. They have got the sources available for organizing cheaper funds. So, negotiations and discussions are going on. In just one or two isolated cases it is due to indecisiveness on the part of the borrower whether to commence the implementation on account of COVID-19 situation or not. Because they are doubting whether they'll be able to get the balance clearances, whether they will be able to acquire the land, which is required immediately for starting the construction on the projects. Due to delay in implementation of project, PFS is facing difficulty to convert sanction of around 500 crore of loan into the disbursement. Such projects include one or two projects, the solar projects in UP and one road project in Karnataka, where land acquisition processes has stopped. So naturally these kind of repercussions will be there in the situation but MNRE and NHAI they have announced extension in COD which is

equal to lock down period, plus I think about 30 days more than that.

Then regulatory package announced by Reserve Bank of India on 27th March 2020, has been considered by our board of directors. The requirement of that has been considered by our board of directors and they have approved the policy framework for facilitating moratorium in deferment to the eligible borrowers on the installments to be paid by them. What I understand, around 224-225 crore of installments due to PFS are being deferred, on account of such facility of moratorium or deferment to be provided to the borrowers, which includes 51% in respect of the DISCOMS and of course, there are other thermal, transmission, road and wind projects also. The major chunk pertains to the DISCOMS only. All the installments including principal and interest falling due between 1st March to 31st May and interest there upon has been capitalized and a separate tranche has been created for which payment liability shall become due at the end of the repayment period as per the policy approved by our board of directors. However, in case of the consortium financing here, we are the member of the consortium,. we are going along with the decision taken by the consortium or the lead Institution. Then there is a talk about the moratorium to be given under COVID-19 Phase-II too, the way it has been given for the period from March 1st to 31st May, then it is to be considered from this June to August period also. So, we are in the process of estimating how

much requirement will be there presently, it might be around 300 crore, slightly more than that, but more request may be coming to us and once the decision is taken by the competent authority, then we will consider extending this deferment to our esteem borrowers and interestingly in this case also I feel around 200 crore out of this 300 plus or say 330 crore pertain to the DISCOMS only, but I won't say this is the final figure of course, the requests may keep coming and will we shall firm this in the due course. And you are aware as per MNRE order all the renewable energy sector is running well under must run status. And during COVID one situation all the RE developers are able to receive payments from DISCOMS either fully or party. Projects with SEKI and NVVN, I have received their dues for COVID period and not requested for the moratorium from us. And PFS in general does not foresee any significant concern in case of borrowers where projects have been commissioned and completed. Of course. There are challenges with respect to payment cycle with few DISCOMS Telangana, AP DISCOM to our borrowers. In almost all the cases promoter is bringing sufficient cash to address cash flow mismatch, but AP DISCOM as we have noticed, had released few payments during fourth quarter of the financial year 2019-20. And needless to mention that we at PFS keep a close eye on the project performance with respect to PLF, BMC, viz. billing, metering, collection system being adopted by them, monitoring of TRA account, financial analysis and operational expense to ensure timely servicing of debt for

which we are having a very strong monitoring . Regarding our future plan of action, what we visualize regarding the rationale for our growth, we have noted that government of India is envisaging an expenditure of more than 100 lakh crore, which was I think discussed also, by the concerned Finance Minister and even honorable PM in the speech that more than 100 lakh crore will be spent on infrastructure till financial year 2025 and we are focusing on high yield products and mix of structured loan with high yield and we have augmented our credit underwriting skills towards renewable, road and power segments. And we have got enhanced level of knowledge and expertise in managing stressed assets, as Dr. Pawan Singh has explained to you, the various kind of actions we have taken to manage the stressed assets, specially during the last one or two years. And for the next financial year, we are in the process of finalizing our budget and on a rough basis I can say that about 25 to 26% will be the contribution in the renewable segment and then in the transmission about 9 to 10%, road also about 10%, water 4 to 5% and DISCOMS and some of the structured loans put together it will be around 45% or so. , We are trying to firm up these figures and after that we'll present it to the competent authority, once they approve it then the picture will become clear. And this was the estimation regarding the sanction of the loans I would like to share with you the business potential assessment that we have done in the renewable sector as I have explained that 80% on solar, 20% in the wind sector in transmission we

