

PTC India Financial Services Limited
Q1 FY20 Earnings Conference Call”
August 02, 2019

Moderator

Ladies and gentlemen, good evening and welcome to the PTC India Financial Services Limited Q1 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. For the conveyance of all, it is requested to ask maximum of 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, Mr. Naveen Kumar – Director and Operations and Sanjay Rustagi – CFO, PTC India Financial Services Limited. Thank you and over to you.

Pawan Singh:

Good evening and welcome to this conference. And I would also appreciate that you all have taken your busy time and attended our conference. Especially this conference is very crucial because we are at a time or crossroad which gives a scenario as to how the company is positioned today and where does it go from here onwards. So, in nutshell it is a situation which can be really described as a crossroad. So, let me describe how this crossroad is coming through my numbers as well as the way the business is proceeding. Detailed numbers of course will be given by Mr. Sanjay –CFO, but just to give you an oversight see couple of things. If you only look at the profit before tax and profit after tax you will find that there is a decrease over previous quarter and there is a decrease over quarter Q1 of 2019, but this quarter we have met a liberal provisioning of 61 crores. So, if I add back that provisioning then my results would look slightly different compared to

the previous quarter that is Q4 of 19 where it is showing 59% decline it would be similar close to a similar number on the positive side and compared to the Q1 of previous year it would be almost at par.

The decline in the profit compared to the Q4 of previous quarter and the Q1 of last year is primarily on account of the higher provisioning which we have done in the current quarter and this provisioning we have done upfront rather than postponing the provisioning.

Now just to give you a little bit oversight the yields if I compare with the Q1 of 19 it has gone up from 9.70 to 10.47 and yield compared to Quarter 4 of 19 that is a previous quarter from 10.26 it has gone up to 10.47. Also, if I look at the spread then compared to Q4 that it was 1.03 it has gone up to 1.34, but if I take out because now with Ind-AS coming in our yield model we are also including the fee-based income. So, if I exclude fee based income and I only compare the way we used to do it previously that is interest income then my if you look at my spread then spread has gone up from 0.40 in the Q4 of 19 to 1.16 in the current quarter so there is a massive increase which has happened in the spread.

Also I would like to point out that our capital adequacy remains healthy at close to 21%. There is a slippage in the books as we had forecasted in the previous conference also the last quarter when we had the conference that we are anticipating one account slipping into the NPA and that is what has happened. So, Meenakshi is one account of Rs.150 crores which has slipped in this quarter to NPA and that is why you will find that the net NPA numbers have gone up from 3.12 to 4.04.

Now as I have earlier also told and I am repeating that though this project is gone into NPA, but that is primarily because of the cash flow issues and the project is complete it is a up running project it was earlier belonging to EDF France and later on it was taken over by the

India Power that is SREI Company. So, what we anticipate though it has slipped into NPA probably if the resolution happens we are not anticipating a very large haircut on this particular project. At the same time I will like to give him a little bit of estimation that we have as I had assured you last time that we are working very strongly towards asset resolution and because these are my assets primarily which are the stress assets fall in the category mostly in the thermal category and thermal category are large process so they take little time to get resolved and they all moved towards resolution and one Prayagraj which was to happen in the previous quarter we anticipated this quarter, but hopefully we are expecting that the matter is with appellate tribunal.

Hopefully by this month, we are hoping that it should get resolved and there are other two cases where we are at a very advanced stage and we have received offer from existing promoters and we are hopeful of resolving assets close to about 500 crores stress assets in this quarter. So, probably this number should look better as we go forward. As far as the net interest margin is concerned compared to previous quarter there has been an increase 2.46 it has gone up to 2.94. Our endeavor because we have moved if you will find that why there is an improvement in the spread, yield as well as net interest margin is as I have told certain structural changes we have made in the company and we have moved from PFSRR method of pricing where we used to give price minus discount to cost plus pricing method and last since February we shifted to the new benchmark rate our pricing has gone up nearly 230 basis point, the reflection of that you will find which you have found now and you will find it in subsequent quarters.

Last two quarters there was liquidity challenge and because of that our borrowing cost also jumped up from 8.20 to 9.20 almost 100 basis point, but then this quarter 10 basis point correction has happened. Our understanding is that bottoming up of the cost of borrowing has

already happened as the banks because a very substantial portion of my borrowings is bank borrowing, my MCLR rates the bank borrowings which we do at MCLR rates and the banks have started reducing from this quarter the MCLR rates I expect some benign impact to happen in our company balance sheet also in this quarter and coming quarter. What also is very important that we have now our thermal asset has been reduced to 13% three years back it was more than 30%. We with resolution of Prayagraj and two assets which I mentioned it should come down to close to 7%- 8% and with that reduction then we have started financing clean water, sewage treatment plant. We are also considering proposals of E-mobility and so we are positioned ourselves as a sustainable finance company and because of that we are in talk with many of the ECB lenders because many of the ECB lenders are interested in India in lending into the sustainable finance space.

