

PTC India Financial Services Limited
Q2 FY19 Earnings Conference Call
November 13, 2018

Moderator: Good afternoon and welcome to the PTC India Financial Services Limited Q2 H1 FY2019 Conference Call. As a reminder, all participants are 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 the touchtone phone. I now hand the conference over to Dr. Pawan Singh, MD and CEO; Mr. Naveen Kumar, Director Operations and Mr. Sanjay Rustagi, CFO, PTC India Financial Services Limited. Thank you and over to you.

Dr. Pawan Singh: Good afternoon, happy Diwali and happy new year to everybody. At the outset, let me share with you some of the developments, which have been taking place for the company as well as for sector as a whole. In fact, the preceding quarter has been a quarter full of events. In power sector, there were issues relating to thermal assets. The RBI circular of February 12 had created lot of flutter and then of course, in consequence of that, lot of financial institutions had started one time resolution and therefore they had wanted time space after 12th referral and the matter had gone even up to Allahabad high court, also supreme court and subsequently 2 months grace was made available for.

In the backdrop of that, we would like to share with you that the lead lenders including where we have been participant, we have been able to use the time space and resolve two of our large big accounts with exposure of close to about 700 crores. We had total stress assets of about 1700 crores. You will find that around 150 crores has been knocked off from our gross NPA and this 700 crores will be the additional resolution which would be part of our stressed assets. That means we would have resolved about 50% of our stressed assets. Going forward, our focus would be on the resolution of stressed assets where we have already made advance progress from case to case basis and we hope that some of them would be resolved during the current year but at last, most of them, we expected would get resolved in at least the middle of next financial year. As far as the growth for PTC Financial is concerned, we have been able to demonstrate a growth of close to about 27% this year and despite the liquidity tightness in the market, which of course has impacted us in the first month of the current quarter and somewhere towards the end of the last quarter. The measures had been taken and as we are concentrating our liquidity position, we therefore expect to maintain the similar kind of growth in the coming year, in the year as whole.

Just to again highlight on the quality of assets because our stressed assets primarily arose from the thermal assets and thermal assets two years back constituted 30% of our total asset book which we had brought down to 17% recently at the beginning of the year and as we resolved around 700 crores of thermal asset, by the end of this financial year, we will be at single digit exposure in thermal assets.

Then, of course, there has been pressure on NIM and spread for the company primarily arising out of the credit competitiveness which happened during last 6 months, but also because of the fact that some of the interest income we had recognised in the previous year, the stressed asset, has been not recognised in the current year. So as we concentrate on the resolutions happen, we hope to see the upside happening in these two areas as well.

I will request my colleague, Mr. Naveen Kumar to give you oversight on the asset position and growth position for PFS. Subsequently, I will take you through some of the specific numbers, which of course I will ask first Sanjay Rustagi to give you certain specific details of the numbers and we will be, both of us and Mr. Sanjay Rustagi would be happy to take any questions.

Naveen Kumar:

Good afternoon everybody. I am Naveen Kumar, Director Operation PFS. Dr. Pawan Singh, has already explained lot many things, the improving scenario in our operations, regarding our portfolio details, if we see w.r.t. financial year 2014, CAGR of sanction has been around 34%. This year, whatever disbursement or sanction plans we are having, we are going to maintain the same level though there are many problems prevailing in the market as Dr. Pawan Singh has already explained. The CAGR of our loan assets with effect from financial year 2014, is touching around 26 to 27% and that we are striving to maintain it even in this difficult scenario. Our thermal portfolio, as has already been informed to you, has been significantly reduced.

Our renewable portfolio is around 62% and now we are venturing into some other areas also apart from the financing we have been doing for conventional power projects, renewable projects etc. We are going to improve the performance by way of focusing on the loans sanction to the holding companies at relatively higher interest rate where we will be getting better spread, better margin. We have already done some of the projects in this area, but now we are going to focus it in a more significant way.

As far as diversification in business areas are concerned, we are focusing on roads projects, we are focusing on ports, airports, and then we are thinking to explore funding the hotel industry and education industry. Then some focus may be there on other infra as well as some of the other non-infrastructure projects also, what our article of association and memorandum of association permits. There are definite plans with us to improve the overall business scenario. We have engaged some reputed organization also to develop our business

strategy. We will be fixing up the targets as per that to further improve our performance in a significant way. With these words, I will request Dr. Pawan Singh to interact with you further.

Dr. Pawan Singh:

Thank you so much. Before we take up the questions, I will request my CFO to take you through some of the numbers like, especially I would expect him to cover the gross income, the profit before tax compared to the previous quarter and the quarter of preceding financial year, the profit after tax, gross NPA, net NPA and the loan outstanding and also of course, I would like him to comment on the operating part, that is the gross NPA and net NPA figure, both in comparison to previous quarter and also the other operating parameters or efficiency like cost of funds, spread and net interest margin. Having given the historical figure, I will also try to give you a road map on how these numbers we ought to look at in future. So I will request Mr. Sanjay Rustagi to take you through some of these numbers.