have estimated that 35% of conventional power sector investment will be done on the transmission sector. And on DISCOM side it will be 30% of the total conventional power investment as per the CRISIL data base that we have referred to, then business pipeline for sustainable sector will be around 3000 crore pertaining to the city gas distribution, water supply, electrical vehicle and solid waste management. There is a significant progress in mobilizing proposals totaling to around 1200 crore in this segment and further inquiries are also being made by us in this regard and coming to our estimation of the disbursement during the financial year 21, 5 to 6% of the total disbursement will be on the wind sector and about 5% in the transmission segment, on solar it will be around say 20 to 25%, in the road sector about 3- 4% in the water segment around 5%, DISCOM about 15% and on the structured loan/corporate loans it will be around 55% or so. And we are quite hopeful that in renewable sector we'll be able to convert 90% of the total sanction as disbursement and in the structured loans a 100% disbursal we shall be targeting of the total sanctioned amount.

Then coming to the credit risk management, the policy that we are following, is very much helpful in our appraisal and monitoring process. As perhaps I mentioned last time also the project appraisal team prepares credit appraisal note and risk management team reviews the credit appraisal done by the credit team. Risk management team provides the clear

recommendation whether the proposal is a go or no go. So, this maker, checker concept is very much in place and time-to-time whatever omissions are there in between that we are able to capture and we are able to take the corrective action because of this approach that we are following. And PFS has implemented certain sector specific internal credit grading models for assessment of the credit crisis, which include road, transmission, renewable and for the structured projects also. And last time I mentioned that we are following practically a four eye principle for monitoring of loan accounts. There, the contribution of the monitoring unit and the risk unit is there and interface mechanisms have also been developed wherein risk management team reviews the change in terms and condition over the loan cycle period. So all loan facilities are required to be reviewed at least once on an annual basis and this includes the implementation plan, financial covenants, operational parameters of the loan accounts are reviewed and analysis is undertaken with respect to the projected parameters and the actual situations. This enables continued credit assessment by project monitoring functions, by project monitor thus ensuring focus attention on deteriorating loan accounts well before they become impaired. So, that is a very important action that we are taking and as I mentioned earlier, PFS has also implemented early warning signal framework with an objective to identify stress in the loan portfolio and to avoid slippages of such loan accounts into NPA. And we have integrated the EWS framework with the internal credit rating

models, so credit rates and scores forms the basis of identification and classification of loan accounts into low risk, moderate risk and high risk accounts. And loan accounts which are categorized as high risk are included in EWS framework and are monitored on quarterly intervals. As, this is important so they are monitored at quarterly intervals while loan accounts which are categorized as low risk and moderate risk are monitored at least once in a year and process for formulation of corrective action plan for high risk loans are discussed in internal committee of directors for loan accounts and updates of the progress achieved are presented to risk management committee of the board on a quarterly basis. And then, lastly we are having a consultancy and advisory unit also where we have executed 13 assignments involving close to Rs.1 crore to the different activities. This includes IndAS relating work, gas based project financial appraisal, coal mines operation strategy of coal India, they have to develop their coal mine through outsourcing the services or through their in-house endeavors. Then one assignment is pertaining to e-charging infra, one is for rooftop solar in MDI campus in Murshidabad, another assignment is waste to energy conversion then another is preparation of project completion report towards ADB loan utilization by IREDA, then financial appraisal for thermal plant expansion, then incentivizing energy efficient high rise a commercial building construction in Vietnam. So, these are the various assignments that we have taken it's at local level as well as an international level. Going slowly we are

endeavoring to expand our operations in consultancy and advisory area also, we shall be requiring some additional manpower in this area and for that internally we are initiating the suitable action to strengthen the man power. So, with these words I'll stop here and thank you so much for giving me a patient hearing. Thank you.

