

PTC India Financial Services Limited
Q3 FY19 Earnings Conference Call
February 12th, 2019

Moderator: Ladies and gentlemen, good afternoon and welcome to the PTC India Financial Services Limited Q3 FY2019 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 the touchtone telephone. For convenience of all it is requested to ask maximum two questions in one turn and thereafter you will be placed in queue for another turn. 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 sir.

Pawan Singh: So good evening and welcome to today’s investors conference as you have rightly mentioned that I am accompanied by Shri Naveen Kumar, Director Operations and Shri Sanjay Rustagi, the Chief Financial Officer. While, I will take you through the results, the details of course will part of it, will be shared by the Chief Financial Officer, Mr. Sanjay Rustagi. Just wanted to tell you as to what was our focus in the previous quarter and the previous quarter was the quarter of consolidation, that is, we were focusing largely on our stress assets finding suggestion to that and we were focusing on the environmental challenges which have been thrown up, there had been some liquidity issues and everybody was affected by that and we were also not left untouched but we have taken a very innovative measures and very-very aggressively we took up certain issues and as I take you through, we will be able to tell you how we have been able to handle that. So

that was how our whole focus was and basically if I take you through the results some of the broad numbers if I compare the profit after tax, compared to the same quarter of the previous year, the profit has gone up by 32% nearly and if I look at total income then it has gone up by close to about 13%. The interest income also has gone up by close to 16.5%. I will explain you as to what are the issues pertaining to it and how gradually the numbers we will see a qualitative change. The pressure on cost of funds was there because of the liquidity and compared to the previous quarter of the current year and also in comparison to the same quarter in the last year, the cost of funds have increased roughly by about 50 points but our strategy has been to pass on whatever be the increase so you will find that whatever increase has happened in the cost of funds, the increase has also gone on the yield side. So we have been able to neutralize our cost of borrowing by passing on whatever increase in the cost of funds have happened. Net NPA compared to the preceding quarter, there has been some improvement compared to 3.47% now it stands at 3.29% and we are endeavoring towards less than 3% towards end of the financial year. Gross NPA also seen a small reduction from 6.95% to 6.85% and we hope to maintain the trend in the fourth quarter itself. As far as the loans outstanding book is concerned we will see that loan outstanding compared to the corresponding quarter of the previous year, it has gone up by roughly 15% and there are three loans which were part of NPA or stress asset which we resolved so if you were to take that probably this number would have looked little better close to about maybe 16.0%. However, if I compare my loan book to the preceding quarter there has been only a almost flat kind of growth, small increase has been there, the disbursement went up by close to 700 crore but we had prepayments close to 500 crore but as I already told you our focus was on consolidation, our focus was in this quarter more on managing the liquidity challenges. Many of the NBFCs in this area who were there had to down sell or down size their book we did not have to do that, we continued to do business as usual, maybe we were not so aggressive in

this particular quarter. With the announcement I would like to make, you might have come to know through other sources, is that we have been able to get straight away 1000 crore loan from State Bank of India and other 300 crore from Syndicate Bank. We have been able to get partial credit enhancement from SBI which gives me a borrowing capability of 2000 crore through bond route at a higher credit rating during the year. The SBI case was the stellar case and first of its kind which has happened in the NBFC industry and this has been almost a pioneer move and lot of other banks and financial institutions are now showing interest to do a similar kind of transaction. In this regard let me share with you that PTC Financial Services is little ideally placed because long term we have A+ rating and any credit enhancement puts us in a very good position to draw lot of debt capital, lot of funds like insurance, pension. Provident funds, have a threshold limit of AA+ so that money can be attracted into the company. So for that angle yes we are one of the bigger institution, we are quite comfortably placed and that is why so much of interest is being.... Having thickened the liquidity position behind us we are now we will business as usual and the disbursements in fourth quarter are likely to pickup. And similarly the sanctions would in the previous quarter was close to about 1300 crore which is higher than the quarter which was preceding quarter, the same quarter of the previous year much higher than that but it has slightly reduced from the preceding quarter, but this sanctions would continue to be the way business as usual from this quarter onwards.

As regards our yields are concerned I said that compared to previous quarter there has been small increase in the yield. Another thing is that we have been able to neutralize the cost of borrowing by increasing the yields. Yields have been put on a little bit of pressure as we had explained in the previous quarter because roughly about 1700-1500 crore of my assets are non-yield bearing assets. We have been able to resolve close to 850 crore worth of assets and payment of two large assets comprising to close to about 700 crore, we are likely to get

payment maybe by 1st week of March or maybe second week of March, so with that our operating parameter would have shift not only on return on the assets or the yield but it will also have bearing because my denominator would get alternated and probably all the operating parameters would see a distinct improvement as forth coming. So, I have given some kind of qualitative view point of the financial result and the approach of the management on the whole thing. Also just wanted to before I just hand over the mike to my colleague, Director operation, I have started focusing also on higher spread, higher NIM projects so last two board meeting we have been able to take proposals which average would have had a yield of close to 11.5% to 12% so this is what our thrust area will be going forward, we should be able to sustain this kind of yield on our loans. Now, I will request my colleague Director Operation to give you a little bit snap shot on the business going forward.