Sanjay Rustagi:

Good afternoon everyone. I am just speaking about the financials, first I will compare the quarter to quarter profit, quarter 2 versus quarter 1 of 2019. If we compare our financials, our total interest income has increased from 305 crores to 333 crores, so there is an increase of about 9% and if we talk about our interest expense, it has increased from 209 crores to 232 crores, so there is an increase of 11%. There is almost a similar increase in the interest income and the interest expense. The net interest income which has increased from 96 crores to 101 crores and fee based income remains constant and there is an increase of around 10% from 7.09 crores to 7.69 crores. The profit before tax for the quarter is 75.13 crores whereas the last quarter it was around 84 crores and the profit after tax is almost in the similar line, it is 49.72 crores, vise-vis 55.93 crores and this is all about the financials number.

If you talk about the yield, the yield on the loan portfolio has increased to 9.55% from previous quarter, that is 9.34% and the cost of borrowing has increased from 8.18% to 8.34% and if we talk about the spread, the spread has improved from 1.16% to 1.21%, so there is an increase of around 5% in the spread margin. The debt equity ratio has improved from 5.35% to 5.14%. So these are all about the income analysis. As far as the capital adequacy is concerned, that has been improved from 19.79% to 20.50% and the earning per share has been almost constant from 0.87 to 0.77. If you talk about the gross NPA, the gross NPA has decreased from 7.68% to 6.95% and net NPA has also decreased to 3.47% from 3.92%. So in this current quarter we have resolved two NPA loan accounts and in another one NPA loan account NCLT order, so 3 NPA accounts have been resolved and as Dr. Pawan Singh told, the two stress accounts of around 700 crore are almost resolved where our board has approved the resolution plan and all other lenders had approved and that will be reflected in the next quarter. So this is all about the financial number. During the end of the quarter, our books remain constant at 13,366 crores and we did a loan disbursement of around 839 crores during the quarter. I will hand over the mike to Dr. Pawan Singh.

Dr. Pawan Singh: Thank you very much Sanjay and having gone through the figures, now probably with we can begin with the numbers as well as whatever points or views which we have we will be happy to answer that, so we can start with the question and answer session.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Aditya Shah from Vikram Advisory. Please go ahead.

Aditya Shah: Sir, my first question is that how much hit are taking on the one time settlement of 342 crores that we had mentioned in the press release and how much provision we have done on it until now?

Dr. Pawan Singh: So on the 342 crores which we are talking about is SKS power and we have already done a provision of around 204 crores and that is the kind of hit we have taken on the balance sheet.

Aditya Shah: So you will be realizing around what post provisioning amount that we have done already?

Dr. Pawan Singh: We will be realizing around 137 crores.

Aditya Shah: And sir what about the remaining 328 crores of the stressed asset that we are talking about resolution, how much is already provided and when do we see a resolution?

Dr. Pawan Singh: Here, we have already, again this is a amount of 328 crores.

Aditya Shah: Out of 670 crores, 342 is one time settlement, so the remaining 328 crores are provided?

Dr. Pawan Singh: No, 328 crores is the loan outstanding amount against Prayagraj, the second number which we are talking about. So there we have already made a provision of again 176 crores and we are to get 152 crores.

Aditya Shah: So near most to the ECL data so both?

Dr. Pawan Singh: Both ECL numbers we are maintaining actually, so whatever.

Aditya Shah: So whatever ECL has done last quarter is what we realize?

Dr. Pawan Singh: May be negligible amount like 1 or 2 crores were left, we have done it in this quarter.

Aditya Shah: And sir, what about the non-infra asset that Mr. Naveen Kumar was talking about in the opening remarks that are we looking at?

Dr. Pawan Singh: At present, we have not done any non-infra project, so first we have diversified into the HAM projects and we have diversified into PPP projects. Now our focus area will continue to be on

HAM project which are low risk and which of course in the present market condition also provide good yield and there is always good growth happening over there. So again that would be one area. Non-infra, we are looking at some of the cases, but it is too premature to say that maybe this quarter or next quarter, we may see doing with non-infra but it is more at a conceptual stage as of now.

Aditya Shah: So broadly, we will still be focused on infra and non-infra in case even it may be that might not be a major portion or will not transform into a major portion of our total book?

Dr. Pawan Singh: Actually at this stage, it should be too premature to say and naturally because we already have almost 100% exposure in infrastructure, so when it would be, if at all it comes, it may be very insignificant portion for our book size.

Aditya Shah: And sir what would be the networth of our company by this quarter end?

Dr. Pawan Singh: It would be around 1987 crores.

Aditya Shah: 1987 crores. Sir, then why would it have reduced from last quarter because last quarter it was 2018 crores?

Dr. Pawan Singh: Last quarter, it was the similar amount, it has not reduced.

Aditya Shah: No, it was from what the number management gave us was 2018 crores in Q1 and if it has reduced to 1987 crores, then what is the reason for that?

Dr. Pawan Singh: That I need to confirm.

Aditya Shah: Okay, you can confirm it to me later, that is not a problem.

Dr. Pawan Singh: There has to be reconciliation issue on the opening balance. This minor difference it at all if it is there, whatever is there because this 2018 number you might have got because we had shifted from your normal accounting to IND AS accounting.

Aditya Shah: To IND AS, so that could be reason, otherwise there is no reason, that will be increasing the networth, right?

Dr. Pawan Singh: Yeah.