Pawan Singh: Thank you Naveen Ji for such a detailed and comprehensive explanation on monitoring the way forward and systems process improvement which we have carried out in the company. So now, the floor is open for questions and as we go through, we'll try to answer all your questions as they are put across to us.

Moderator: Thank you very much sir. We will now begin the question answer session. First question is from line of Priyank Chheda from Standard Chartered Securities. Please go ahead.

Priyank Chheda: Sir, I would like to ask do you have any plans to raise fresh capital, I believe you had earlier some plans to raise capital right?

Pawan Singh: Yes, so capital is something which is always needed by a banking or NBFC this is raw material for us. But just to flag before you because I said that, our debt equity ratio has improved from 5.28 to 4.43. Now, capital adequacy is close to about 24% so, that way we are well provided for and we have enough elbow room to meet our capital requirement for next one year, in any case more than 50% of my assets have

a risk weight of 50% and as my projects do get complete, because now what happens is earlier we were in largely into hydro thermal transmission lines, which used to take a long time to get completed. Solar projects take much lesser time, maybe less than a year and renewable projects wind also take similar kind of a time and also we are giving loans to institutions which take shorter period. So the risk weight gets quickly translated into 50%. So capital wise we are adequately provided so, if it looks like that yes, we will require capital as we because, we have ambitious plan going forward. And maybe as we come out of this challenge, our projection is maybe a quarter or two probably that is the time we will start probably looking for a capital, but for the current year we are very comfortable, but since we have an expansion plan for growth, huge growth plan we have from next year onwards, because that we have handled our issues and operations and consolidation has happened, systems and processes have been put in place and we have tested the business model, especially under litmus test in the present crisis. So now we are well-poised to move forward. So probably as that kind of growth when we start happening a year onwards, for that we will be requiring capital.

Priyank Chheda: Thanks for that detailed answer. Sir given that NBFC challenging scenario we have replaced post the ILFS crisis and non this has just aggravated after this COVID situation. So, do you plan, do you find any opportunities in inorganic part wherein we would acquire some of the NBFCs or the FS

who are in the liquidity fronts and just diversify your business assets?

Pawan Singh: See two things are there, one thing was that this crisis also hence taught us a lot of things because as to what we need to do, and what ought to do, and to our understanding for us, the core competencies very important for NBFC to be successful. So, our area of business where we have, found that the whole model was very resilient and we had no stress on account of COVID problem because as I said that only a very small portion we were quite liberal because we had liquidity, we had called, told all our borrowers who so ever wants moratorium come and take it, but despite our request a very, very small portion of the borrowers and that also amounting to about 240 crore came and asked for this kind of a moratorium, and that also you will find that if I take out the distribution companies because they had this challenge of many of their consumers not paying during this period because they were in habit of paying in by hand or physically making payments and not online payments. Now, of course DISCOMS lot of payments are coming online also, except them hardly one stake is here, one stake is there who ask for it. And then of course who so ever took also came back. So, we have tested this model, and we'd like to stick to this model, so probably will not like to kind of enter into areas, unexplored areas very quickly and to us, the infra pipeline being available what the government is now trying to push and infrastructure finance companies like SREI

almost not being there, ICICI is saying that I will not do infrastructure business, ILFS closed down and IDFC becoming bank. So we are well poised to capture a lot of business. So we like to but then of course, Director Operation talked about other areas like advisory business development that is an area we should like to focus but yes having said so, if I get an opportunity to do cherry picking, yes from an eye of eagle probably we will definitely like to do cherry picking if something throws up but we will not jump to it without making our own detailed assessment as to whether the step is, it's only expansion or its expansion at a cost of very high risk, because it is always better when opportunities available to you in the area and then decent returns are available to in your area, your built competence in certain areas. It is better to get opportunities with those areas. But if we get, tomorrow as I said that when we are looking for capital and we get capital, then probably if opportunity for cherry picking in related field is available to us. We will definitely like to do that.

