

**PTC India Financial Services Limited**  
**Q4FY19 Results - Analyst Meet**  
**May 06, 2019**

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**Moderator:** I am privileged today to welcome you all for the Analyst meet of PTC India Financial Services Limited. On behalf of management, I thank you all for being here, despite your busy schedules. I may like to request our MD & CEO, Dr. Pawan Singh to come over dais and to take seat. I would also like to welcome our Director – Mr. Naveen Kumar to come over the dais and to take a seat. I would also like to request Mr. Sanjay Rustagi, our CFO, to come here and to take a seat.

Today, we are here to discuss Annual Performance of our company. Our annual results has already been published last Friday, a copy of this has already been sent to you all. I request our MD & CEO, Dr. Pawan Singh, to take it further.

**Dr. Pawan Singh:** Good afternoon, everybody. I take the privilege of welcome, once more, anybody who is present here. Lot of faces are familiar and some of us are meeting for the first time. Welcome to everybody, again. We are meeting after a little gap because for the quarterly results we were having con-call and not this kind of investors' conference. And I am so happy that we are able to visit you and have this kind of direct interaction. Because technology has moved so fast and we are so much dependent on technology, video conferencing and call conferencing and all that. But there is no replacement for meeting person-to-person, there cannot be any substitute, because that communication cannot be replaced by any other form of communication. So thought of coming and interacting with everyone here.

And also because it couldn't have been a better time because we have seen how the market has been behaving, how economy has been moving around, how the financial space especially the NBFC space has

been moving around. So it would be good idea to interact, share our views with you. And also know about your views, and also know about your concerns and your anticipation from the management.

As I told you, two, three things, of course. One thing is that I am glad that I am coming and sharing with you at least, this time at least a result which gives a profit and which has both gross profit a net profit. And I am sharing the result where we have been able to at least declare dividend.

Also, the company's certain strengths, which of course could have seen in the there, the capital adequacy we have been able to maintain, about 21%. And our focus last few months has been to reduce our stress and stress level. And you will find that it our net NPA numbers have been coming down, we have able to resolve some of our stress assets. Many of those stresses are on advance stage of resolution.

If I am representing infrastructure finance, NBFC, of course, we are supposed to be specialist in certain area, but then the challenges of NBFCs had impacted lot of NBFCs. And it is not that the impact of that was not felt for us. And effectively, our book has grown 8%, we wanted to grow 15%, that is primary because last two quarters we take it as a slog over, and these last quarters were not slog overs but with lot of, at least, we are unable to battle back because like many of NBFCs reduced their balance sheet we didn't had to reduce at least our balance sheet. So, we have made certain write-offs, technical write-offs, because we wanted to take certain advantages by writing-off and not when had made full provision on those accounts. But if you add that number, you know, number could have been a little better.

On liquidity front, the challenges which came to us, we have tried to handle it totally in a different way. And what has happened is that mostly since we are in that space where still we are viewed, we are a private sector company, but because many of us, because the company

is viewed as more as an institution, the support came from various public sector banks and financial institutions to us. And we were able to at least in this time, tied over the crises much better than what many of the, even larger NBFCs with higher credit rating couldn't do. Which will keep us in good step in future also.

And maybe, I look at it from the from the growth perspective, the pressure of liquidity is likely to go behind us, because one significant development which happened is that the first time we are going to raise partial credit enhancement bonds and diversifying our source of borrowing, which will be a long-term borrowing, which will be about Rs.2,000 crore this year. Which will take care of my, not only liquidity issue, but also my growth in the future.

Going forward, we will be focusing more on two, three things, One is, stress asset we are very aggressive on the stress assets and we would like to reduce our stress asset as much as possible, as quickly as possible. Second thing is that we would like to rotate our assets. So, what we are trying to do now is churn our assets, that relationship which we have built around public sector and financial institutions, probably many of the low yielding assets we would be trying to down-sell or pass it on to many of these institutions. And we would like to move towards high yielding products by churning our balance sheet. And also increase our fee and underwriting income.

Then we would like to also try to have new type of instruments, whereby we can leverage our balance sheet better through pass-through certificates, securitization schemes and so on. And then what we are also trying to do is that we would since be focusing on high yielding products, and PTC Finance is take a pride in doing what we call structured finance. And we don't want to enter into that space finally, but the experience which we have gained and confidence we have gained with some of the promoters, who are zero stress promoters where not a single day delay payment has been made, maybe through N

minus 2 model, when I say minus 2 because I take it from power sector, which is used as availability, power availability should be N minus 2. The same model I am taking it to financial sector. N minus 2 means N minus 2 in terms of cash flows to support. I don't depend on one cash flow but a depend on three cash flows, if this doesn't happen, the second is there and third is there. That kind of safeguard we are building. And doing a niche area and sometimes it is said that problem is there but then problem is also an opportunity. The Chinese word challenge means growth, problem is where there is an opportunity.