Aditya Shah: And why is the reason that there was no growth on quarter on quarter?

Dr. Pawan Singh: Compared to the previous quarter of the last year, that is the correct way of looking at it. We have a growth of 27%. Look at the current quarter that is a very small growth which has happened, negligible kind of a growth.

Aditya Shah: Do we expect every quarter when we see Y-o-Y comparison? Do we expect the similar kind of growth?

Dr. Pawan Singh: What is Y-to-Y phenomena which is almost its a pattern slowed down in the second, first and then pick up in the third and fourth, so that Y-to-Y phenomena is there but as I was telling in the opening remarks that towards the end of September and at the beginning of October, in the market there was some credit squeeze which of course throw forward of our disbursements which we hope cover up in the coming quarter.

Aditya Shah: Do you have sir, any exposure to IL&FS?

Dr. Pawan Singh: We have one exposure to IL&FS, CFO will give a detail of the project as well as the status, nature and the performance.

Aditya Shah: Any abroad figure, number?

Dr. Pawan Singh: He will give you the number.He will give you the status of the project and performance of the project.

Sanjay Rustagi: So we have the exposure of around 184 crores in IL&FS Tamil Nadu, that is a coal based project and at present is servicing the debt on time and is a standard asset and they have PPA for the entire 1200 megawatts, fully operational SPV, so lenders have a control over the TRA accounts, which is a standard account for SPV, and the project is generating the revenues to service the debt with not even a single day delay in any of the payments.

Moderator: Thank you. The next question is from the line of Manoj Kumar who is an Individual Investor. Please go ahead.

Manoj Kumar: At the outset, I would like to wish best wishes to Dr. Pawan Kumar for his promotion and with becoming Managing Director and CEO. Sir, my question is relating to constant performance of loan book. If I look at quarter 2 number, your debt sanction, your total outstanding loan was 14,300 crore and then in quarter 1 this year and quarter 2 this year, it is almost at the same level. There is 100 crore plus minus and this is the one question why we are not growing, our business is not growing. Secondly, the cost of fund is increasing rapidly. This is one of the concerned idea, so I need a bit of information why this is increasing so much and the major performance parameter is your net interest margin and yield is also not increasing. So what is the timeline how we are going to improve it in future and secondly sir, your total debt sanction is also not showing an increasing trend, it was 22,400 crore last quarter. Again it is 22,300 almost there is a marginal increase. It is 22,400 crores. This numbers give an indication that if we compare with the last 2 to 3 quarters, there has not been any much increase in main performance parameter. So can you sir, explain it?

Dr. Pawan Singh: Your first question was on the portfolio size. If we talk about our portfolio as on 31st March 2018, loan book was 12,800 crores which has increased.

Manoj Kumar: I am talking about fund and non fund based both figures, so that's why I give you that 14,300 crore figures for quarter 4 last year.

Dr. Pawan Singh: If we talk about the fund based business, so fund based business has increased by around 800 crores because as far as my earning capabilities are there that is on the fund based business on which I am earning the interest and our fund based limit has increased, the loan book has increased from 12,800 to 13,366 crores.

Manoj Kumar: So it is a marginal increase, sir, after two quarters, if you give a figure of 800 crores that company you will be having a total book of 13,000 crores at the start of the year, suppose?

Sanjay Rustagi: The portfolio has increased from 12,800 crores to 13,600 crore, so it will give the increase of around 7%. Yes, in the normal scenario if you see our growth, it is happening on the last two quarter of the year and during the first quarter of this financial year, we are able to close few of the loan accounts where we are expecting certain stress, even one of the IL&FS loan account got closed in the April month itself and there are 3 to 4 loan accounts which we are able to close it down and the total loan which we are talking about are around 500 crores, so those are the standard assets, but we are expecting certain stress and then we simply get it close those loan accounts to maintain a healthy loan book.

Manoj Kumar: No, sir, I am talking about sir growth. You were doing restructuring of old accounts?

Sanjay Rustagi: Not restructuring, we got the prepayment for the entire loan outstanding in the range of around 600 crores. If we add those 600 in the increase of the book size, my book size has increased by 1200 crores.

Manoj Kumar: But this quarter is also approximately 50 crore is only increased in your loan size?

Dr. Pawan Singh: It is a market phenomena, actually there has been prepayments coming. That is the reason why it is so reflected.

Manoj Kumar: Sir, you said at the outset that you will be giving future scenario? So if you throw light on future means if we can increase our business significantly, how we are planning?

Dr. Pawan Singh: If you are going to take my numbers, share that numbers with you. At the outset also said that we have grown by 27% in the current year compared to the half year in the comparative period and what we have said is that we maintained this kind of a growth in the current year also.

Manoj Kumar: No but last year, up to half year, it was better but the books were in better shape, so we can, thereafter it deteriorated?