Moderator: Thank you. The next question is from the line of Shrikant AS, Individual Investor. Please go ahead.

Shrikant AS: How much fresh sanction and disbursement are you planning this current financial year, any number?

Pawan Singh: Yes, so as Director Operation said that we have reached the figure, but it will be definitely substantially higher than the sanction and disbursement which we achieved last year.

Moderator: Thank you. The next question is from the line of Mayank Mahawar from Mahawar & Associates. Please go ahead.

Mayank Mahawar: So, I have two sessions. So first one is, it is been mentioned that there is a disbursement of 22 crore in Q1, who are all those borrowers and second one I would like to ask is have we got any some fresh credit lines post the COVID-19 lockdown?

Pawan Singh: Yes, so we got credit lines from Bank of India. I think Abhinav would you like to give the detail of the two, one credit line is just about come and one credit line which we avail during COVID-19 The Bank of India or something more would you like to highlight that Abhinav?

Abhinav Goyal: Yes, so just when the lockdown has started happening, we got a sanction that time from United Bank of India of 100 crore additional, this is the first time relationship which we entered with United Bank of India, we availed fully. And Canara Bank also we had a line of credit which was sanctioned though slightly before lockdown of around 500 crore, both our long term loans, that also we have availed and Bank of India there were some funding line of around 300 crore plus which was also available and we are quite hopeful in fact, there is a communication from SBI that they are actively considering for providing 300 crore additional long term to us. And we are hopeful that in current week only we will get that sanction also.

Pawan Singh: And of course Abhinav would you like to share about the IFC development and OPIC development?

Abhinav Goyal: Yes. So, as regard to OPIC, there are certain information which will be submitted.

Naveen Kumar: OPIC is the US Development Financial Institution.

Abhinav Goyal: Yes, US Development Financial Institution so they are considering for providing additional funding up to \$100 million to us. So, primarily information they have already been done and then again they requested for further information which we have submitted and they are satisfied and again, they have asked for certain information for further due diligence which is under process and we are quite hopeful that in a couple of months we will get that additional \$100 million from OPIC. And other than that, we are into discussion with IFC. Infact LOI has been communicated by IFCs in syndication with IFC, JICA etc. together they are taking exposure up to \$115 million for which first level of due diligence has already been completed and second level of due diligence is undergoing as of now and probably in the next couple of months, that deal may also get close and we will get additional credit line. So OPIC and IFC together it may become a \$215 million.

Moderator: Thank you. The next question is from the line of Sharad Vyas from Vyas Advisory. Please go ahead.

Sharad Vyas: My question is, can we expect further reduction in NPAs in the current quarter, and if yes how much?

Pawan Singh: Yes. So, as I have told you that our strategy has been so far proving the operating margin and stopping having a very strong early warning system taking prompt corrective action or inserting this aspects don't fall, slip into stress area. Apart from that we have separate stress management team, core team which I said that they have been able to settle close to about 1200 crore of stress asset in last about 18 months or so, and so they are very actively, proactively working in whatever balance in NPAs which are available. In fact, action started about a year and a half back and many of that the action has reached to a very, very advanced stage. In some cases, of course because of the COVID problem, which would have already happened in this quarter or this quarter the quarter which has gone by or the quarter which is currently going, probably will happen in may be next quarter or quarter beyond that. So next one or two quarters, we hope to have considerable portion of our NPAs results. If you look at the entire year, the current year we hope that about 90% of our NPS would be out of our balance sheet, whatever little is available.

Moderator: Mr. Sharad Vyas do you have any further questions?

Sharad Vyas: No, Ma'am.

Moderator: Okay, thank you. The next question is from the line of Vikas Jain from Reliance Securities. Please go ahead.

Vikas Jain: Have we received any funding in terms of the RBI relief package in terms of the package, one question that related to, and the second question is related to the dividend policy because we have good amount of incremental cash balances in the books. So administrated dividend policy expected to be increased in the coming year?