So, we are looking at it, of course, we have our feet firmly on the ground and we are treading very carefully, with lot of alertness as we move forward. But at the same time, we also feel that the market situation is there when other chips are down. And because of how unique position we should try to leverage and maximize on that situation, rather than looking left then right what is happening to this person or that that person or that organization, we will continue our focus on our strength and maybe growth and take organization forward.

So, with this backdrop, I would request my CFO, Mr. Sanjay Rustagi, to take you through the financial numbers. After which Mr. Naveen Kumar, Who is Director Operation, will give his oversight. And with some closing remarks from my side, I mean not closing remarks towards the end, but closing remarks towards the presentation. And then we will have an open house question-and-answer. So I will request Sanjay to take it further.

**Sanjay Rustagi:**

Good afternoon to all. We welcome all the ladies & gentlemen for the Analyst Meet. I would go through the presentation that how PFS has been as a company identity has incorporated 10 years ago. From where we have started and where we have reached and how the numbers show the journey.

The company was incorporated in the year 2006. And in 2008 Macquarie and Goldman Sachs acquired / participated in the equity. In the year 2010, PFS was classified as infrastructure finance company where it can have an ability to finance the infrastructure projects. At that particular point of time there are certain benefits which are available to the infrastructure finance companies. And year 2011, PFS had IPO and ECBs from DEG and IFC. DEG is the Germany Development Bank and IFC is the International Finance Company. And in year 2015, PFS became the first institution to sign the Master Cooperation Agreement with the IFC. And year 2017, preferential allotment to the PTC, considering to strengthen the business of the company, holding company PTC India Limited purchased the additional equity shares. And in year 2019, we are the first NBFC Company who availed the partial credit enhancement from the SBI. It is a unique product where with the help of the partial guarantee PFS can raise money or long-term borrowings in the form of loans. And we have already initiated rating process.

So, the major business activities at the PFS, Debt Financing is or core business where we are financing the projects whether it is infrastructure projects, structured loans and the other is in the structure project where we invest in entire energy value chain and other is fee based services where we are providing the sub-consultancy services.

This is all about the Directors of the PFS. Mr. Deepak Amitabh, he is the CMD of PTC India Limited and a former member of the Civil Services. Dr. Pawan Singh, he is ex-Civil Service and he worked with PFS for around almost eight years. Earlier he was the Director Finance and then designated as MD in October last year. Mr. Naveen Kumar, Director Operations. He has a decade of experience in the NBFC Company. He was Executive Director in PFC where he worked for almost 29 years. And he has a lot of experience and knowledge. He understands the business very well.

Mr. Kamlesh, he is a renowned personality and he is the Khimji Kunverji & Co's senior partner. And he is representing the audit committees of the various foreign institutions as well. Mrs. Pravin Tripathi, she is a IAS of 1973 batch. Mr. Rajib Kumar Mishra, he is the Director of Marketing and Business Development of PTC India Limited. Mr. Santosh B. Nayar, he is an Independent Director and he was the Chairman of the Infrastructure Finance Limited, a wholly owned Government of India enterprise. Mr. H.L. Bajaj is also having a decade of experience in the power sector. He has the competency to evaluate the power financing projects and providing the guidance under which the company has grown many folds.

These are our key lenders. DEG, the development bank of Germany. The FMO, the development bank of the Netherlands, State Bank of India, ICICI Bank, IFC, BNP Paribas, Punjab National Bank. So, apart from the public sector banks, we have an association with some of the reputed foreign development banks where they have provided the financial assistance to the PFS in the form of ECB. It helps us in bringing down our cost of borrowing and the long-term borrowings.

These are the MOUs which PFS has entered during last four to five years. One is, we are the first Indian company to sign the Master Cooperation Agreement with the International Finance Corporation. We have also initiated the RIDF with UK private investment and we would be the partner for those. And we have executed MOU for the project preparation, the scale of the distribution. So here we help them, or we can leverage their business to getting new source of businesses. It will help us to felt our presence in the core area. And it will help us in doing our business, make our presence felt in the renewable sector. Also the companies are controlled or managed by the key players of the foreign investors. So we can make our presence felt in different parts of the world.