Dr. Pawan Singh: See, you will have to take by numbers as it comes, so historical is available with you, so historical numbers are there where they are there. So we have the historical numbers. Now, what I can tell you because you are talking about the way we look at it in the next 6 months. Six months, we are saying that we would be maintaining a similar kind of growth what we have maintained in past 6 months. Notwithstanding that also I want to tell you in the current half year, we have done sanction close to 2500. In the last year, we have done sanction close to 4002. Last half year in the corresponding period, the disbursements were close to 1741. We have done disbursement close to 2028 in first half. So in disbursement, we have gone up, in sanctions that has been decline but let me also tell you as a part of the sanction happens in the Q3 and Q4, so this will happen, also notwithstanding that like my colleague just now told, sometimes better to consolidate and we have been focusing now on getting rid of our stressed assets and that is the reason wherever early warning signal were available, so we got rid off those assets, we got them prepaid and we settled it. This was the time when the market scenario, stressed assets were going up in the market, it is the time when also pressure coming on the cost of capital and so on and liquidity. We decided to balance growth with consolidation, so that is why these two quarters you have seen this way, but let me also assure you that this situation should be temporary and going forward we would maintain, as far as the growth is concerned, we will maintain the growth, what we have been able to demonstrate in past. Withstanding that we also assure you the operating parameter in stressed asset, you will find far far more tangible results which will be available to you.

Manoj Kumar: That is where you are working on it and one more thing I wanted to know what you were doing on the cost of funds, to reduce cost of fund sir?

Dr. Pawan Singh: Going in the past quarter, that is quarter 1 versus this quarter. Quarter 1 our cost of capital was 8.18. Our 8.18 if you compare it with industry average, this is perhaps if not the lowest, one of the lowest, so we were able to do it despite the fact that we were A1+ rated company, There are companies, I would not like to name them who has had AAA, so our cost of borrowing was even lower than that. That demonstrates our ability to bring down our cost of capital. Now let me also tell you that we cannot be untouched from market phenomena, so you have seen that there has been tightening of credit since last quarter, see how the money market has been behaving, so interest rates have been going up as we cannot be shut off from there.

Manoj Kumar: are you borrowing from money market also short term?

Dr. Pawan Singh: No, no, commercial paper we have reduced, we had an outstanding of 1500 crores, we have got it down to 150 crores and that also is from the institutional investor where there is very

less possibility of roll back not happening, in any case, the amount has been reduced to insignificant.

Manoj Kumar: You have any plans to borrow external commercial borrowing?

Dr. Pawan Singh: We already have external commercial borrowing in our books, we had IFC, we are from DEG, we are from FMO, we are from Austrian development. Hence we want to expanded this year and include other bilateral and multilateral financials.

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

Rajesh Nangal: I could see that in May 2018, there was a tender you had asked for the bidders, from ARCs you had asked for 5 projects and almost everywhere, we have quoted below whatever loans we had given, so on one asset, across 70% haircut we were taking, so on what basis, the cut is taken, isn't there any business evaluation or asset evaluation done, that is one part because if we are taking a hit of 70% on a loan, then what is the justification for that?

Dr. Pawan Singh: See, as far as those evaluations are concerned, based on the evaluation, we had called for the bids but we did not proceed for the bid at that instance and that bids were withdrawn. Subsequently, we had called for bid for projects later on subsequently and out of which two projects we have gone for ARC and in both the cases, in one case, we have realized close to the book value, whatever was the book value net of provision, in other case, we have realized close to two-third of the book value. Other cases, we have decided not to go for ARC, we have gone two cases which we have mentioned now that large amount were involved. We have gone along with the consortium that is SBI and we have gone for one time settlement.

Rajesh Nangal: So how much hit had been taken out of on the remaining 3 projects?

Dr. Pawan Singh: Remaining 3 projects, 2 projects which we have already mentioned are Prayagraj and SKS. Against total loan outstanding of 670 crore, a provision of 380 crore has already been mentioned.

Rajesh Nangal: No my question, maybe I am not able to convey. My question was out of these 5 projects, you say that we have realized the book value, almost, but the remaining three projects you have withdrawn from the bid. So the main point remains in future on what parameters the reserve price was arrived at, was there any evaluation because if we are taking the hit of 70% of any asset, then there was something wrong in the evaluation or we have judged the scenario so wrong that we have to take a hit, wouldn't it be proper to complete the project by whatever means and then sell it because if 70% hit we are taking then that is a huge loss. Those were the 5 projects and if the same methodology is continued in future, then I don't see anything process that you have arrived in selling the projects to ARCs, so business evaluation or asset

evaluation, what is done in those 5 cases before we put up for the bid and will the same scenario happen in future?

Dr. Pawan Singh:

Let me tell you the stress of this kind was never felt in the industry before, so this time this is a unique situation which was thrown over. Now, if you have a situation like this you have different strategies to handle a particular problem or stress and that is why we adopted a multiple strategy to handle this while we were doing ARC, we were also at the same time engaged with the existing lead lenders, has to see as to what how the reports, the existing lead lender is going to take and we would have parallely would have acted on it and we would while why we would have done all this options because at right point of time we will take whatever is best suitable for the company, so in light of that, it is not only that we were trying ARCs but we were trying other routes also, we are trying to sell the assets to may be some other lender would agree to take those assets but that did not happen. We also were closely engaged with the existing lead lenders as part of the one-time resolution plan. I am seeing that if you could extract a higher value for us, of the existing lenders, so that also we attempted. Now in the two assets which I had mentioned where we have realized in one asset full value and one asset we have realized close to two-third value, we felt that the ARC route was the best possible and we have gone ahead with the ARC route, which would have given us better value than the value would have gone through any other route which we would have adopted. The two assets which we explored to best of our ability, we felt that there was no other recourse available to us other than going with the lead lender SBI in this case for one time settlement and that is how we have gone for one time settlement. Going forward for approach we are not agnostic to any particular approach, we will be open to all possible approaches and out of the three approaches, our effort would be to realize the best value for the company.