Pawan Singh: We have, moving to your second question first, is that we have consistently believed from last few maybe one or two years we have believed that we will try to be maintaining a dividend payout ratio close to about 30% subject to cash surplus and balance available after whatever the appropriation, statutory appropriations have to be carried on. And we have almost stuck to that and this year also we trying to be as close to meeting the statutory of appropriations, we have tried to meet that kind of requirement. Going forward, yes that would be our endeavor to have similar kind of issues in future also. And as I said things operating NIM margin have gone up and the credit cost has been going to be substantially reduced. Probably the profitability numbers should accordingly throw up. And in that case outflow for dividend should be better than what it was. Coming to the first question, yes, since we had huge better liquidity, so we decided not to take any RBI though we passed on some of it to our deserving borrowers, but at that time since we had liquidity hand so, we felt that there is no need to kind of approach banks to take any kind of moratorium from them. But now that we are taking business

proposals to the board and then we felt that yes some of the liquidity will be used in the disbursement. So, let us avail this, so we will be now taking some element of the moratorium in what we say that COVID 2, in COVID 2 we will be taking some moratorium.

Vikas Jain: Okay. So any chances to move from 30% to 45- 50% in the terms of as you said that we can improve margins to the dealing policy and then improved?

Pawan Singh: So, I said that this will as I said that, our dividend would be based on dividend payout ratio. So, as I said that we have been trying to make them , 30% close to subject to one statutory appropriation. So, we will try to stick to this kind of appropriation in future also. So, 30% payout ratio and you said that operating margins have streamed line, NIMs and spreads are better and our this year because of the provisioning which we did the credit cost was very high and since we have absorbed a very, very large portion of our credit costs and going forward, the impact of credit cost is going to be very, very less or marginal compared to what hitherto has happened. So, you can look for better profitability and since you have better profitability, the payout ratio will be better and ultimate cash outgo to dividend holders will be higher than what we have done this year.

Moderator: Thank you. The next question is from the line of Rahul Sharma from Equity 99. Please go ahead.

Rahul Sharma: I have two questions for you. Though we understand that the company has 1500 crore cash. So, which is rare in today's NBFC scenario. So, how are you planning to utilize the cash in today's scenario where cash is king. And my second question is the 50% of the borrower who availed moratorium due to Corona virus. So, has the company also taken moratorium from its vendor?

Pawan Singh: If you look at number value wise it is only, as I said, value wise it is only 240 crore. So each lender would have taken a moratorium some would have taken 3 crore, some would have taken 4 crore, some would have taken 50 lakh, 40 lakh. So, effectively total it becomes 240 crore and if I were to make out as a DISCOMS because DISCOMS as I said the unique position because initially the consumers will not paying them because they were used to physical collection and now that, consumers have started paying online. So, they are the ones who took most of the large chunk of value of this 240 crore or more than 50%. So, a very small percentage have taken and as I said that, since we had liquidity and we felt that enough liquidity is there, since that kind of disbursement is not doing that point of time. As we are watching the situation, you said that might as well use this the moratorium, we looked that it is more from the angle of business. And we said that we wanted the money be used for moratorium that means additional business of 240 crore for us, that is how we looked at it. And that is why when you take moratorium back to back from the banks. Now that we

have business pipeline and disbursements are likely to start happening. We will be availing the moratorium from the banks and using it for the business purpose. We are maintaining because I think ahead of curve, RBI required us to do HQLA from December this year, but we have gone before that and we have kind of wanted HQLA case to 300 crore already. So, as you said, cash is king but business is queen. So we have strike optimum balance between cash and business. So we'll continue to maintain a descent liquidity position similar to what you're seeing, and will at the same time see that since we have tested our business model in this difficult time in crisis. And we know what to do now exactly and what is my resilient business where I can lend and since the opportunities are available, and as my colleague just now explained that we have fresh lines coming and this 300 crore moratorium we will get from banks back-to-back and we will be getting those lines which you are getting other sources. So liquidity and situation would be as comfortable as it is today. And the same time we will continue to grow the business in the future. So we'll maintain the liquidity as it is, cash is the king and business is queen so we will continue to do business. And give you better profitability as Mr. Vyas asked me in the previous question as to whether I give you a better dividend. So, if I only give you a dividend if I do better business so that I'll continue to do.