If you talk about the operational performance, this is the cumulative sanction. So, till date PFS has sanctioned around Rs. 21,000 crores of the loans to the various organizations. If we talk about thermal, thermal is a very small component, Rs. 2,000 crores. In renewable sector, which comprises of maximum is Rs.12,000 crores which we have sanctioned. Hydro again a minimum as Rs.596 crore and, and others contribute Rs.6,600 crores.

So, if you see the journey, our thermal portion has been bringing down consecutively, and the renewable section has grown many folds. And as Dr. Pawan Singh told us that we are infrastructure financing, that is a part of the others. So, to bring out the more value to the company by doing the structure projects, we can improve I believe and around it. And these loans are not so much of long-term, like 10 to 15 years.

And if we talked about the portfolio shift, so you can see the thermal which earlier constitutes around 67% of the total sanction, now it has come down to around 13%. The renewable which has a 16% in year 2011-2012 has increased to around 59% . And there is also a significant increase in the other projects. In others we have the roads, ports and the corporate loans.

And this is debt outstanding over a period of time. We started our journey here in 2012 where PFS loan book was Rs. 1,266 crores. And it has increased to Rs. 13,000 crores over a period of eight years, and we are still growing. And the outstanding receivable of the renewable portion is significant at Rs. 7,800 crores, almost 60%.

So, this is the portfolio, the loan outstanding as on 31st of March, 2019. Others constitute is 26%, and renewable which is 59%. And if we talk about the renewable, there are no significant stress assets or I can say there hardly any stress account in the segment as at 31<sup>st</sup> March 2019.

The operational performance, the interest income, at the last year we are stagnant in the interest income, now it has grown to Rs. 1,285 crores from Rs. 1,125 crores. A little bit improvement and increase in the portfolio. And the total cumulative growth is around CAGR of 50% over a period of seven years.

This is the borrowing mix. As of now we have a borrowing of around Rs. 10,900 crores. And 82% of the borrowings are from the banks, and 3% is from the ECBs and around 15% from the debentures. So, as on 31 March, 2019, we don't have any commercial paper outstanding. And our short-term loans constitute only around 23% and rest are the long-term loans.

This is the growth drivers, how PFS responds from process. We want to diversify little bit, apart from the renewable sector, we are also looking for financing the sewage treatment plants, infinity solar, distribution and other sectors. PFS has started from the conventional to the other sources and then wind & solar. Now we are also focusing on the distribution and other sectors.

While we are growing, the risk management control plays a very important role. And the importance during expansion is to understand what are the foreseen losses, the challenges in these sectors and how those challenges are being mitigated. And if we see, we have implemented internal risk grading mechanism with the help of reputed credit rating agency where all the various parameters we have assessing projects , how it is behaving, what is the overall rating of the project and what are the risks associated with those projects. So every financing which we are doing has to be vetted on those parameter. And based on the risk shown by that model, the mitigation plan is being prepared and what are the additional securities need to be taken, and what are the other parameters needs to be considered are deliberated and mitigation of those risks. And post that we are concludes. The implementation of the early warning signal framework where we are



doing review of projects on a periodic basis to see how the project is going forward, is there any signal for the stress that we are trying to close those accounts, and in fact during the last year, we have closed around Rs. 300 crores to Rs. 400 crores loans, which we feel it may go into stress.

And then the formulation of the corrective action plan wherever there is the sign of sickness out there, so we are formulating a plan how to mitigate the risks which we may foresee, either asking the promoters to bring in additional capital and acceptable level, or we are asking them to pre-pay the loan or we are seeing the other ways how we can dilute our risk on those projects. And there is a process where every account needs to be reviewed. And market risk management implemented the mechanism based on the pricing and it needs to be wherever my cost of borrowing is increasing. So we have a BOD preview where we are evaluating our cost of borrowing and calculating, it needs to be passed on to the borrowers, because our facility agreements provide that we can pass on the incremental cost of borrowing to them and we can increase that rate n number of times in a year and our agreement does not restrict us.

These are the results overview, whereas my interest income for the quarter has increased vis-à-vis from the previous quarters last year. There is an increase of around 15%, whereas my portfolio has increased in the real terms without considering the dissolution of these stressed assets by 3% to 4%. My interest income has increased by 15%. But that is a sign that Dr. Pawan Singh told us that we are moving towards such structure loan finance.