So, we are hoping of closing this transactions going forward and at the same time recently RBI guidelines which have come which have made this was mostly the policy advocacy was done by us only and that has allowed us to do ECB borrowings to repay our domestic loans. This covers the major short in the arm not only for us, but for most of NBFCs who do long term borrowings. Institutions like us we do long-term borrowing so that is going to there.

Our credit rating for the Partial Credit Enhancement of course we took little time because we have been making announcements before also that we are going to do it, but keeping into consideration the market situation prevailing environment and all that and then it was first of its time kind transaction happening in the country and it was learning for the rating agency CRISIL and it was also learning from SBI because they were also doing it for the first time. So, there were several transaction documents which had to be created for the first time now that is over and CRISIL has given us AA plus hopefully by second or

third week of August we should be able to do the first tranche and raise about 600 crores from the market.

On the business side we have this emphasis of moving towards high yield. I just wanted to point out that if I take the adjusted yields on my present assets that means the stress assets where I am not recognizing the interest income than my adjusted yield is coming to close to 12% against the previous quarter 10.43% and 9.7% in the last quarter of the financial year 18-19. So, you will find from this a very distinct trend how the pricing has moved almost 200 basis points in this short period over a one year how we have been able to move 200 basis point and this is likely to improve further. So, what I am trying to say in one word is that if you look at this result from an operating parameter there is a distinct pattern of our operational improvement which is going to reflect quarter after quarter and there is a certain things which of course results do not reveal, but I had to make statement on the stress assets what we are doing which is work in progress which is at advance stage to visibility of it will be also seen. So, I will now request our Director (Operation) – Shri. Naveen Kumar to give you an idea on the operation front our own how robust our whole internal system is and how we are looking at business in future.

Naveen Kumar:

Thank you Dr. Pawan Singh. Good afternoon ladies and gentlemen. It shall indeed be a privilege to share some thoughts with you. The cumulative sanction of loans by PFS amounts to about Rs. 19, 100 crores against about 145 loan sanctioned by us. All such loans they are active as on date. We have executed 138 loan document out of this 145-loan sanctioned which covers an amount of around Rs. 18,200 crores. The total outstanding as on date is around Rs. 13,000 crores against these 130 projects where disbursement has already commenced and for the balance loans action is being taken to start the disbursement in the near future taking care of the pending requirements which may be there because of which this disbursement is yet to start. During the

first quarter of this financial year, we have sanctioned a loan amounting to Rs. 718 crores under various category of projects like renewable energy projects, sewage treatment plants, road projects, power transmission projects and corporate debt to the holding company.

With regard to the business endeavor in the near future, we shall consider to finance the renewable energy projects, road projects, transmission projects, HTPs as well as structure financing to corporate and holding companies in continuation to all the present business as usual and apart from that we shall endeavor to fund projects in other infrastructure also which may include city gas distribution projects, transportation and electrical vehicle charging. We may also consider funding of some of the non-infra projects also on a highly selective basis depending upon the viability of these projects. In the past PFS has sanctioned and as well as underwritten some of the proposals however there was not, I will say credit focus in regard to the down selling considering the good financial strength of the promoter group and operational track record of the project. Recently with changing market scenario and also the re-orientation of the business strategy, we have decided by initiated down selling churning activities to improve the overall yield for the company.

During first quarter of the current financial year, PFS has been able to successfully down sell part of the debt in its existing loan accounts which aggregated to about 400 crores as on date during the current quarter. The down selling was done primarily of the accounts wherein the rate of the interest was relatively on the lower side. The funds being mobilized by way of down selling are being redeployed by us towards high yield proposals and where rate of interest may be 12% or higher than that. In the above process of churning fees being generated with the deployment and redeployment of the loans. We have proposed

to continue this business strategy and create further value for our stakeholder.

As perhaps, I mentioned earlier also we are continuously endeavoring to improvement in our project appraisal and loan account monitoring system that process is still going on and though there are challenges with respect to payment cycle with few DISCOMS to our borrowers, but in most of the cases either the project has surplus cash, DSRA is there or promoter is capable to bring the sufficient cash to address cash flow mismatch and another information which you already know that as per the order of ministry of power on 28th June of this year now DISCOMS need to open letter of credit for supplying of power which will help the power generators immensely. We at PFS keep a close eye on the project performance with respect to plant load factor, billing and payment cycles and monitoring of TRA account and operational expense to ensure timely servicing of debt for which we are separate dedicated monitoring team. In case of any deviation or abnormality we take all the necessary steps with the borrower to keep the situation in order and under control.