Moderator: Thank you. The next question is from the line of Ashutosh Mishra from Ashika Stock Broking, Please go ahead.

Ashutosh Mishra: Sir, you have guided that you were able to bring down your gross NPA by 90% in this year. So, in that light, if you can take us through what is the resolution of few of your large NPA account at this point of time, especially we have seen that a lot of things have derail in power sector resolution. So, from where this confidence is coming that 90% we will be able to recover in this year?

Pawan Singh: Yes. So Sanjay would you like to do a little bit of initial validation then I can take over.

Sanjay Rustagi: So, in case of as we have already shared in the investors presentation, the list of the NPA accounts and few of the NPA accounts are under NCLT at a larger state like Meenakshi Energy where the expression of interest has been submitted by around 13- 14 participants and there is a time to submit the final bid. there our exposure is close to 150 odd crore. One is the addition NSL where the borrower has given the OTS proposal which is under consideration by the company and Konaseema, Kohinoor these are the two big accounts which are under liquidation so most probably by the end of the match the liquidation process will be over and for Athena the resolution plan submission date is 30th June. So, there are few investors who have given the expression of interest and might get received the resolution plan by that time. So, if we got a resolution plan, so definitely if the COC members approve so this account might got resolved by the year, within this financial year.

Ashutosh Mishra: But sir maximum of these development may have taken around March period or so, because SBI has guided that almost all resolution is stalled and nothing moving at this point of time. So is really progress in NCLT fund in these accounts or post the COVID scenario, whether some of the people who have shown the interest has withdrawn I want to understand from that perspective also.

Sanjay Rustagi: So, since these resolutions are underway as you rightly said, because the economic conditions and the economic environment as of today is a little bit challenging not in India, even the globally. And few of the investor who are willing to participate in the resolution plan, are backed up by PE funds. So unless and until the panel resolution come but we are hopeful since like Meenakshi suppose if there are 14 investors who have shown interest, submitted the expression of interest and we are hopeful that at least two or three good resolution plan will be submitted. And later the time will tell us where we heading for.

Ashutosh Mishra: And what is our total loan off sundry for Meenakshi?

Sanjay Rustagi: Around 150 crore.

Ashutosh Mishra: We have 150 crore, total loan approval which is under?

Sanjay Rustagi: Total loan for the entire consortium is I think close to 3000 odd crore for a 1000 megawatts plant

Ashutosh Mishra: So basically these are based on these three, four larger resolution if you go through probably you will be able to bring it down?

Sanjay Rustagi: Yes.

Ashutosh Mishra: Okay. And on renewable energy, how our portfolio is doing at this point and what is your future plan on that front because as we comment you have just that so you see a lot of opportunity there and what type of checks and balances because we are hearing a lot of too and fro in that segment so, what type of checks and balances and how really that portfolio is looking?

Pawan Singh: Yes, so I will request , Naveen Kumar who is Director Operation and in charge of credit appraisal to very quickly and explain it to you as to what are the system, checks and processes we follow for the appraisal of renewable projects and opportunity available there off?

Naveen Kumar: Please repeat your question again.

Pawan Singh: Naveen, he wants to know, if I have heard him correctly. Two things, he wants to know what are the opportunities in renewable sector going forward. Number two, what is our system of checks and balances of doing credit appraisal, have I put it across correctly?

Ashutosh Mishra: Yes. And just to add on it, how are the current portfolio of renewable is behaving?

Pawan Singh: Yes, so how is our current portfolio of renewable is behaving?