Naveen Kumar: Good afternoon everybody. I am Naveen Kumar, Director Operations. I would like to share some thoughts about our business operations in PFS. Our focus continues to be on the funding of low risk and high yield projects, so when I say low risk and high yield projects, under low risks we are covering HAM projects in the road sector, then some renewable energy projects where SECI and NTPC and certain good discoms like Karnataka and Gujarat discoms are there as power procurers and also some of the transmission projects, very good transmission projects, high yield projects means we have given the financial support by way of loan to some holding companies. Basically high yield segment presently is one of the thrust areas on which we are perusing and we are extending the financial support, then , our another strategy is that we are focusing on the good client and such clients in renewable energy projects include GreenCo, Hero then Acme group is there, Adani, Solararise, NJ, Azure, Actis also and we have extended the financial assistance to these organizations so that gives us a lot of comfort and just to share with you, our renewable business about our

sanction it is around 55.3% of the total loan sanction portfolio for the renewable energy projects and about 2700 crore we have sanctioned to the holding companies. For the other infra sector, we have funded about 3900 crore which is about 18.5% of the total loan portfolio. And out of about 8000 crore worth of assistance we have extended for the renewable energy projects, about 7500 crore of loan given to various of project which are in the operational stage now, Then we are thinking of diversifying to different areas but at present our focus has been, apart from renewable energy and conventional project, is on the road project as I have mentioned. We have sanctioned a loan to some very good clients for road projects, HAM projects as they are quality projects, risk profile is low and in the nine months period 2018-19 we have sanctioned about 1260 crore worth of loans for the road projects. And for renewable sector it is about 1697 crore and for transmission projects 400 crore I won't like to talk about the figure much because MD and CEO has already shared many figures with you in this regard so I will touch some other issues . Then coming to the monitoring side, one important thing is what we feel in our organization, monitoring function is of paramount importance, where we are keeping a track of CUF, plant load factors, monitoring of the TRA accounts, billing and payment cycles of the counter parties of our borrowers. We have created certain formats and we are regularly getting the information on them and then there is some project relating part also in this regard. We are having some of our executives having site experience also. They have worked in the power projects. So to know what kind of formats are to be created for getting the information on regular basis, what kind of information we require from the lenders engineers etc. In fact, We have seen in most of the banks and financial institutions, there is some financial monitoring is being done in a outstanding manner, but added feature in our organization is we are giving the equal weightage to the physical part of it also. So, slowly and slowly we will try to just interact, during our interaction with the other lenders financial institutions we will share the monitoring is physical part as we are

doing so that we all come on a common platform and then because of this monitoring, project installation and handling of the issues and managing them will become relatively similar and it will be for the benefit of all the lenders. Then another area which I wanted to discuss is our initiatives in IT area. In IT area after adopting ERP we are moving our operations on an integrated IT platform so that data will be available on a common server and this will be available to everyone and thus everyone will be on the common platform because of this, PFS is also adopting cloud infrastructure for continued business operations, so if some disruption is there then we can always recover our IT data parked at the multiple locations.

There is another feature and of course it is a new domain only, i.e. consultancy domain , we have just started it and we are figuring out, what kind of activities we can further undertake, though we have already completed some of the jobs with NTPC and regarding the financial appraisal of a 5x10 megawatt gas based project, then from IndAS services for Telangana Transco project we have done and we are in the process of submitting our bids against the different jobs/proposals which are being advertised. One is linked with the ADB which is the feasibility study for the roof top solar projects, then one is for the financial appraisal for the central coal field where they have invited proposal and we have submitted our bids. This of course, is a new area but we are pursuing it hard and let's hope we will be able to do something significant in the coming time. So with these word, will stop here and I will request MD and CEO to take over .

Pawan Singh: Thank you very much and Sanjay would you like to say something about figures additional.

Sanjay Rustagi: The results are there and I think you have covered most of the things.

Pawan Singh: Okay, so what we will do is that CFO is also here and we are all here and we would like to take questions. Only thing before we do well on

that I just wanted to give a little bit of clarity on the stress assets because that is one area which has been, as Director Operation mentioned, that we have a very strong monitoring team now in place and we monitor both at the technical level and financial level so it is not only appraisal which is done, the due diligence which we carry out but it is also the monitoring of not only the financial flow but the project performance such as CUF, the completion timelines and critically monitoring the counter party risk health and so on, so that is one. Just want to state that because the stress assets which we have, my total whatever capacity asset I have, more than 60% is in-renewable and more than 20% in other category. So renewable and other category that is no stress, other category of course there is one stress which is historical case which has been there for long time about more than 7 years which we are now in advance stage of resolution. Apart from that these two areas does not have any particular stress, most of the stress is coming from the thermal sector, one or two solitary case from the old hydro sector which we have. In Thermal as I already told you about roughly Rs. 850 crore we have been able to resolve, 150 crore is advance stage of resolution and balance we are at various stages either of recovery or various stages of the process which has to be completed and in the financial year maybe 19-20 I think most of our stress asset also would be behind us but these are all historical cases past legacies and we today have thermal exposure of about 17%, this quarter with these two payments coming we would be less than 10%, single digit and during the year we hope to bring down thermal close to 5% to 6%. So with that not only our thermal asset will come down but stress asset would have significantly reduced and the dampener bridge is there because of the stress asset being there and the item being shown on the asset side and no returns probably gradually that will start reflecting in my balance sheet, profit and loss account in coming quarters. So this backdrop, questions would be welcomed.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen you are also requested to limit your questions to two per participant time permitting you may come back in the queue for a follow up question. Ladies and gentlemen we will wait for a moment while the question queue assembles. Our first question is from the line of Gaurav Gupta of Dheerav Group. Please go ahead.

Gaurav Gupta: Just one clarification, like you are saying that exposure in thermal will get reduced from 17% to within a single digit I think last quarter we were also referring the same thing on same lines, so are we saying that once we will be receiving the funds of the two cases that we have resolved for SKS and Prayagraj once the amount will be received in the first week of March then this exposure will be reducing to single digit?

Pawan Singh: No, see what will happen is that, yes Prayagraj and SKS will go out of our balance sheet, so they constitute close to about 700 crore now if I take out this 700 crore then straight away my thermal assets comes closer to single digit.

Gaurav Gupta: So 700 you are saying that is in terms of outstanding because in presentation that you have shared thermal is Rs.2137 crore as on Q3 FY19. So 700 you are talking about outstanding exposure right?