The other income is, the other operating income, fees has been come down because of the competitive market and we are trying to build the fees component in the interest component so that it will give us yield. The interest and the financial charges have also increased by 32% because of the current markets scenarios. The provisions from the

contingencies have reduced significantly from Rs.501 crores to Rs.8.80 crores. The other operating expenses has increased from Rs. 11 crores to Rs. 17 crores because of the CSR spend which will be in this quarter amounting to Rs. 7 crores. As per the Companies Act, the company has to spend 2% of past three years average profit as a CSR spend. So, being a company we have spent almost 90-97% of our obligations this year. And the profit after tax has been increased to Rs. 36.76 crores against a loss of Rs. 464 crores. The other comprehensive income includes all the provisions relating to the old investment which we had, so as of now all the equity investments which are in my books has been provided for. This talks about my numbers. And on a yearly basis the profit after taxes has been Rs.184 crores against a loss of Rs. 100 crores.

These are the key indicators where my loan sanctions during the year are Rs. 5,124 crores against the Rs. 8,250 crores. And the loan disbursed is Rs. 4,085 crores. Outstanding credit, including the non-fund based portfolio is Rs. 14,237 crores. And the loan outstanding against the fund base has increased from Rs. 12,816 crores to Rs. 13,321 crores. This shows in spite of the challenging environment, PFS has grown its portfolio by 3%. And this 3% comes after the resolution of certain stress assets at the range of Rs. 496 crores, in a range of Rs. 500 crores. So, if we add that Rs. 500 crores than we have grown by around 8%.

The yield has declined from 10.29% to 9.96% on a yearly basis. If we talked about from the quarterly perspective, it has stood at 10.26% from 9.83%. The hit includes the fee which we received from the borrowers. The cost of borrowing has also increased by 8%, that is a 8.77%-9.33%. So if we talk about yield and the cost of borrowing, so the incremental cost of borrowing that has been passed on to the borrowers.

And the capital adequacy ratio which is around 21.55% shows the capabilities of PFS to borrow additional fund to meets its growth. The

return on network is around 9.19% on a yearly basis, return on assets is 1.4%.

These are the major shareholders. PTC India Limited holds around 65% of the shares. And body corporates and mutual funds hold 5%. Bank and insurance company hold 2%. The individuals and others hold around 26%. And this is the way forward of offer structured financing solutions, RIDF - renewable ideas, maintain a diversified portfolio and liability mix to mitigate the risks, the leverage expertise and strength in the renewable sector through new product innovation and continue to develop strategic partnerships locally and globally apart from IFC so that the funds are available we can, the PFS presence can be felt not in India but across overseas.

This is from our side. I can hand over the mike to Dr. Pawan Singh.

**Dr. Pawan Singh:** Thank you, Sanjay. And now we have Mr. Naveen Kumar. It is his first interaction with all of you. So let me also welcome him on your behalf and request him to give operations viewpoint of the company.

**Naveen Kumar:** Thank you Dr. Pawan Singh. Good afternoon, ladies and gentlemen. It's indeed a privilege and a great honor to get the opportunity to interact with such highly skilled professionals and analyst from the financial capital of this country. I can appreciate the fact that in a metro city like Bombay where the humid and hot weather is there, still you have been kind enough to spare the time to come here and share your ideas, thoughts and opinion with us.

As far as PFS is concerned, working here we can always make the effort for improving the operations and to create the wealth for the investors and stakeholders. This kind of interaction with the skilled professionals certainly adds value to this operation of ours and activity of ours, and it broadens the horizontal of our knowledge, and also our vision improves. So, the end result is that there is a conspicuous

improvement in the operations of the organization. So, what I feel, from that point of view such kind of interactions, are a great learning experience for any organizations. Earlier I was working in Power Finance Corporation, there also same kind of experience we had and we used to take the corrective actions from our side wherever they were required.

Let me utilize this opportunity to share some of my thoughts regarding the operations part in the organization. We all appreciate that the last year was really a very challenging year for the financial sector as a whole. And we all in this sector faced the liquidity challenges. And like all the other players in the sector, liquidity problem was there & increased interest rate issue was there, but somehow we didn't lose heart and we went on taking the required actions to carry on with our business operations in a successful manner.