Naveen Kumar: Now, it is becoming clear that we are going to do away with the conventional system of power generation in our operations, the main focus is on renewable and recently I heard that there is a development in creation of the renewable storage capacity at commercially viable prices. Now, if it really happens, then it will be a sort of revolution in the world and then we will become so much comfortable for the setting up the renewable energy projects that will help stop thinking about the significant conventional power generation at any time in future. See now a lot of scope is there for renewable energy projects installation. And we have carried out the own analysis and also engaged the outside agencies for this as required who estimate the business potential in this segment and based on that, as I mentioned earlier that in the ongoing year, our total portfolio for the sanction will include around 25 to 30% of the renewable energy projects We have got a very experienced team in doing the due diligence and technical, financial and commercial appraisal of the solar and wind energy projects. And once the proposal is received, it is seen for the adequacy with the respect to a checklist which is prepared by the business development unit, to see it is satisfying our criteria for the borrowing entities credential as well as the project credentials, in case there is some gap then immediately they'll take corrective action, and they'll sit with the

prospective borrowers across the table rather than exchanging the mails or other messages through WhatsApp etc to expedite the matter We'll sit across the table, discuss and we'll ensure that the prima facie the detailed project report and the loan request submitted by them meets requirements that were discussed in the ICC meeting where MD, and WTD and our functional heads are present . So, all sort of queries, confusions, are sorted out in the ICC meeting, risk representative is there, then stress asset unit representative is there and also appraisal representative is there. All apply their mind and they try to analyze whether from entity point of view and project point of view, it is advisable to go ahead further for the detailed appraisal, then for the detailed appraisal we have prepared certain standard formats also, we send it to the concerned prospective borrower who fills up that information. Once that information is filled up fully, then we become confident that we'll be able to do justice with the appraisal work and we will be able to take it to the board of directors. , Last time also, I don't know whether you heard me or not, most of the lenders, generally are dependent upon the information provided by the prospective borrowers only. But based on our experience, we carry out our own analysis, whether it is the cost of the project, whether it is the scope of work, whether it is the implementation period, whether it is a technological, aspect, whether it is likely operational parameters that are going to be there. And we have generated a lot of database also in this regard and that cuts short the

time in carrying out appraisal, because see if different kind of estimates, databases are available with you, cost, performance parameters, implementation period relating database is available with you then you acquire additional confidence that the information submitted by borrower is conforming to our requirements and our analysis, whatever we are supposed to do, is going to be in a good shape and the proposal is expected to see the light of the day, there is likely to be minimum time and cost overruns. And then whatever risk analysis or sensitivity analysis we have carried out that will be more or less realistic. , We are different from the others in the sense that since, some of us have worked in such projects for many long years and thus we have got the practical experience also, then further, we have got the analytical experience also. , That gives us immense confidence and because the concerned team is very strong very much dedicated, so, we are able to do the justice with all the activities, then commercial aspects also, based on our past experience, are examined thoroughly and based on it we stipulate the , t required terms and condition in a judicious manner and we ensure that there should not be any such conditions stipulated which is not feasible to achieve at all and ultimately it will become a no go proposal. So, right from the concept up to the commissioning and then till the currency of the loan, we are particular and careful and carry out the due diligence at each and every stage in a very proper manner. Now apart from that in case you have got any specific query to ask you kindly feel free to ask me.

Pawan Singh: I take the query later on if there's anybody else in the queue, he can ask this question. Because we are late, we need to wrap up quickly.

Moderator: Sure. The next question is from the line of Ajay Sheth, he's an Individual Investor. Please go ahead.

Ajay Sheth: Just wanted to understand that you have been talking about, forming up electrical vehicle charging stations and sewerage plants etc. . So what is the progress on such funding as such?