Rajesh Nangal:

Yeah, but 70% was too big, so that is why if we are going up definitely I assume that you must have explored every option but still we landed up with the reserve price of 70% haircut so that is worrying for me, let us begin, I had asked Mr. Rastogi and couple of other people in one of the phone calls after our conference call was over but I did not get any answer, so and one point which does not, I will move to next question sir, I would not take time of the other participants.

Dr. Pawan Singh:

You should not go with a doubt, there is no case where 70% hit has been taken.

Rajesh Nangal:

No sir, in the reserve price bid.

Dr. Pawan Singh:

There is no meaning if it is not rectified it has no meaning, so it is only an indicative price, it does not .

Rajesh Nangal: No, but if the reserve price is sir taken and if it is sold at a reserve price, so in that case we will be taking the hit, is it at the discretion of the company that you will not accept a bid or record we got a reserve price.

Management: Sorry for interrupting, but I am not remembering any incident where we had fix up reserve price is 70% loss.

Rajesh Nangal : If I cannot give you the figure exactly but that was the item on the May 2018 tender notice, I guess out of 70 Crore may be that was the value of the loan, may be 20 Crore was the reserve price.

Dr. Pawan Singh: I don't think so there would be any loan account where we had given reserve price or say approximately 30% of the loan amount.

Rajesh Nangal : No I am 100% sure, in fact we discussed it. I was not yes we had discussed.

Sanjay Rastogi: I will answer this, probably you are mixing ARC with one NCLT case that is Rajpura.

Rajesh Nangal: No sir, I am not mixing it because that was a tender notice on the website itself, company website.

Dr. Pawan Singh: So, in ARC I don't think so we had.

Rajesh Nangal: No it was the reserve price that you had mentioned that yes, we want to invite the bids for ARC or interested investors like that, so can see the tender notice, it was first in April, then again you had put adding another asset on May 2018 notice.

Naveen Kumar: See there is some communication gap & some confusion is there, It will be better if we get the realistic information in this regard so that we can address your query and remove the doubts. As Mr. Rastogi and Dr. Pawan Singh are saying & as I have already explained, we have not entered into any such type of dealing with 70% haircut based on the valuation we have got done. The process we are following even when we are selling it to ARC is in line with a board approved ARC policy. We see what kind of price we are going to get in this regard. There are different option to manage the stress assets, one is selling to ARC, one is to resolve the issue through restructuring etc., if it is not resolved then IBC mechanism is there, through all these options, we can translate them into the financial figures, working out NPV, then we can see which particular methodology will give better results and accordingly we go ahead. Generally there are many other cases also where we are doing consortium funding so it is a joint decision in such cases. Wherever we are sole lender as I have already explained, we will work out the financials and we will see where do we stand but up till now I don't think that we have done this kind of transaction where 70% of the loss is there, so my humble submission is

you kindly share the information with us so that we may give you the proper reply for that, thank you.

Rajesh Nangal:

Yeah, thanks Mr. Naveen Kumar. I had already raised a doubt in my conference call with Mr. Rastogi, Mr. Bisht and there was another fellow, Mr. Goyal was there about this, so I asked them if there is any standard process that we need to carry out before business valuation or asset valuation since I did not get the answer and I had made them also after that what answers I got for which questions and for which questions I did not get the answer that I had mailed them also already sent about one or one and a half months back to them so I will not again focus on that. Another point, so I remain with that that 70% may be there was more than 50% cut was there that I can 100% tell you. That was bid, I am saying we did not receive the bid or something not like that but the reserve price was like that only, that is my only submission. I will move to next point, as I see as you mentioned, there are only 6 ARCs which are above 100 Crore because you have prequalify the ARC, so if I get to that point then there is a very less competition and we might not get the best price, so I agree to that that there are multiple approaches but then again there is a chance that reserve price is too low. I will move to next question. I do not see the serious miss, you have mentioned that we will go through road, we will go through ports and we are also into road financing annuity projects. Because there was another tender notice which I mentioned, which I saw on the company website about the ipads although it might be very insignificant issue, as a green initiative of the company for which you had invited tenders for 15 ipads and accessories, wouldn't it be much proper to invest in some good software or hiring of people because as I see we have only around 50 employees and not give because the IPads all this thing that okay this is not going to increase any business improvement or green initiative, what is the saving in that, we are spending 50 Lakh Rupees on those things, that does not give an indication of the seriousness of the management in tackling the issues which are in hand.

Dr. Pawan Singh:

The 15 laptops were not purchased for the employees it is only for the board members.

Rajesh Nangal:

I agree to that sir.