Pawan Singh: Yes, we are talking about outstanding only.

Gaurav Gupta: My first question is related to this commentary that were saying that we are focusing on high yield and low risk projects or exposure mainly by lending to holding companies but the current scenario in the last four, five, six months that we have seen major stress have come in

ranking the initial sector from holding companies only whether it is ILFS or Vedanta or ESSEL or any other from motor group they were highly leverage at the holding company level so is this the right strategy when we are thinking of increasing our exposure on the holding companies in terms of getting high yield though we are saying it is a low risk just want some color on this particular part from your side.

Pawan Singh:

I am very glad that you raised this point we wanted this to be clarified. See when we talk about holding company, here this would be primarily to the holding company which are holding companies for the SPVs in the renewable space. So, what will happen is though it will be going to the holding company two things we take control that we ensure that the money goes in the SPV, number two we have at least N plus two kind of an safeguard mechanism for getting the cash flows and would be here probably this is either a bridge finance or it is a mezzanine finance, so end out be either the financial closure the bridge money coming back or if it is mezzanineit would be some other source of money coming to the, that is N. N plus one would be most of this money which we give is normally in the renewable energy because this is a core area when we have domain comfort and most of this money would be going in to the EPC business. Now EPC normally has a margin ranging from 7% to 10% so the EPC payout would itself be sufficient to service our debt then N plus two when I am saying many of didn't show that some of the SPVs which are, we ensure that all this wherever we are lending to Holdco so there we ensure that there are SPVs available who have operational SPVs and there is a sufficient cash flow coming from SPV which have been operation for two years or three years and that surplus cash flow flows into the Holdco and normally we have a earmarked to the whatever additional cash flows are coming Holdco from this SPVs so there are safeguards in built. We ensure that end use is for a certain purpose, we have a clarity and that advantage on Holdco because most of this renewable energy

companies, this is not the only argument but this is one of the arguments in their favor others are the argument which I have given is that many of this holding companies have on them a large not one but three, four fund houses. So the ship is too big so from that angle of risk here, it would be even lower than what you would have done to the project finance company while we have the support of the project, we have the project of another by out coming and you have the support of EPC money and then you have the, you are doing it at the level where the entire cash flows, also we ensure that most of this Holdco enjoy a credit rating of high credit rating that is A+ or AA kind of thing so also we ensure while we do the disbursement we put a clause that the leveraging at the Holdco does not cross a certain x plus 3 or x plus 4 kind of leveraging. So these are the safeguards which are built and there are people organization I may now like to name them here who have been taking advantage of this market, we did not do that and they have done this business for last five years or six years and this portion of their business carries zero NPA. So to be in this business and only do low yielding and not look at the business areas where others are able to do and also understanding the risk and also understanding that at a substantive level, the risk could be lower than what I would have done project finance, it would be totally unwise not to take 200 basis point or 300 basis point extra.

Gaurav Gupta: Right. So, but if that is the scenario don't we think so that the other financial institutions which are also chasing this low risk and high yield kind of a segment which is very particular kind of scenario, even fetching a intense competition from our competitors which are no other than the bigger financial institutions of the country.

Pawan Singh: Yes, so when you know this is the area in competition there and competition could be there even at the SPV level so we have competition at that level and we would also have competition at the Holdco level. So competition, it is a necessary thing which is there in

business so we would have to face reasonable competition here and there but it is also very important that this part of the business when I am in this business vis-à-vis my competitor, because my competitors has already been there in this space, I was not in this space. So why I should lose out on the portion where my competitor is able to get better money, better returns, better yields with low risk so I have to be there but also let me tell you that with the way we have been able to manage liquidity in the current scenario probably we have better advantage over our competitors because liquidity wise we are very comfortable and many of the competitors are not expanding the way we would be able to expand. So this is a time for us to probably we have the unique advantage and we would like to take full benefit of this situation.

Gaurav Gupta: Yes. My second question is last time we reported that IL&FS Tamil Nadu was a regular account with us, any status or any stress we observed or they are still getting servicing of the facility on a regular basis.

Pawan Singh: Mr. Sanjay Rustagi will answer this.

Sanjay Rustagi: In case Tamil Nadu they have not paid for the last one month and the only thing which because of that NCLT order and even the NCLT has asked all the lenders to, in case if they have any concern they can file an intervention application and we have filled that application and may be the next hearing is on 12th of March that has time. So since this project is because as per the RBI guideline 5/25 scheme has been implemented in the month of January last year and since then the company is generating sufficient cash flow to service the debt and DSCR was around 1.2% and with that assumption, because at that point of time they have a PPA for one unit and We have taken other merchant sales at a certain rate and later on, they have signed up a PPA with the PTC for three years at a rate of much higher than which we have projected so DSCR will improve further. So we do not see any challenges, the paying capacity has been diluted even what we have a

comfort from them that they have not taken the promoter support from last one and a half year or two years so that project is self-sustainable, it is a matter and the case was listed on 12th of March, let see by the time we will get the payment.

Gaurav Gupta: Last time we reported that we were having exposure for Rs.184 crore any reduction in that or NP exposures or is it still at the same level?

Sanjay Rustagi: It is around the same level only.

Gaurav Gupta: Okay. Just one last question, what is the collection that we have done in the quarter and the nine months during the financial year, collections.

Sanjay Rustagi : If you talk about the overdue that has not increased so what so ever the amount was due has been collected.

Gaurav Gupta: If can you just give the ball park number.

Sanjay Rustagi : Total due is around, so my monthly interest would be around 85 crore and principal repayment quarterly is around 150 crore so quarterly is around 405 crore payment fully recovered for the existing....

Moderator: Thank you. Our next question is from the line of Sameer Dalal from Natverlal & Sons Stocks. Please go ahead.