Cumulative sanction of loans by PFS amounts to about Rs. 21,600 crores against 153 loans which are active as on date. Loan documents have been executed for about 142 loans out of 153 loans sanctioned by us, which covers an amount of around Rs. 19,200 crores. These 142 loans constitute about 89% of the total sanction amount. Disbursement has already commenced in 135 loan accounts & out of this 142 loans have been executed. And the balance loans, of course the action is being taken because the process is at the different stage and we shall be able to start the disbursement in the near future in these loans also. Then total outstanding as on date is around Rs. 13,400 crores or so against these 153 projects. And talking about the year 2018-19, loan amounting to Rs. 5,124 crores were sanctioned under various categories like renewable energy projects, road projects, power transmission projects, loans to DISCOMs, then also the corporate debts to the holding companies. These were the major areas where we had sanctioned the loans.

Talking about our business endeavors in the near future, I would like to mention that within the next about one or two years period, we shall be considering the renewable energy projects, road projects, transmission projects and financial support to DISCOMs, as well as structured financing to corporates, to the holding companies in continuation to our present business as usual. And apart from that we shall continue to scan the environment to find out the other business opportunities so that we may be in a position to fund some of the projects in other infrastructure also, which may include city gas distribution projects, funding of the sewage treatment plants, then transportation and electrical vehicles charging. Then we may also consider some of the non-infra projects, but it will be on a highly selective basis and depending upon the viability of the projects, and we will be going slowly in this regard. But we are keeping this in our mind.

Then I would like to talk about the down-selling of the loan accounts that we have already done which we are planning to do in the future also. Up till now we have down-sold the projects totaling to around 1,000 crore, slightly more than that. And in the current year, in the next one or two months we are thinking of down-selling up to Rs. 150 crores or so. And in the next six months, this cumulative figure may become about Rs. 650 crores to Rs. 700 crores, somewhere in between. So, that is also planned by us. As MD and CEO has mentioned, that this churning operations on a continuous basis that will help us in generating the fee based income and it will release some of our exposure also. So we can think of doing something still better in our operations.

About the credit risk management, I won't like to explain in detail because my colleague Mr. Sanjay Rustagi, has very well explained that the credit rating mechanism has already been implemented for the various sectors like renewable, road, transmission, corporate loan for

holding companies. And this captures the specific risk related parameters during the entire loan lifecycle. I mean to say, during pre-construction stage as well as post-construction stage. So won't like to explain further, because it has already been covered.

Then we are also endeavoring to do continuous improvement in our project appraisal practices and loan accounts monitoring system. I must say that based on the varied experience that we are having with our executives and professionals, having different background, they are contributing very effectively. And certain things we are doing which perhaps another financial institution / lenders may not be doing. For example, if I talk about the solar power projects, because our portfolio constitutes solar power projects constitute a significant percentage of our portfolio. And for the solar projects during the appraisal stage, we request for information pertaining to the loss profile in the various project constituents. These project constituents are the solar panels, the AC and DC cables, inverters, the transformers. Generally speaking, what happens, when we lenders appraise such projects simply we accept the figure of CUF, the utilization factor that is indicated in the detailed project report submitted by the borrower.

However, sometimes what we find that over the months or over the years, suddenly CUF dips and that adversely impacts the debt service coverage ratio of the whole loan account. If we make some additional efforts and we ask for this kind of information as mentioned which, of course the borrowers will have to give to us, though they have not been giving at this moment to most of the lenders, then it is going to help us to make a prior estimation of what is going to happen to the operational performance of such kind of solar projects in the future.

In the course of the project monitoring, we ask for information in certain specific formats, and we are able to get an idea that what exactly is going to happen to such projects in the long run, and whether financial parameters, what we had estimated during the course of the

appraisal, will they go haywire or not. Now, we have started introducing this aspect in the last few months or so and the borrowers have also started cooperating. Because we tell them it is in their interest also to follow this particular methodology. This is certainly going to add value to our appraisal and monitoring system.

Then another aspect which I want to tell is what advisory services we are providing. Of course, earlier we were earning the fee based income based on our normal operations. But now we have started making all our efforts to improve our operation in the area of advisory services. Just to share with you, in the past we had done one or two projects, one was conversion of accounts to Ind-AS standard for Telangana state from financial year 2015-2016 to 2017-2018, that exercise we have already completed. Then for NTPC, we had executed one assignment for the project financial appraisal of 5x10 megawatt gas based project in Andaman and Nicobar. And recently we have been able to beg one or two more assignments, one is from BHEL, it is regarding the financial appraisal of their capital investments projects. And then one from central coal fields for financial appraisal of an open cast mine project we have bagged. And then some of the bids we have already submitted to Gas Authority of India and to some other organizations. Also though the competition is very tough, and we have to gain further experience in this area, but still based on our consistent efforts we have been able to achieve something of value. This will add further value to our operations and help us in earning more fee based income.