Dr. Pawan Singh:

Then in case if you still has any question, so let me explain why it has been percolated and few of our board members are not based at Delhi, they are from Bombay and few are from Delhi or the remote places, so the laptop has been given for the specific software where we can upload the board agenda and those were agendas can be viewed at any times because you need to give a certain notice to the directors, you need to circulate the board agenda. Once you circulate, it will be available on their ipad and whenever if any board members have any query, he can make the questions, it will be visible to others and from the security reason or from the security point of view it is being captured

Rajesh Nangal:

Are you finished Mr. Rastogi, but I do not see that the worthwhileness of investing 15 ipads specifically to the directors when the stock price of the company has gone from around 60

Rupees to 15 Rupees in the last two years may be when the situation improves you can give them personal ipads, we don't have any issue but that does not give any indication that the management is very serious on tackling the cost and other issues. People are looking and we are also looking at the seriousness of the management and whatever justification is given, somebody can always give justification this way or that way but as an outsider, we as an investor do not see as a healthy sign of the seriousness of the management frankly because as you see we also work in the companies and we see from the security point or whatever point, the justification is given that is totally at this point unacceptable.

Dr. Pawan Singh: So we take your point and probably we will see in future, of course now there is an explanation to this as to what value it is adding to the company but nevertheless your point is well taken, we appreciate that you have raised this issue and we will keep this in our mind while taking future decision on expenditure.

Rajesh Nangal: Thank you sir.

Moderator: Thank you. The next question is from the line of Prasun Juhari, who is an individual investor, please go ahead.

Prasun Juhari: Yeah Dr. Singh congratulations on being appointed Managing Director. My question is on our equity investments, have there been any progress on locking of those.

Dr. Pawan Singh: See equity investments we had made 6 investments in past out of which 4 investments we came out and we had realized value close to ranging from 1.8x to as high as 4x in one or two cases, two of our equity investments out of the 6 equity investments did go the right way and one of the equity investments we have fully written off and other equity investment we have provided close to 85% and that has been referred to NCLT and based on the bid whatever balance amount is available you will see as to what amount is available after the NCLT bid and probably we will have to provide for that, so but on the overall basis of the net-to-net basis, if we take the losses in these two equity and the investment gains into 4 equity overall there has been a substantial gain close to about 350 to 400 Crore for the company.

Prasun Juhari: So the RS wind is the one which is totally written off.

Dr. Pawan Singh: Yes.

Prasun Juhari: Okay and sir I was looking at the results, I wanted to ask what the impairment on financial instruments at charge of 24.53 Crore what exactly is that.

Dr. Pawan Singh: It is the provision for the current quarter because there is as per ECL methodology even for the standard assets you have to provide the provision as the PD and LGD model will be created with that model and that's how our incremental provision has come.

Prasun Juhari: And last question is you know sir assuming that there are no additional NPAs in this quarter what would be the gross NPA and net NPA figures for say 31st December.

Dr. PawanSingh: 31st December or 30th September.

Prasun Juhari: No, 30th September.

Dr. Pawan Singh: More or less the numbers, now see the gross NPA or net NPA is a ratio figure which is the reflection of my total asset and total you know the assets which have gone bad, so as far as the numbers will certainly improve from what it is because in any case our asset would be growing up but that may not be true indicator of reflecting things that is one way of presenting things but then at the same time as I told you that we are making our focus on consolidation , our focus has been on improvement of operating margin, our focus is on stress assets resolution and something which did not reflect in the NPA but part of the stress assets, 700 Crore worth we have done and NPA 150 Crore, we have done which were part of the NPA, our endeavor is to bring down the gross NPA numbers and we are hopeful for getting some resolution, it could happen by end of December, probably it could slip into may be the next quarter but some resolutions would be around the corner.

Prasun Juhari: Sir, actually the reason I am asking is I just wanted not the percentages, our gross NPA for 30th September was 928 Crore so and with the one time settlement amount of 342 Crore and subsequently other resolutions which are likely.

Dr. Pawan Singh: Sorry to interrupt, I told you that these were not part of the NPA but they are part of our stress assets. They are covered under the erstwhile OSDR scheme and we were not recognizing interest income of that but they were not forming part of the NPA but nevertheless they were part of the stress asset, so they have been resolved. I said that stress asset NPA would be something like your 928 Crore but NPA Stress assets were close to 1700 Crore put together total.

Prasun Juhari: Okay, thank you very much sir.

Moderator: The next question is from the line of Lalita Shrivastava from Share khan, please go ahead.

Lalita Shrivastava: Thanks for the opportunity sir. Most of the questions have been answered. Just a slightly long term view, I wanted say in the next 2 to 3 years, how would your book composition look like and secondly on your margin side, you know, we had seen margins coming off from previous level so going forward as and when we build the new book and lookout for new business verticals, what will be your pricing strategy and milestones there in that aspect, thank you.