As you are aware, we have implemented sector specific rating models for renewable transmission, road sector port and structure debt accounts. Our appraisal unit this credit unit they initiate the rating assessment which is reviewed by the risk groups. We are following a sort of maker and checker concept on the basis of rating assigned pricing of the debt facility is decided thus ensuring the risk based pricing and further to mention that an early warning signal framework established by ourselves linked with the internal credit rating mechanism through which we make an assessment based on operational and financial parameters of the loan accounts which includes the assessing the complaints for the financial covenants envisaged in the loan account this is done on a quarterly basis. This helps us to identify the stress in loan accounts at initial stage itself.

During the first quarter of current financial year we have exited two, three such loan accounts without taking any haircut and our portfolio includes less than 5% of such early warning signal loan accounts in the total loan outstanding books. So, that way it is a healthy loan portfolio which we are having and then perhaps I had mentioned earlier though to a limited extent that we were earning the fee based income based on our normal lending operation earlier.

But now, we have started making further efforts to improve our operation in the area of advisory services. Just to share some information with you in this regard, the company has already won the assignment from NTPC Limited, Telangana Central Coalfields Limited, UNDP regarding a project in Vietnam and then Bharat Coking Coal then Central Coalfields Limited then we have won the first international assignment in the Vietnam and the company is now aggressively looking at other such assignments and has already submitted its proposals to various clients at the international level. Since it is a competitive bidding procedure so we are pursuing from our side and let us hope for the best. The company has got impaneled with various organizations like Gas Authority of India, BHEL, NTPC and PFCCL, IREDA for undertaking services related to transaction advisory, financial services and further services that lie at the interface of the finance and infrastructure in India. PFS is also in the process of signing MOU with premier institutions like Energy Efficiency Services Limited, TERI, IREDA for undertaking advisory projects jointly with them.

The company has also entered into MOU with various private sector organization such as SREI Infrastructure Finance, SPA Capital Advisors and is in the process of entering MOU with other leading private companies in finance and infrastructure domain. So, these are some of the thoughts I wanted to share with you and thank you so much.

Now I will request Sanjay CFO to give you some you know I have tried to cover some portion of the financial results. I will ask Sanjay to take you through the details of the financial results and subsequently after that we will take questions from you.

Sanjay Rustagi: Good evening everyone. I am giving you the comparison with respect to the Quarter 1 Financials of 2019-20 with respect to the Q1 of 19. The total revenue for Q1 20 stood at 352 crores as compared to 325.19 crores the correspondingly quarter. The profit before tax for the quarter first 2020 stood at 23.44 crores as compared to 84.08 crores. The company has gone ahead for making higher provision of 62.70 crores in this quarter as compared to 17.11 crores. Yield on the loan asset stood at 10.29% in Q1 2020 as compared to 9.48 so there is a significant increase. With respect to the Quarter 1 2020 with respect to the Quarter 4 of 19, the total revenue has grown up to 352.19 crores as compared to 331.04 crores. The interest income also has increased to 344.91 crores as compared to 316.67 crores. The fee based income for Q1 20 stood at 6.07 crores and yield on the loan assets has increased to 10.29% as compared to 9.60% with respect to previous quarter. Spread and the net income margins for Q1 2020 stood at 1.16% and 2.76% respectively as compared to the 1.03% and 2.46% for the previous quarter. If we talked about the total portfolio as on June 2019, the total portfolio stood at 13,711 crores it includes the non-fund base portfolio of 606 crores and the fund based portfolio of 13,105 crores and these are the matrix about the financials.

And we will open the line for the question and answer if you have any.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Gaurav Gupta from Dhiraj Group. Please go ahead.

Gaurav Gupta: My first question is that in this quarter we have again reported jump in the provisions. Sorry I have just joined late if you can give a brief idea

that for which exactly account this kind of a high provisions has been made in this particular quarter?

Sanjay Rustagi: We made the provision in the loan accounts of ICCOM which is existing NPA account. We made the provision in case of RKM that is also an existing thermal based power plant based on our estimation and we made the provisions in case of Surana Power which is the case under NCLT the liquidation order has been passed and then we made provisions based on the development on the existing assets only. We will take more comfortable numbers. So, we made a provision of around 13 crores in case of NSL Nagapatnam which existing NPA account.

Gaurav Gupta: Is there duplicate addition in the stress assets that was already there in our books?

Pawan Singh : There is one asset added to the NPA that is Meenakshi so that we mentioned in the last quarter.