Sameer Dalal: Just wanted to clarify on the NPAs you said you are close to resolving 850 crore and 700 crore you are going to receive in the form of cash you said in the first month of, in the month of March at the first week or second week so the 700 is part if of the 850 crore right?

Pawan Singh: No, let me clarify this, because Prayagraj and SKS, so we will be getting close to against 700 crore, close to whatever see we will be getting close to about 300 crore little less than that, 290crore. But the balance portion we have provided for.

Sameer Dalal: Okay. And the 850 crore you said this is, you said it's at the resolution part so can you tell, give us some clarity on what exactly the new terms are there or will you stop classifying it as NPA, will you start recognizing revenue from it, will that push your income levels up exactly if you can just clarify what is happening on those 850 crore.

Pawan Singh: See I will tell you because out of this 850, 700 is what I have just told you, so out of which close to about 290 I am getting back balance I have provided for so on this 290 crore I will start getting my yields. Also what will happen is that this 700 crore which goes in my denominator and straight away pull downs my yield and spread and all those numbers that will not be there, so first is that from 700 crore which was used as a denominator that will not be there but 300 crore will start giving me returns on the yields will start flowing. Balance 150 crore which I was talking about is the balance, this Sispara renewable which was close to about 60 crore which we have been able to sell to an ARC and the cash flows have started coming. We had another exposure Raigarh Champa 37 that also we have sold to ARC, that also we have taken only a minor haircut and one was Rajpur Hydro which was 60 crore, so we got close to about 10 crore and balance we provided for and then one project thermal which is likely to be again resolved either this quarter or next quarter is another 150 crore which makes not only 850 but makes 1000 crore and that 150 crore is RKM. RKM is on an advance stage of resolution with the existing lenders, existing promoters and there we will have probably the whole debt would be restructured in terms of a norm and the part portion of the interest would get converted into some kind of an OCD structure. So we do not expect significant haircut over there, so this is how things is looking very close at hand may be this quarter or earlier next quarter. Rest of the, if I look at my rest of another 750 crore they are, we have made more than 50% provisioning there. And the balance amount through various resolution either through one time resolution

or through ARC resolution or through NCLT route is likely to be settled may be in the year 19-20.

Sameer Dalal: Okay, so then just to take this question to the next step, you said you have pretty much provided for everything in the 850 crore that needs to be provided for, so we will not see any hike in provisions for that part, for the 150 crore you are saying the haircut is going to be very minimal so there will be may be no provisioning coming through there and for the 750 crore there remaining 750.

Pawan Singh: 150 also we have bid whatever required provisioning so no provisioning would be there.

Sameer Dalal: So that leaves only the 750 crore where resolution is still not close to happening but may happen in the next financial year and there also you have done 50% provisioning, do you expect to have to do some more provisioning on that 750 crore or can we safely say that now credit cost would start falling on your existing NPA not the future one but the existing NPA and at what run date would that be, what would be your credit cost be for the next financial year as your estimate.

Pawan Singh: Close to, there are certain places where we have done additional provisioning so we may be expecting some right back. There are certain cases we may have to do some additional provisioning for. On the whole back of the envelop if you ask me I would say may be close to about 100 crore additional provisioning whenever these cases get settled down and net of tax it may get into about 66 crore that is what I am expecting in the worst case scenario.

Sameer Dalal: Okay. Now second question has to do with the cost of borrowing going up. If you look it on a sequential basis your cost of borrowing went up in your presentation from 8.34 to 8.77 now that is some hike and that can be expected given the liquidity.

Pawan Singh: This hike was, all of us are from money market and we have seen how things have been there for last six months so liquidity was taking precedence over cost of funds and naturally when liquidity tightness is there, cost of funds goes up and we have seen that on the mutual fund side, there was total dry down happened, there has been no flow from mutual funds, bond market also harden.

Sameer Dalal: I agree on that part what I am saying is, is the cost of borrowing at 8.77 what you said is that your new cost of borrowing in the sense all additional funds are coming at this or is it coming at a higher rate and this number could actually go up a little further going further because as the average comes through.

Pawan Singh: All would depend how the money market flow happens so probably there could be some very marginal increase for some time to happen but after that I expect this to settle down on little bit receipt but maybe for this quarter there could be, it could be stabilizing at what it is now or it could be slightly higher than that, all would depend, because we are going to do, because have large volume this year is going to be, because all this while I have been doing traditional volume, either ECB or commercial paper or I have been doing bank borrowing or I have been doing financial institution borrowing. But the first time I am going to do a very large ticket partial credit enhancement so I have been borrowing as a A+ company, it will be for the first time that I will be borrowing as a AA+ company so I hope to get some benefit out of that which should reflect in my cost of borrowing. Because this will be the first of its kind and hopefully before end of this quarter first issues we should be able to get, may be we will doing it various tranches and first of it is kind product and we will know how things are unfolding from there on, but the benefit of credit enhancement will definitely flow into the system.

Sameer Dalal: Sure, and last question if I can squeeze in, your yields have also gone up a bit, now can you give us how much have you increased your

existing loans if you have any levy to increase those or it's just that the fresh borrowing, fresh lending is happening at the higher rates which is pulling the yields.

Pawan Singh: No, the fresh lending impact was not so much felt in the previous quarter which probably will be felt in this quarter. The lending has happened as I said in the last two board meetings, so the disbursements of that would follow now, so it is not so much because of it, is basically because we have that ability to pass on our cost of borrowing.

Sameer Dalal: So how much did you increase your lending rates or floating rates or whatever you have in the last quarter on average basis?

Pawan Singh: We have increased it by 75 basis points spreading over few months.

Sameer Dalal: Okay. So we will see slightly high yields even in Q4.