Dr. Pawan Singh: Yeah Lalitha, good to hear you and I am now seeing you only on TV, so I would like to say, you know, see as I lets go little bit in the historical past, I would like to say here that the

compression has been one of the strong reasons as we have been the interest income of almost 1700 Crore worth of assets not being recognized which we resolved that is one. Compression has also been because of largely our focus being only on the project finance and not the other areas as director operation mentioned and compression also has been because recently not that was not being in the past but recently it has been because of the rising cost of funds, so all these three combined, the future strategy is one of course we will read the benefits of resolution of stress assets so that would be number one. Number two, our strategy is very clear that our focus will be on ROA, return on asset, now for that we have three fold strategy, is to increase our spread on existing business, increase our non-fund based business where we have spread without underlying asset being there and third you know is to also enter into a niche area with existing promoters where we have lot of satisfaction as we have expected that we got in 7 to 8 years and wherever some innovative financing is required which is the order of the day and which is required for certain type of projects, where underlying projects would be same as what they are but the nature of lending could be to the Holdco and where probably you know some kind of finance some kind of a bridge finance or some kind of a tier II financing which would look at, which would give us a higher spread so to have an ROA which we are looking, may be we reach there over a period of time but we are looking for an ROA of 2.5 and for that probably we will have to maintain a spread of going forward at least 2%.

Lalita Shrivastava: Okay, thank you, thanks a lot sir.

Moderator: The next question is from the line of Gaurav Gupta, please go ahead.

Gaurav Gupta: Yeah thank you for taking my call. I have one fundamental question. I was just going through your presentation where you had mentioned that fund based exposure is somewhere around 13365 Crore Rupees whereas on our balance sheet side we have assets of 13043 Crore Rupees so how is it possible that my assets are less than my fund based credit exposure.

Dr. Pawan Singh: That is because of the provision which we have in our books and that is the reason, because apart from the loan there is not any significant item in the asset side.

Gaurav Gupta: Okay, just what you are saying is that my outstanding credit exposure is higher just because it is exclusive of my provisions whereas the provisions have been considered while we have prepared the balance sheet and that is why the assets are reduced on the lesser side.

Dr. Pawan Singh: Correct.

Dr. Pawan Singh: we take cost loan book the credit outstanding as you talked about my net of provision is somehow coming there, that is from 13366.

Gaurav Gupta: Okay, second question is with respect to your nonperforming asset, I was going through one of the article where you have mentioned somewhere around 1500 to 1700 Crore Rupees of assets who are nonperforming out of which 500 have been settled out, 500 more expecting within 3 months. Sorry if I am repeating this question and the same has been answered earlier on because just because I joined the call late. Sir if you can just give a clarity on that how exactly we are standing as on date that what is the kind of nonperforming exposure as and what is the kind of provisioning we have and the clarity in terms of resolution of those stress assets if you can just help.

Dr. Pawan Singh: Actually you know we have of course detail, twice we have answered this question. For your benefit, we will again and what we would like to say here is that we have close to 1700 Crore of stress assets.

Gaurav Gupta: Right.

Dr. Pawan Singh: Out of the 1700 Crore, we had about 950 Crore of NPA assets, what we have been able to do last quarter is that we have knocked off the assets and about 350 Crore stress is what we have resolved at the end of the last quarter, the impact of this will be felt in this quarter because agreements were signed only yesterday. Another goes to around 350 Crore yesterday the board has approved a resolution, these two becomes part of the stress asset, they were not part of the NPA assets. So around 700 get knocked off pertain to stress assets, 150 pertain to NPA assets. Looking for the resolution of another 150 Crore of the stress asset book which is not today part of the NPA book, hopefully in this quarter and at best early next quarter, but our the strategies we have adopted of getting the NPA assets resolved, out of the 924 Crore assets which we have, close to about 250 Crore is on advanced stage of one time settlement, balance whatever is left about close to 700 Crore, little less than 700 Crore between 650 to 700 Crore is at various stages of NCLT resolution. Some of it should get resolved in the next 180 days, some of should get resolved during the later half of the next year.

Gaurav Gupta: Question of one time settlement, so approximately how much hit you have taken like if you have disbursed or you credit **100** Rupees then how much you are able to recover out of that just to get a brief idea on an average.

Dr. Pawan Singh: Against the total provision which we have in our books as of now against the stress and the NPA assets goes to 990 Crore, so it is as good as more than around 50 to 53% and the rest of the amount is almost refer result, so we are not expecting any significant loss, as of now.

Gaurav Gupta: Okay, so what you are saying that exclusive of provisions whatever assets you have on your books, you will be able to recover in full.

Dr. Pawan Singh: We will be able to recover almost the residual value of those.

Gaurav Gupta: Net of provisions.

Dr. Pawan Singh: Net of provisions. That is the expected credit realization higher than the provisioning as prescribed by the RBI.

Gaurav Gupta: Sir last question with respect to your growth perspective if you are thinking of let say you were answering to one of the earlier participant question that in 6 months to this year you have grown near about by 6 to 7%. So if I extrapolate that to the year and going forward, so how you will be funding your growth, are you expecting some equity infusion from the PTC India or you are just to fund your growth you will be going to markets or what exactly are the options in front of you to fund your growth perspective going forward let say 5 years down the line.

Dr. Pawan Singh: At present we are exploring various option for the funding, it is the bond, it is the ECBs or the private equity, there are the various options open for this.

Gaurav Gupta: Okay fine then, thanks a lot, that is all from my side.

Moderator: The next question is from the line of Manoj, who is an individual investor, please go ahead.

Manoj: Yeah, good evening, my question is with respect to your investments, equity investment as you said that you made 6 equity investment, so what is the company's strategy going forward whether in future as well it will go for the equity investment in the project or it will just play the role of a lender kind of it and second question is what is the focus area for the company, now as you see with the solar and the wind project, the auctions are getting canceled and redone because of the lower price and there is issues with the offtake of the solar and the wind power, so which are the areas the company plans to focus over the next few years on that.