Gaurav Gupta: What is the exposure over there?

Sanjay Rustagi: We have total exposure of 150 crores in that account.

Gaurav Gupta: And how much has been provision against that Rs. 150 crores?

Sanjay Rustagi: Provision in that loan account is close to 15 crores, but the reason for lower provision in this account is because the loan per megawatt in this specific asset is close to 3 crores per megawatt which is exactly the resolution amount which we got in previously in one account which we solved that is SKS Power we got more than 3 crores per megawatt size and also in the Prayagraj close to 3 crores per megawatt.

Gaurav Gupta: In our asset side we have a very huge on renewable side near about Rs. 7,500 crores of exposure we have in outstanding as on 30th of June, 2019 and nowadays we are hearing a lot like renewable space is in

kind of a dilemma just because of some guidelines from the Andhra Pradesh government on solar and wind power assets. So, just want to understand that what kind of an exposure we have in those kinds of projects which are supplying power or based out of Andhra Pradesh and what kind of an impact we as a management are accessing that it could have on our balance sheet in terms of moving to stress assets and the kind of provisioning that we will require.

Pawan Singh:

See we have three assets which are there in where with the PPA there with in the Andhra Pradesh. One is of course Hero Group to 75 crores, another is GreenCo project and third is Skeiron which is about 225 crores but let me also give you little bit of our understanding of the Andhra situation. See as far as these three projects are concerned as of now there is no delay in servicing of loan account not even a single day. Over and above we have DSRA in most cases in all the three cases and one quarter or more and we also have the working capital support. So, 6 months we are protected. What is also happening is that these projects the Andhra government has only asked for the tariff reduction they want the tariff to be reopened which the Central government has said that this is ultra vires already Central government has given clarification, notification also that this is ultra vires. The developers association also went to the High Court and they have got a stay order in this. Then Andhra Pradesh government what they started doing is that when they felt they are caught on the wrong side of the legal because new Chief Minister is coming so he is trying to try to reopen cases which were done by the previous government. So, when they found that they are caught on the wrong side of the law then what they started doing is that started curtailing the power from the wind project especially. So, when the curtailment started then on that also the Central government has given a clarification that these plants must run. So, in either case based on the previous year consumption the availability has to be taken care of and the fixed charges have to be paid. So, there is sufficient amount of clarity on the regulation part and

there is no reason that now Andhra Pradesh government does not have to rely on and start making payment. So, from our perspective on the payment part, there could be some small delays which I always say that it is adequately covered to safeguards which we have provided in our system and on a sustainable basis we do not see a problem over there.

Gaurav Gupta: On our asset side again, there is a category other over there we have an exposure somewhere around Rs. 3600 crores, so you can just give some kind of a bifurcation or some kind of a color that what kind of projects we have funded over here and which are the kind of segments over where we have large exposure because Rs. 3600 crores out of Rs. 13,000 crores is a big number?

Pawan Singh: Yeah, I do agree with you it is a significant number and why we have others because we have to be there in others because we want to diversify our risks. So, the breakup of those numbers Sanjay will provide.

Sanjay Rustagi: So, in other we have around 500 crores is towards the road projects and those are the HAM annuity projects and we have the transmission exposure close to 1,000 crores and the major component is 1500 crores belongs to the loan to the DISCOMS. It involves the AP, Telangana and MP, Punjab and to Ajmer and Jaipur DISCOMS. So, these are the major composition which we have in the other and there is one corporate loan close to 100 crores to one of the infrastructure sector which is that is in favor of the others.

Moderator: Thank you. The next question is from the line of Siddharth Purohit from SMC Global. Please go ahead.

Siddharth Purohit: Sir you mentioned some 500 crores worth of loans are probably getting result this financial year probably, so what is the quantum of

provisions that we are holding on that and any possibility of write back and what is the quantum write back that we can?

Pawan Singh:

We have three major projects. One is of course Prayagraj which we have already talked about it in last quarter also. There was regulatory permission which is required and APTEL is like we have the order and maybe around middle of this month the order of APTEL is likely to happen. So, we hope that this will get fructified in this quarter as well. So, there we have made this loan amount was about 328 crores and we have already made a provision of 183.74 crores. The balance amount is the value which the Tata Power has quoted . So, the value is already there so write back possibility does not exist. We will get the cash which will deploy in the business. Second large project is NSL Nagapatnam, there we have already made a provision of 37 crores and we have an offer from existing offer from the promoter which is close to about 90 crores and we are trying to improve on that. So, assuming that even if it at 90 crores, about close to about 3 crores kind of write back may happen in this case. In case of Shalivahana we have already done a provision of 7.10 crores against which we have got an offer of little over 7 crores. So, there is an additional provision which can be write back to about close to about 2.5 crores write back may happen . In case of Himagiri Hydro, there is a exposure of 42.63 crores, we have made a provision of 18.21 crores and we have got an indicative offer of 30 crores from the existing borrower which we will try to improve, but consuming that if we take the offer as it is there could be a write back of 6 crores. So, you can presume safety that 6 plus 2 plus close to 10 crores write back will happen.