Naveen Kumar: Sewerage plant and water treatment plants as a proposal have started coming to us and recently we have taken up one sewerage treatment plant proposal which is under construction and most probably it is likely to get through and it will be sanctioned. Another project regarding the electrical vehicles, we have got a proposal recently, which is under appraisal as per our internal guidelines. We have started making a lot of effort. The proposal has come to us from a reputed organization from Western part of the country. And we have cleared that proposal in our internal ICC meeting and it is under detailed appraisal. And as I was mentioning that for undertaking any new proposal, which we have not done earlier, we take the opinion of the experts from outside, we identify the specialists in these areas so we take their advice while carrying out the due diligence, and this is a requirement from our board of directors also and this gives us immense confidence, first, based on our analysis, then the expert opinion and then only we take to the board, then our

board of directors also satisfy themselves then only the board sanction such kind of projects, and we have started making progress in that and our business development team is making a lot of efforts in harnessing more and more such kind of proposals.

Moderator: Thank you.

Pawan Singh: So we'll have two more questions and then probably we'll have to wrap up.

Moderator: Sure sir. The next question is from the line of the Divya Batra from Bank of Baroda. Please go ahead.

Divya Batra: I just wanted to know as shared in the financial results PDF in para six on third page, it is specified that company's loan book, 50% of the projects financed by the company has achieved COD and 50% of the projects are under implementation stage. And as far as the scenario seems the projects are bound to get delayed or COD being extended, do company invasive increase in NPA due to this part?

Pawan Singh: No, our projects are like HAM projects or renewable project, mostly renewable projects. So what happens is, and then of course there are 50% which are complete, there are projects which will never be complete like for example I've given loan to DISCOM, now DISCOM it is not project loan it's a loan to DISCOM so that, if you have to take out these kinds of loans, DISCOMS loans and corporate loans, which would, this is not based on completion, so probably another 35%

you will have to take out so it leaves with another 15% which would be under construction type of projects. Yes, Sanjay you can add.

Sanjay Rustagi: Our loan book suppose is say 100 so 50% constitute to the renewable project. And all my renewable projects as on today are the completed project, commission project. None of them are under construction. So we are saying since my 50% of loan book comprises of renewable and which is commissioned.

Divya Batra: Sir, one thing I would like to ask since all the NBFCs are facing moratorium issues and since PTC has also requested the banks, we are of the view whether all the banks have agreed to giving the moratorium because it is subject to case to case basis?

Sanjay Rustagi: So, RBI announced the first scheme on 27th March but PFS has not applied for any moratorium in that case. RBI's second circular on May 27th I think, and on that basis we are trying to get some moratorium, so we have applied only the last week.

Moderator: Divya do you have any further questions?

Divya Batra: No, thank you.

Moderator: Thank you. That was the last question of the conference. I now hand the conference over to management for closing comments. We have the line for Dr. Pawan Singh connected now. Sir you would like to proceed with closing comments?

Pawan Singh: Yes. So thank you very much for taking out time, especially a very challenging times, very difficult times for all of us. And I'm also glad that you not only ask questions, but gave us feedback. And also, give us point to ponder as to the steps we need to take. I was really happy to get feedback from my valuable investors and also people who would support the investment community to be here and given us valuable insight and what is very high, again go back to my opening comment and I say that, what is very heartening for us is the direction which we have been able to move. So, all our efforts were, towards the direction and what we can say with quite a bit of confidence that, why we are now embarking on a great path to growth and having concentrated our books. So we know our business much better, we have tested our business much better during crisis and trouble times, and we will continue to grow and probably the large part of difficulties and hurdles which were there on the part had been taken care of in terms of liquidity challenge, in terms of stress assets in terms, in terms of systems and process improvement, in terms of re-benchmarking by business model, which we have been able to do. So, now the path should be most steady either to, and that probably, we will be able to demonstrate as we go forward in the coming quarters. Thank you once more for having taken out your time. And other than this, if people require further information other than this is not good that once in a while we meet on the investors call. But my team Mr. Abhinav Goyal, who would share his number and Mr. Sanjay Rustagi

his telephone number, Mr. Naveen Kumar all of us will be there to take your any queries in future. And once again wish you good health and safety for you and your family. Thank you so much.

Moderator: Thank you very much. On behalf of PTC India Financial Services Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.