Dr. Pawan Singh: I have already told you that board has taken a view point that we will not do any further equity investments so equity investments are not that in our range. So what we will be doing is certain structure that which we have not done in the past probably we will start doing that because there is an opportunity, we have built up a track record, we have built up certain relationship with some of the promoters where we are comfortable where they have demonstrated a track record of excellent performance that probably we will look at doing some structured with a higher margin may be duration or tenure also. We will try to unlike what we do today 15 or 16 years project finance where probably we will be doing shorter tenure financing. Shorter tenure I mean 3 to 5 years kind of a financing with higher margin and higher fees. That would also help us to maintain our healthy asset liability match. As far as you are talking about solar and wind yes I do agree with you that some of the tenders did get canceled recently, all have had different reasons for you know not getting canceled but there has been large number of tenders also and the government of India planned to add 1

lakh 40 thousand megawatt of renewal energy, still is in the pipeline so and if investments in revision of climate related energy is good, it is not that can be stopped and it has to grow in a very-very large way and it will remain to be one of the significant areas of growth for the country and it will not be wise to ignore that the kind of growth which is likely to happen here and that we have build up a track record of doing this kind of a business, it will also not be very prudent for us to totally shut up from these areas where the tariffs have come down considerably, but let me also tell you while we do each case, we evaluate on its merit and wherever we have our own benchmark of DSCR number we have our debt equity numbers, we have our IRR numbers, we have our equity IRR numbers, we have P90 kind of a test where what is the kind of PLF which is going to happen, based on that we take a selective call on each investments which we make, so.I was answering it and most of the answer was given to this particular person. So we will continue to look at it as we will continue to as I said focus in certain areas and as I said of course along with that we are not also not fully wised to put all at the one basket so we have started limited diversification on selective basis where we pursue the risk to be low and we pursue good market opportunity to be available that we are doing.

Manoj: Okay, thank you very much.

Moderator: The next question is from the line of Gaurav Gupta from Dheerav Group, please go ahead.

Gaurav Gupta: Yeah, thank you for taking my followup question. My question is with respect to the dividends, there has been considerable downgrade in the dividend that the company was paying till last year and that we have recommended this year so what exactly steps as a management we are taking to reinforce the confidence of the investors in the company and to reward the shareholder accordingly since major shareholder is PTC India, I think there will be pressure from there side as well to give the dividend accordingly, because I think last year only they have infused additional equity in the company to fund the growth, so what exactly the steps you are taking to reward the shareholder accordingly.

Dr. Pawan Singh: Last year, the fall in dividend was particularly because the profits had fallen down and profits had fallen down because of the high number of provisioning which we have to do both voluntarily and as a prudent measure and because of that the dividends had to be retained at a certain level. We are trying to make certain kind of a dividend release in the past and we will try to make a single dividend yield going forward based on the profitability but the underlying thing as you very rightly said that PTC has around 65% and the expectation for us is quite high on the providing parameter and we are again trying to take us. We have explained it around round of the conference that we are taking helm lot of measures to bring about improvement in the profitability in the spread in the ROA and while we do that it will definitely get reflected in the bottom line and when it gets reflected in the bottom line we have a consistent policy of dividend which we will continue to follow.

Gaurav Gupta: So just one last request on whatever way you want to take it, the last con-calls as and when you had with the investors who are the analyst, transcript of those con-calls are not yet published on your website, so all the investors which have invested in your company, they are not having at par information along with the analyst with whom who conduct the con-calls. So just a request is arrange the publication of those transcripts on your website so that as and when someone required they can go and refer that what you have communicated to the investor community at an appropriate time.

Dr. Pawan Singh: Thanks for giving us this feedback and we will do that and we will also do this for current quarter and I hope you don't get opportunity to complain.

Gaurav Gupta: Thanks a lot.

Moderator: Thank you, ladies and gentlemen, that was the last question, I now hand the conference over to the management for their closing comments.

Dr. Pawan Singh: Mr. Naveen Kumar, Director Operations would give a few vote of thanks and concluding remarks from the whole team.

Naveen Kumar: We are indeed grateful for getting an opportunity to interact with you all and get an opportunity to share the thoughts with you, to know about your concerns and the area where we have to focus more, concentrate more, so that there may be a visible improvement in the operations of the organization. Regarding your concerns, I would like to say that certain changes which have taken place on the regulatory front have also been one of the major reasons for the financial results to get affected, otherwise as far as our operational performance is concerned, is reasonably good, our people are doing well, we are in the process of generating more and more business opportunities and we are seriously pursuing for going for diversification in our business operation so that we will be able to demonstrate improvement in performance which will further restore the confidence of all the investors. With these words, I would stop here and thank you so much to everyone for being with us and interacting with us on various issues, thank you.

Dr. Pawan Singh: Thank you very much last word from the management. Hope to see you again after one quarter may be hopefully with some different may be better numbers, thank you so much.

Moderator: Thank you sir. On behalf of PTC India Financial Services Limited this concludes today's conference call. Thank you for joining us and you may now disconnect your lines.