Siddharth Purohit:

Sir just one more clarification, you said on the Meenakshi Power exposure of 150 crores, but we have taken only 15 crores of provision and the reason being that probably the realizable value could be high that is why we have not taken higher provision that is what we said.

Sanjay Rustagi: That we have already explained the loan per megawatt means that the project is a 1,000 megawatt project and the loan amount is 3 crores per megawatt.

Pawan Singh: Normally the bid which we are getting for a completed power project the Prayagraj and SKS we did and other similar cases where other lenders have exposure, this is coming around 3 crores. Since here this debt is about 3 crores because the debt equity ratio in this case as CFO mentioned is much better. This was run by EDF, the France company unlike most of the Indian promoter they normally operate at a very strong equity ratio so in that case the debt equity ratio is over 50%. So, in that case the realization value on the lenders normally which is coming to 3 crores per megawatt so if we take that we may be eligible to get close to the full realizable value of the asset. We have provided as per regulatory requirement whatever was the requirement that is why that provision has been done.

Moderator: Thank you. The next question is from the line of Rajesh Nagare an Individual Investor. Please go ahead.

Rajesh Nagare: I wanted to ask about Andhra but you have already answered that and coming back to the financial results there is impairment on financial instruments of 6,270 which seems to be very high exactly what it is?

Sanjay Rustagi: We have already made the provision on the existing loan accounts where we are expecting higher provision because of the subsequent development on those resolution processes in case where we are expecting the higher losses, we made provisions in the existing NPA accounts.

Rajesh Nagare: But this seems to be very huge compare to all the previous because it is almost equal to the last entire year figures?

Abhinav Goyal: Rajesh ji, last time when we met in Mumbai during our Investor Meet, that time we discussed that we are working for the resolution of our

stress assets. So, that time the vision was that we should convert our stress asset into a profitable business so as to generate more return to our various stakeholders. Now in line with our commitment which we had given that time we started resolving our stress assets. So, as and when we are moving forward, we are doing what actual the realization value for those assets are. So, now we are moving to a realization value and whatever be the difference between book value and realizable value, we have provided.

Rajesh Nagare: Again thanks for remembering and even in the last meeting, so whatever that you are expecting that whatever financial results they might not be really good and based on the model in whatever you have done you have provided for the impairment of the probable losses is that correct assumption?

Abhinav Goyal : Ya. so probable losses is in line with our discussion what we discussed that point of time whatever the provision is required, we should be tough so as to generate value to our stakeholders. So, in line with our commitment only we have moved forward.

Rajesh Nagare: But is there any model or on what basis you are really taking those losses or providing as an impairment, is there any model or anything policy that it is based on?

Abhinav Goyal : As we told that we are moving towards realization of our stress assets, few are through NCLTs, few are through one-time settlement. So, as we are moving closer to realization value we are knowing what exactly the realization value is. For example, Prayagraj where the process has been moved through NCLT. Now not only PTC Financials there are some 15-16 other lenders also including State Bank of India which is a lead bank in this case. So, negotiations been done, there were rounds of negotiations with the project developer and after having rounds of negotiation value has been freezed. When we are knowing the value what the exact realization value is, so whatever be the difference in

between I mean the difference between the value which is outstanding in our books of accounts and the realization value, that difference we have provided upfront. So, as when this actual money will flow to our balance sheet there should not be any surprise or any suffering in our balance sheet. So, as updated by our MD, this process though we were expecting could have completed some couple of months back for Prayagraj, probably it may be completed in one or two months. So, whatever money would come to our balance sheet it would be the realizable value which is outstanding in the books of accounts.

Rajesh Nagare: Yeah sir I agree to that I do not want to take time of other investors, but the point is Prayagraj we are talking for at least one and half year back in the conference call and whatever be the limitation, but I do not think that there regulation is happening or will happen in the next quarter also considering the pace of NCLT and then all the lenders who are taking all the resource anyway. And about after the last meeting, I had also sent a mail requesting that there should be more disclosure in terms of the stressed assets whenever we are sending mail to the investor or in the annual report so that we do not spend time every time asking about what are the stress assets and what has been provided and what is realizable value or whatever the detail. Although it is not required by law, but it is always a better for the investor because we keep sharing the same things again and again and it is very confusing, would not it be better to provide more disclosure in the press release or whatever material you are sending to the investors. I had already sent about this in for example Indiabulls Housing recently gave all the information about their investors, would not it be possible for us to give the more information about our stressed assets?