Pawan Singh: Q4 should see the impact of not only recasting of higher cost of borrowing but also because of as I said that the point which you mentioned earlier, you said that whether it is because of you have been doing high yielding business so I said that the high yielding business impact has not been shown in this particular quarter but from this quarter onwards that impact, because the disbursement of those loans have not happened, so impact of that should start flowing from this quarter onwards flowing into probably next quarter.

Moderator: Thank you. Our next question is from the line of Rohit Behal an Individual Investor. Please go ahead.

Rohit Behal: Sir there were two concerns I will start with the first one we are sitting on a profit of approximately 147 crore for nine months and we have approximately 64 crore 20 lakh shares which are issued in the market. So my first concern is why has the management not proactively introduced interim dividend as an exception for this particular year, given the background that we the shareholders we have suffered so

much in terms of erosion of wealth, the stock price has fallen from Rs.40-50 odd to Rs.15 now when we see some sort of improvement in the performance of the company, I guess, I just want to know the reason why the management not proactively thinking for the welfare of the shareholders, over you sir.

Pawan Singh:

See shareholder welfare is paramount importance to us for several reasons, because we are NBFC, we are not a manufacturing company so for us, shareholder is important to all companies, but specially more important to us because shareholder is not only value for us but he is also source of fund for us, so we rank you highest on the priority. So there is no question of shareholders getting neglected and like why we did not declared dividend in this quarter, you also had a point because taking from your argument only that you said that what went by was what happened in last one year. So last one year was challenging year for us, we were trying to focus more on consolidation, that is what our focus has been and what I can say now that we have been reasonably successful.

Rohit Behal:

I will just intervene sir, last one year is totally understandable but from last two years whatever kind of scenario what we are facing with PFS is very unusual because I was reading an article in the Economic Times, where in our parent company PTC India was also not find the investors about the paid investments which they have made and unfortunately PFS really featured was one of them so it was the overall scenario is very disheartening and when we are on a recovery part if it has been much appreciated by the stakeholders that the management proactively while sitting on a profit of 147 crores should have proactively introduced a policy of interim dividend as an exception basis also for this particular year if not on a regular basis although it has different done on a Q-on-Q basis it is more welcome but as an exception basis knowing that stakeholders have lost lot of money in the past, so it would have been really welcomed, any which ways no point

discussing further since we have missed the opportunity my humble request would be, please look into this for the final thing once if the annual profit is what I can presume as of now thinking of finance industry, we are sitting close to 200 crore of profit on an annual basis so please sir look into this that could some of the profit is distributed amongst the stakeholders, reasonable amount, some of the money is left with the company also so we the stakeholders can also gain the confidence back into the company.

Pawan Singh:

Your point is well taken and also to hear our passion behind that and I am glad that you have flagged it, I am surely going to take it to my board and we will try to give it as much weightage as we can give and within the policy we will try to do whatever best is possible.

Rohit Behal:

Great. And before coming to my second concern just a little bit of thing, we can take an inspiration just for an example sake, this is purely for an example sake like a company NTPC quarter results were there and they are also from power industry and they are going their own problems but look at the results sir, interim dividend plus a bonus issues now this is what I call pro-activeness of management for the stakeholders even the company as it is facing certain problem that is fine but once the profits are being made I guess it should also be enjoyed with the stakeholders, any which way sir my second concern is approximately 2.5 year back I had heard yourself and Dr. Haldia at that point of time in different media interaction and both of you had mentioned that the work is behind us and we would be now moving towards the stability part and at that point of time the some of the parameters which I would like to mention is that our GNPA's were somewhere around 5 to 5.5% our stock price was somewhere around Rs.40 to Rs.42, our dividend which was paid at that point of time was 15% and our market gap was close to 3000 odd crore, now sir if we really value it, as a shareholder frankly speaking it's a shameful situation for me, I see the company it is totally in board run if I value

these parameters my GNPA is 6.9%, my stock price is from 42 to Rs.14, my dividend the last paid dividend is 2% my market cap is 900 crore so I just want you to please share with us how to if I may quote Mr. Modi's thing, how to bring back those good days back for us and for the company. And what strategies are we thinking out of the box to come into that particular old PFS what we know maybe two or three years back.

Pawan Singh:

So it's not question of who said what at what point of time, incidentally I was on other assignment for close to one year which you are talking about two year period, so I came back to the company again in February last year. So and since then we have been trying to control damage whatever is possible and let me also tell you that of course I do share your same concerns and the way you feel about this organization, it is not that we within the organization sitting on the other side of the table don't feel similarly, maybe more than what your feels are, probably you can express it as a shareholder, for us it is very difficult to express because we are responsible, so we cannot do that. Yes I can tell you that because my making a general statement will have not carry so much of weighting but I have told you that we have renewable assets which is 62% of my book where we have zero stress, we have others category which is over 20% of my book, where there is negligible strength except one item where we are close to resolution, I have also told you that 17% of my asset is thermal asset which will come down to 9% by end of this quarter, I have also told you that during the year the thermal asset would fall down to 9%, most of my stress assets have come from thermal area, out of the 1700 crore close to about 1300-1400 crore is coming from the thermal side, so if the PPAs were not happening and then the projects were facing cost overrun, the equity was not coming, the coal blocks were being canceled by Supreme Court, there were on force major situation but since we have decided we will not be in this area, we will not be focusing in this area, the area where we are focusing where the growth

is coming and that is why this 140 crore profit number has come. What I can assure is that this model of mine is not only sustainable, I can also tell you that this model of mine is sustainable on a growth basis, this is what I can tell you because the NIIs, we give NII of close to 100 crore on the present balance sheet. Then you have talked about the future strategy, we did discuss that future strategies that we have moved to low risk, high yield products, we are going towards that direction. We understood the business much better than what we have understood in past. So our business is robust, our model is sustainable, the stresses we are resolving and not only we are resolving I took over on 4th of October and that time I had 1750 crore worth of stress assets which we have been able to at least resolve 850 crore worth of stress assets which is, I think at least a modest attempt but a serious attempt. And going forward I have given you some clarity on some of the assets, I have also told you what is the kind of resolution and what is the kind of provisioning impact it is going to happen. So I have also told you that NII is over 100 crore per quarter from now onwards and I have also told you the kind of provisioning which will happen that is my credit cost so this gives a very fair, unfortunately the legacy issues is dragging us now and I wish now as a investor you start looking at the numbers more from deeper understanding of my business model and start appreciating it.