Abhinav Goyal : Sir, last time also we appreciated your point very much and that time it was discussed that it should be part of our annual report. So, our annual report is in process but yes we are taking your feedback as a challenge for us and in quarterly results also, the communication which

in future will be send to our investors, we will try to incorporate desired information. Of course we will go through the presentation of Indiabulls also and may be few other NBFCs also, we will try to meet your expectation in terms of disclosure and definitely next time we would be having better feedback from your side on this aspect.

Rajesh Nagare: Yeah, we should have more disclosure project wise and main wise whatever is the status of that just like you have a status report every month in your company. So, we should have more like that every quarter so that we know and we do not spend time asking the same questions again and again and we have some sense of the trend in the resolution process.

Abhinav Goyal : Sir as I mentioned we have very well taken your point and we have noted.

Rajesh Nagare: Last point you have develop different ECL model, expected credit loss and all that, but have we back tested those models to really see their effectiveness this is my last question?

Sanjay Rustagi: Expected credit loss model was based on what are the resolution is expected in the market. So, as discussed earlier we have appointed the ICRA management consultancy so they are doing, they are calculating the PD & LGD, they have developed one model where the class of the category if the project has been classified as thermal, renewable, road so there is a certain haircut depending upon the other factors how their sales value is whether they have a PPA, whether those are under construction for how much percentage. They have their PPA so they have the certain haircut they are applying based on the industry practice and based on those the ECL is being calculated so there is no manual intervention of the management in computing those numbers. So, they are giving their reports and apart from those our statutory auditor the Deloitte has tested those models at their level and they are fine with those models and the basis which we are doing it. So, it has

been done by ICRA and then vetting by us and then our statutory auditors.

Rajesh Nagare: Back testing means whatever previously losses that we have calculated now this model should be applied on those previous cases to really see the effectiveness and we tested that. That is what my question was?

Sanjay Rustagi: Previously we resolve three / four loan accounts one is the SKS so there was no additional provisioning or the loss occurred at the time of settlement, there is one loan account Raigarh Champa and Sispara in case of Raigarh we have to book certain addition loses, but in other two cases we do not need to book any losses.

Rajesh Nagare: I think I will write back to you because I think point is entirely missed.

Sanjay Rustagi: Let me answer that question whether you said that the ECL model is tested or not.

Rajesh Nagare: No, I am asking back testing of the model on whatever the previous known cases this model should be applied to see the effectiveness.

Sanjay Rustagi: So, sir I am just telling you we have resolved three loan accounts one is the SKS Power. we resolved Sispara we resolved Raigarh Champa. In case of Raigarh Champa there was not additional losses booked but in two cases SKS and small losses was booked in Raigarh Champa, but in case of SKS and Sispara we need not to book any additional losses which was calculated by the ECL model. It has in three cases.

Rajesh Nagare: So, in three cases you have back tested the model.

Sanjay Rustagi: Yes.

Rajesh Nagare: Yeah, so I will write back to you about more details about it. I do not want to take time of other investor.

Moderator: Thank you. The next question is from the line of Gaurav Gupta from Dhirav Group. Please go ahead.

Gaurav Gupta: May I know that what is the level of NPA as on date we have on the book in terms of amount?

Pawan Singh: So, total NPA we have 952 crores in our book as of now.

Gaurav Gupta: And what is the provision against this Rs. 952 crores of NPA?

Pawan Singh: We have made a provision of 445 crores.

Gaurav Gupta: So, considering that 950 and 450 I am just taking the round off figures so there is still a gap of near about Rs. 500 crores of between the NPA and the provisions, so considering that what we have expected as our expected credit loss model and we were supposed to do an extra provisioning of near about Rs. 60 crores in this particular quarter, so there is still a huge quantum of Rs. 500 crores which out of this particular model which you guys are running may give some kind of surprise to the investors in coming quarter like if they are not able to realize the remaining value, so that might be required to booked in provisions as well is that my understand correct?