Moderator: Thank you. We have our next question from the line of Aditya Shah of Vikram Advisory. Please go ahead.

Aditya Shah: Sir I just wanted to have a number on whether there was any fresh slippages this quarter?

Pawan Singh: No, there have been no slippages in this quarter.

Aditya Shah: Okay. And what do we expect of the GNPA number at the end of FY19-20 any guidance on that. GNPA and Net NPA.

Pawan Singh: 19-20 we would as I had mentioned our endeavor is to bring it down at least, net NPA would be less than 3% and gross NPA also some reduction we are expecting both in terms where the percentage of the loan book but let me also flag with you because I would not be coming very clearly because the IL&FS case which was just racked up, it has gone to NCLT and though IL&FS has the capability of, we have 183 crore exposure there and IL&FS has been making payment regularly and the project cash flows are sufficient to meet the requirement but there is the NCLT ruling, should go in our favor that is what we expect. So that is one of the riders which should be there but there is nothing fundamentally wrong in the project and notwithstanding that, we would be able to reduce our gross NPA and net NPA numbers.

Aditya Shah: To what extent sir, in case if we consider the IL&FS is in our team and by March 2020 what do we expect our GNPA number to be like, considering everything whatever that process is that we are doing resolving.

Pawan Singh: Again I would say gross NPA I don't know because what will happen is that gross NPA should as we have been endeavoring to maintain that so we should be able to reach a figure of 5%.

Aditya Shah: Okay. And what could be the normal provisioning going forward let say net sale, apart from the 100 crore that you mentioned that you might have to take on the stress assets the normal provisioning should we consider the 10-12 or 15 crore that you do every quarter is the number that we would see in the next year.

Pawan Singh: See one is that we do standard incremental provisioning 0.50 on our books, so against RBI guidelines of 0.40 we do normal standard provisioning of 0.50%. Apart from that we have shifted to IndAS from this year and we run the expected credit loss model. So it's a model if there is any loss of value in any particular project that gets reflected in provisioning is made but since the underline quality of assets I have

already told you the problem was with thermal assets and balance my assets are all good so expected credit loss would through up on the marginal denomination numbers and standard provisioning which already 0.50% we are doing. So that is what we are expecting, we are not expecting a very high credit cost going forward.

Aditya Shah: Alright. And sir again come back on the GNPA 5% that you said you would expect from the conversations you had with the previous caller as investors I understand the thermal power exposure would come down to around 6-7% probably by 20-20 and if we are expecting a GNP number of 5% so probably whatever thermal assets we have it should be all in GNPA right or are we expecting any further fresh slippage in the sense 5% number.

Pawan Singh: No, I would say that the thermal assets would bring down the GNPA numbers so I don't want to commit myself at this stage but probably what we are trying to do we should be able to demonstrate better than what I have told you.

Moderator: Thank you. Our next question is from the line of Lalita S of Share khan. Please go ahead.

Lalita Shrivastava: Most of the questions have been answered sir just wanted to understand currently how, what is the breakup of our cumulative debt sanctioning in the others part because that number is significantly large as of now, secondly what is the current credit rating long term credit rating that we have and what is the risk assets that we have as of now vis-à-vis last quarter, thank you.

Pawan Singh: So as regard credit rating long term we are A+, and the partial credit enhancement should take us to AA+ of the portion of partial credit enhancement that should be and 2000 crore borrowing which we will do in the current year. We are also in engagement actively with other large financial institutions, because after SBI gave us, they are also

showing very keen interest to give more PCE to us. So probably a very-very significant portion of my borrowing will be through PCE mechanism that is one, second is coming to my breakup between the others category so others would be roughly if I have 2884 crore of debt outstanding in others category close to about 1000 crore would be transmission. Close to 400 crore will be in the road HAM half annuity project. And then there would be close to distribution company another about 1300 crore which are category A or category closer to category A kind of distribution companies.

Lalita Shrivastava: Okay. These are SEBs

Pawan Singh: Very insignificant portion in port which is close to 70 crore.

Lalita Shrivastava: Okay, sir the distribution company's would be SEBs right?

Pawan Singh: Yes.

Lalita Shrivastava: Any color on which all SEBs we have exposure to?

Pawan Singh: Punjab, Rajasthan, Telangana and Andhra Pradesh so at present only few discoms are there.

Lalita Shrivastava: Right. And will it be possible to share this cumulative debt sanctioned, the sanctioned part the breakup of the others categories 6497.

Pawan Singh: Sanctioned would be transmission 1800, roads would be close to 1050 roads would be more 2100. Then distribution company will be close to about 2000. And then we have ports we have 100 and one corporate 200 crore.

Lalita Shrivastava: Okay. So basically if I understand the gist currently we have 0.5% standard asset provisioning plus whatever ECL based provisioning that we will be doing plus around 100 crore additional provisioning that needs to be done for FY20 this is going to be the provisioning for

FY20 roughly right. And we are not seeing any coming stress in the existing book as of now.