Pawan Singh: Yeah, The provision is being calculated in accordance with the expected credit loss model. The ECL model consider the likely resolution amount with present stage of resolution. The provision may change in future due to change in micro economic factors/ or change in strategy for resolution of the stress/ NPA asset or in case proposed resolution plan do not get approval from all lenders or regulator.. I will give you a little more clarity on your understanding. Provisioning done through each of this assets especially the significant once where I will be able to tell you what is provisioning and the likely realizable value and how much haircut you can expect in future. So you know that will give you a very clear idea as to where we are and where we will go from here. So, let me start with Athena Chhattisgarh. Athena

Chhattisgarh you know we had 189 crores, we have already provided for 72 crores based on the distress value of the securities (i.e. project Asset) available so exposure is 117 crores. So, in worst case scenario, where no investor/ promotor interest in the project then we do not expect more than 25% of the value so which should be close to what about roughly about 40 crores and in that case what will happen that you can expect another 35 to 40 crores haircut happening. In case of Dirang Energy we have made a provision of 51 crores against loan outstanding is 74 crores, 23 crores is lying outstanding, there is already a resolution plan in place based on that resolution plan we should be coming very close to this number which is already lying as an outstanding. In Himagiri Hydro, we have exposure of 42 crores, we have ECL, total provisioning of 18.21 crores balance is 24 crores we have already got offer from the existing promoter for settlement which is at 30 crores so we expect a write back of 6 crores.

In case of ICCOM Telecom the value is 62 crores provisioning is already 36 crores, balance is 26 crores. So, here we have two assets one land asset and one the manufacturing assets. So, the manufacturing asset the order is already there from the NCLT which would be giving us close to about 12 crores and land also we are expecting about 14 crores so we will be closing at whatever is the exposure level which is 26 crores. Kohinoor Power we have exposure of 50 crores, we have made a provision of 35 crores based on the distress value of securities (i.e. project Assets), balance outstanding is 15 crores, in worst case scenario, where no investor/ promotor shows interest in the project then we may expect a haircut of 5 to 6 crores more . We hope to realize close to 8 to 9 crores. In Konaseema Gas, we have made a provision of 56 crores based on the distress value of securities (i.e. project Assets) with the balance amount is 44 crores against a loan of 100 crores. in worst case scenario, where no investor/ promotor shows interest in the project then we hope to realize about 20 crores so 24 crores provision should be there. In case of KSK Mineral amount is 45 crores we have

made the provision of close to 18.5 crores, balance amount is 27 crores. We are hopeful of realizing the full amount that is 27.5 crores, one or two crores difference could be there. Meenakshi Energy as we said we have made a provision of 15 crores, loan amount is 150 crores, exposure is 135 crores. On a very conservative basis if we go and make estimation we should be able to recover close to about 70- 90% . PFS expected to realize surely of loan amount considering the loan amount per MW is relatively less at Rs 3 crore/MW as compare to other loans where loan outstanding is close to 5-7 crore per MW. In worst case scenario an additional provision estimated close to Rs 15 crores may come. Then in NSL Nagapatnam, the outstanding exposure is 87 crores as I said loan value was 125 crores. Offer already we have received from promoter which we are trying to improve is 90 crores so about 3 crores write back will be there. Shalivahana Green Energy already settlement has happened. We have made provision of 7.10 crores against loan amount of 12.73 crores. 5.63 crores is the exposure already we have offered his receipt cash has to come transaction has happened agreements are taking place so we will have this quarter write back of over 2 crores. Surana Power we have loan of 96 crores and we have made provision of 84.11 crores roughly about 11 crores is lying outstanding I think we have made a reasonable estimate almost close to about 80% provisioning has been done so we should be getting something close to whatever is the realizable value.

Gaurav Gupta: Is that all the list of the NPA accounts that sums up to Rs. 950 crores.

Pawan Singh: Small amount I have ignored that is 4.91 crores which is Varam Energy which I have not counted.

Gaurav Gupta: If IL&FS power is included in this list?

Pawan Singh: No, IL&FS is not included in this list. It is not included because we are hopeful of it is in amber category and in amber category are the category cases where senior debt principal and interest is serviceable

only because of NCLT order for timing they have suspended the payment. We are working along with IL&FS and also corporate affairs. Last order of NCLT if you see clearly says that there are three accounts which have gone into Green and in the next hearing, IL&FS to bring proposal of taking this 10 accounts from amber to Green and this particular project also falls in that list of 10. So, we are very hopeful that this will move from Amber to Green and in any case even if does not move from Amber to Green it remains in Amber in the worst case scenario still the senior debt and interest is serviceable.

Gaurav Gupta: Considering on this only that IL&FS so we are saying that just because it is categorized in Amber category the servicing is not done by the company to the PTC Financials?

Pawan Singh: NCLT has ordered that from Amber category no cash flow should happen so they have put stay on that, that is why the amount is lying in TRA we are not able to draw them out.

Gaurav Gupta: In case on a most conservative basis if this falls back in the Green category as per NCLT order then they will be servicing whatever amount in terms of principle or interest that is overdue as on date as on the date of when they will move back to Green category they will pay back just because they have the amount of collection in that escrow accounts or whatever the kind of account that you are mentioning?