Pawan Singh: See the provisioning ECL would take care of the other provisioning that the diminution in the value of the asset. So that should take care of and additional provision as I said there is no stress as such, there is a solitary case of IL&FS which we have to have a clarity from NCLT, project has the capability, they are making payment in time, they have ability to do debt servicing but, thus we are keeping a close watch on that so that things continue the way they are doing and other than that we are not anticipating stresses in any of the areas. Yes there is one project which may crop up a little later if it is not resolved and that would be Minakshi where we have 150 crore exposure. So far it is standard but what may happen over a period of time that Minakshi, may go, not now, may be after few months, may go for resolution process since it's a completed project and it has future PPA also available so there could be some expected credit loss coming out of it, may be sometime during next year so that probability is there, because the cost per megawatt there is only 3 crore per megawatt. So in this we have seen in resolution process that whatever bids have come because most of the projects were having a cost of 8 crore plus megawatt so here the cost per megawatt is close to about the loan portion of that project, is about 3 crore per megawatt so we are not expecting a very significant haircut even the resolution happens but probably a marginal haircut could be possible.

Lalita Shrivastava: Right, thanks sir. And just if you will allow me please, just wanted to understand how should your incremental cost of funds should look like especially with this credit enhancement what is the rate that we get here and going forward what is the cost of funding that we are looking for in the near term.

Pawan Singh: Lalit you have watched NBFC space very closely and you have seen that the cost of funds is the factor of market liquidity so because of the

market liquidity it has gone up. Only thing is that whatever will be the cost of funds we will be able to pass it on to our borrowers because the shoe is pinching both sides. Actually it is pinching us but then it is also pinching the borrowers because borrowers don't have, they cannot get easy funding now so tightening is both side. So cost of funds we presume that it should be around the current it may marginally go up for a while, possibly it may go up but then of course when we do our partial credit enhancement that should get me a better rate, now see all this is against a benchmark now. Suppose I give you a figure today stating that if I do a partial credit enhancement and I get a particular rate but let me also ensure you that I will be able to borrow at a rate correspondingly lower than what I would have otherwise borrowed, because of the PCE, that will give you that advantage but if the base has gone up, if the yields have gone up, the bonds yields have gone up that will reflect in the cost.

Lalita Shrivastava: Right, so basically what I was trying to understand is that maybe in a six months' time down the line can we see some amount of improvement in our margins what is your sense on that.

Pawan Singh: Yes, we are working towards that and we have a three prong strategy towards that, as I said that improvement in margins would also reflect from the fact that the stress assets get resolved so that would reflect an improvement in the margin and distinct impact of that will start coming may be towards the third month of this quarter and then as I mentioned that we have started going for high yield variety, low risk high yield variety and this market is opportune for that the kind of situation which is prevailing, number three is of course we have this mechanism of passing on our cost of borrowing, number four we have also made a strategy internally that earlier we used to follow a reference rate model and today we have shifted from reference to a base rate model and we have said that below a certain grace rate because we earlier doing even assets which were 9.5 or 9.4 or 9.6. So

we have said that no asset will be funding below level of 10.5% so everything will be above 10.5, so impact of that should be clearly felt in next one or two quarters and what I said that recent sanctions which have happened disbursement of that will start happening and this sanctions I have said that have been done at a higher yield so that impact would be felt in next two quarters.

Lalita Shrivastava: Just last thing if you will permit me, what is the risk quit assets that we have right now?

Pawan Singh: I was to answer that sorry I missed it. So we have roughly about 5500 crore of risk assets which have 50% risk weightage and we did back of an envelope calculation so my asset being what it is in present form. So by end of next year we should be close to about 8500 crore risk credit 50%.

Moderator: Thank you. We will take our last question from the line of Gaurav Gupta of Dheerav Group. Please go ahead.

Gaurav Gupta: Just want to understand that in income statement for the quarter year you have mentioned that income from finance cost has increased near about 12% whereas interest expenses has increased by near about 42% in value terms. It is income increased by 40 crore whereas expenses increased by Rs.70 crore so any color on that why exactly so much of increase in finance cost whereas comparatively less increase in income from the interest.

Sanjay Rustagi: This is mainly because in the previous quarters, corresponding quarters we have booked the income on certain assets which ultimately go into NPA that we are not recognizing income in this year. And apart from this I have a increase in the book size, if we talked about our book size for the last year corresponding quarter it is around 11672 now it has increased to 13000 crore so there is a 2000 increase. So I am adding

only the marginal increase because I am borrowing funds for additional 2000 crore so only the margin is added and that is the main reason.

Gaurav Gupta: So are we saying there was some kind of interest reversal in this quarter, because of which we were not able to book our income in revenue.

Sanjay Rustagi: There is no income reversal in this quarter, I am talking about corresponding of nine months.

Pawan Singh: One income reversal of MB Power.

Sanjay Rustagi: So there is around 4 crore income which we have reversed that is not because of NPAs that is because our lead lender SBI has reduced the rate of interest with the retrospective effect and as the part of the consortium we have to reduce the rate to align with the lead lender so that is the one.

Gaurav Gupta: So are we seeing, just to clear out this particular part is that last quarter Q3 of FY18 we were booking interest income on those assets as well which ultimately turned into an NPA but since now those accounts are NPA declared we are not able to.

Pawan Singh: Not NPA those are the stress assets like Prayagraj, SKS situation.

Gaurav Gupta: Last quarter also you booked.

Sanjay Rustagi: Last quarter of April, previous year. So last year, previous year we were booking the Prayagraj, SKS and RKM which we have not booked during this quarter or for this financial year we can say that.

Gaurav Gupta: Okay just one last question, I was just going through your slide #10 out of #14 key indicators over there so it has been mentioned that the return on net worth during the quarter is 8.13% whereas cost of borrowings is 8.77%, whereas if I go for the nine months cost of funds is 8.43% and return on net worth is 9.61% so just as a fundamental

question when my cost of borrowing is greater than my return on net worth it ultimately causes destroy in underline value of an enterprises so how exactly we will ensure going forward that my return on net worth because ultimately we are investing in a business and unless and until we earn more than and at what rate we borrow funds there is no point in doing the business right, so this translates to an earlier participants as they will be reversing this scene a lot of erosion in the value of the company. Sir management level though I understand that you highlighted high yield low risk projects as you will be taking out but are we saying that we will be concentrating on this parameters as well where we will be trying our best to ensure that we are having a lot of return on net worth as compared to cost of funds and we will ensure that the erosion in the value is not there going forward.