Pawan Singh: Absolutely in Amber category also they have the capability, but NCLT order says they have allowed only Green category to do the servicing on other cases they have put embargo. So, shifting from Amber to Green will lead to clearance from NCLT to start bits and payment, but capacity was available with IL&FS either way whether it was Amber or Green.

Gaurav Gupta: The amount that we are expecting in terms of that is overdue that includes principle plus interest as on date as on 30th of June, 2019 from IL&FS?

Pawan Singh: After November there has been an embargo.

Gaurav Gupta: So, what will be the amount that is overdue?

Pawan Singh: About close to 13 crores you can say.

Gaurav Gupta: Sir just one suggestion from my side like in our presentation as well as in annual report wherever we find information related to PTC Financial we always see that our company is having Managing Director who is ex-civil services and you as CEO is also an ex-civil services, but we as an investor have some kind of impression that corporate governance levels are not as per that standard which we expect from the organization which are headed by a caliber people like you guys. Sir like you have given me detail on call that what all assets are there which are in NPA category, but there are couple of NBFCs and banks which put out detailed list of their more stressed assets like what are the kind of exposure over there, what is the kind of provisioning that they have taken and what is the kind of amount that they are expecting after the provision, so it will be better for all kind of investor that have invested our company this can upload that kind of a list on your website on a quarter-on-quarter basis like you publish your results press release so in that it will not be a much tough task for you guys to include one more page with a list of those accounts like you have elaborated on the call and that will save a lot of time of yours as well as of investors. They can analyze upfront and in case they have any query then they can come back to you and can clarify that instead of again and again repeating that on the call like earlier participant was also escalating his concern to you as an executive officer the kind of corporate governance level we should improve and that is a very honest feedback to you guys if you want to take it that very seriously.

Pawan Singh: I really appreciate that you know you have corrected us and I really appreciate and I also appreciate the previous investor who had mentioned this point. I think next working days we should be able to face it and subsequent quarters you will find this kind of disclosure would be available upfront rather than you are asking and we giving the detail.

Gaurav Gupta: I take that as a face value because you have ensured that the concall transcripts are also uploaded on the website before or earlier the case.....

Management: I apologize for that and we acknowledge that has happened.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Pawan Singh: Thank you very much for sparing your time, valuable time giving some very definite suggestions how we can improve. So, as I have told in the beginning, couple of things we are at crossroad there have been stress assets and as I said that there has been addition one asset has been added to the list of stress assets which we have forecasted in the previous quarter, but then also I said that 500 crores worth of stress assets should get resolved in this quarter. We are working towards resolution that is our main aim and maybe towards end of this financial year we would have cleared almost very significant portion of our stress assets that is one. Second is as I have said that we have moved towards from PFS RR rate to base rate model and that is why it is reflecting that comparative quarter of the previous year there has been 66 basis point increase in the yield which we have. That also reflect the change in our business model with further improving the pricing which we have said that in last three months starting on February onwards not three months on five months the pricing has moved about 130 basis point since then and also we are doing products which are high yielding and then of course our risk management system has been

made more robust we have adopted CRISIL model for rating which is up to date model and we also have early warning system model developed by CRISIL for us where we not only start looking at it because RBI says that this account has fallen in to SMA but preventive action can be taken we have several parameters on this or that we do forecasting as to what can go wrong. So, more robust internal control systems, but there are issues which are legacy issues and whatever cases we have discussed here are on pre-2012 cases and post 2012 there may not be a single case where stress has been felt on the assets at least that part.

So, current business model is fairly clean business model, lean business model and we have positioned as I said as a sustainable finance company where we are likely to have sizable external commercial borrowing which government has also two days back circular which is there all this impact will be felt in current quarter. Yes sometime it has happened that it does not happen sooner, but it happens little later than what we have promised I request you to bear with that, but then I can really tell you do the deep diving into my results and if you have queries which will of course answer we will find what is very important is not the result, but what is very important is that the result is as I say it is not the result per say, but this result is a directional result, you will find a pattern of direction in this result. So, what I am trying to convince is or I am trying to make a point is that we are moving from a static result model to a directional result model. So, you will find that now there is a distinct pattern in our moment as we are going forward. We know the way which we are taking, we know the direction in which we are taking and this is only indicative these are the early indicators, the positive side which I am talking about negative of course we are challenging that also we are resolving, but these are the positive indicators of how things will unfold in future. I request you to go little more deep diving and we will be very happy, you all having gone through deep diving and you are able to ask us

question which we will like to clarify. Thank you so much for all your valuable time.

Moderator: Thank you. Ladies and gentlemen on behalf of PTC India Financial Services Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.