Pawan Singh:

100% there is no denying of that, that these are the parameters almost ringing at the back our mind maybe in our dreams these parameters keep on coming to us so there is no question of our not giving attention to it. We will give whatever attention and as I said that with the resolution of stress assets and some cash flows which will come through the resolution of stress assets the yield which we are trying to increase, the partial credit enhancement scheme which we have brought to bring down the cost of funds, all that and as we resolve the stress assets all that will reflecting in your operating parameters including return on net worth and I probably last time also I said that we would be finishing this year close to about an ROA of little over 1.5 but our endeavor will be to have a ROA of 2% that is what we are aiming at, so if the ROA is 2% and then if you look at Q3 of 18 the return on net worth was 5.60 we have brought it up to 8.13. So we hope to do better on most of the operating parameters.

Gaurav Gupta:

Okay, thanks a lot. Just one last complement to you guys that from last two quarters I am hearing a lot of closures and clarity from your side on the numbers and the work that you are doing on a regular basis so

just want to appreciate the work that you guys are doing and expecting the same kind of corporate governance, disclosures and the information to the take holders on a regular basis, thanks a lot from my side.

Moderator: Thank you Sir we have one more question that is from the line of Rajesh N and Individual Investor. Please go ahead.

Rajesh N: One observation which would be very typical, every conference call, needs to be last time also, one of the investor had said that conference call transcript should be put up, so one transcribe has been put up and after that I had followed up with your company to put up previous also.

Pawan Singh: Mr. Rajesh please note down our mail id right away.

Rajesh N: Yes, sir I am noting down.

Pawan Singh: ir@ptcfinancial.com

Rajesh N: And coming back to the points of questions in June 2018 we had put up Himgari, Icon, Shalivahan and Kohinoor, to ARCs that we wanted to sell, June 2018 tender notice was there, so out of them as I could see that Rajgarh and Sispara they have been now sold to the ARC and we are getting some return from that so at what price Raigarh and Sispara has been sold to the ARC because the reserve price of Raigarh was 25.38 and Sispara was 75.44 crore.

Sanjay Rustagi: Raigarh Champa was sold for 27.5 crore and Sispara for 65 crore..

Rajesh N: Yes, in that what is the cash component and what is the SR component.

Sanjay Rustagi: 15% is the cash component and 85% is the SR.

Rajesh N: Okay and what about Sispara?

Sanjay Rustagi: It was sold for 65 crore.

Rajesh N: So it was in fact sold 65 crore. And what is the cash component in that?

Sanjay Rustagi: 15%.

Rajesh N: Okay, because in the tender notice it has been specifically said that we will give higher weightage to the cash and compared to SR whatever so have that portion whatever the percentage has been decided by the management that we will give certain percentage and weightage to the cash component and the SR component?

Sanjay Rustagi: So that there was a mechanism and it has been decided that if there is 100% cash then how much percentage weightage will be given.

Rajesh N: No, but somebody might say 25% and 75%, other might say 20% and 80% so there has to be some weighing on that we will give certain weightage so from that aspect policy has been developed or not, so my question is from that point is there a proper policy that has been developed for giving weightage to SR component and cash component.

Sanjay Rustagi: There is a table which has evaluation, has been maintained.

Naveen Kumar: Evaluation criteria was there very upfront we had evaluation criteria because the bidders would also know about evaluation criteria.

Rajesh N: Okay. And about Kohinoor that was also there in the list, that resolve price was 20.22 that should be the resolve of Kohinoor.

Sanjay Rustagi: No Kohinoor has gone to NCLT.

Rajesh N: Okay. Because none of the Himgiri hydro or Icom tele all of them are still pending or they are in the process of resolution.

Pawan Singh: Himgiri and Icom, Icom has gone to NCLT, Himgiri we are trying to have resolution around with the existing promoter, meanwhile we have filed case against the promoter for recovery of his assets which are

quite substantial portion of the loan amount under SARFAESI. Parallerly we are also trying to have one time settlement with the existing promoter.

Rajesh N: Yes, and only the last point because what one of the investors has pointed out about giving special dividend and to the investor shareholders so my request to you is you should seriously look into this if the things start improving.

Pawan Singh: Definitely, this request of yours will be definitely conveyed to board.

Moderator: Thank you. Ladies and gentlemen, that was the last question, I now hand the floor back to the management for closing comments. Over to you sir.

Pawan Singh: I will request my colleague Mr. Naveen Kumar to give his closing remarks and then I will just sum up after that.

Naveen Kumar: Thank you so much to everybody for being with us and we are always glad to address your query. You can feel free to approach us, our MD and CEO who has already shared his mail ID and in case any other information is required kindly feel free to contact any one in the organization. So thank you so much once again.

Pawan Singh: So idea is like it is not that disclosure happens from our side, in fact our own we also want to be very close to the investors, it is not that you want information and because we also want to be, because value also comes from the investor so we also want to know your concerns, because our strategy would also be based on the concerns which the investors have. So, I am glad that some of the issues have been highlighted and we will definitely like to take note of that and thank you for all your patience and very good quality questions which you asked us. Hopefully embark upon, we have started and we have marked upon a different route towards positivity and recovery. We not only hope but we are confident of doing that and demonstrating it,

maybe and then of course one time the Indian captain had said that, let my bat do the speaking so, let my performance do the speaking for the next two quarters I hope better results. Thank you very much.

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.