So, these were some of the points which I wanted to share with you, as far as the operation side is concerned in PFS. Thank you so much for giving me the patient hearing.

**Dr. Pawan Singh:** Thank you, Mr. Naveen Kumar. And he has, as he was mentioning, brought new flavor to the PFS team. And he is driving the advisory business very strongly today. And he is highly focused on the operation front, because the kind of monitoring methods innovation which he has

brought into the system. And not only he has brought in the system, but he very closely monitors the system. And because of that a lot of improvement has happened in our quality. For example, today all the TRA accounts, like for example, whatever payment is coming from state utility to a particular account, we have a close idea as to how the cash flow is coming into the account, how is it moving. We have a direct linkage with the SLDC, how much bill was there, when the billing was done, when the money has come. And no diversion of funds takes place. So all that we are concretely keeping and based on that we are able to take preventive actions wherever we feel that money is delayed. So, being part of the PTC group we have certain advantages of interacting with regulators and with SLDC and so on. So we are able to take some preventive action. So the last one or two years, a great improvement has happened in our operation and monitoring system. And of course, recently we implemented the early warning system.

We had a pre-credit, see what we used to do is that our rating model was pre-credit. So, we were covering with pre- credit risk. But post-credit risk was also being covered but not very comprehensively. Now we have got the CRISIL model for doing the post-credit risk analysis and also throwing up early warning system that we take prompt collective action before things go wrong. We have gained quite a bit of experience, learning can be both ways, by doing mistakes also and learning by doing new things and looking at instance. So say that now probably we have at least some maturity stage where we can know how cautiously we have to move on, or at what speed we have to move. So that strength we can say.

What I wanted to say specifically about the financial results in a nutshell, because Sanjay has very comprehensively presented it, just two, three things about this qualitative aspect of this results. One is that, we were discussing before this conference as to where does this result take you? Result is a number, basically, but what does it mean to



me and what does it mean to my organization or what does it mean to management?

When we looked at these number, number throws up very, very -- it is also not only a number but it tells you the start reality. And it also tells you which direction now you have to move. So we have introspected and we find that now we are at a stage where the strategy has to be driven so that we are able to look at these numbers, do improvements here and come back to you and say that this is what we could deliver. Now, that is where, like for example, one is that cost of capital. Now, it looks like that cost of capital we like to keep it as low as possible, and I can really say that one year back, though we are long-term A+, short-term of course we are highest rated, we had a cost of borrowing which was even better than PFC and REC. But today things, even for recently PFC and REC did bond issue and two years bond for REC was 8.5%. So, that challenge is also for us. So, cost of borrowing, will do our best because we are diversifying our resources of borrowing, bond issue - partial credit enhancement bond issue participation, first time we have got. We are going to move in between our ECB, we had done some ECB initiatives earlier, but off late as a percentage of my total borrowing that is less. Commercial papers as of now have dried up and also because from risk angle a lot of investors or a lot of bankers when they give money to me they say that how much commercial paper. So we will be treading carefully on the commercial paper, of course, market is also very tight on the commercial paper.

So cost of borrowing will be one area which will be one of the concerns for one or two quarters going forward. But you know, that is why we have decided that we will be churning our assets. We would also, of course, we have moved to base rate pricing system as he was mentioning in his presentation that market risk materialism we have adopted. So we have first the base rate, and very quickly we will be

able to transfer my liability cost to my existing borrowers, which we are doing without much time lag, as much as possible.

And then, of course, the new areas which... as I said, it's also throwing up opportunities because not many lenders who had taken our portion of the business are now not there, they are not expanding or they have come to a standstill. So we are back to the space we were. So it's a crossroad for us because we can go back to the businesses which others are not able to do. So, we will try to get maximum opportunity in that situation, because we at least anticipate that on liability management we will be better positioned compared to many of our other NBFCs who are there in this space. So we will try to leverage on that, do cherry picking and do cases where we can do high margins, high spread. And as he said, advisory and churning of assets, that is the kind of thing which we would be doing.

The renewable space would continue to do well, because this year itself we are expecting, PPAs of 8,000 megawatts to be signed, which translates into... that is solar, and another 5000 megawatts in wind. So, 13,000 megawatts, which translates into money comes close to Rs. 75,000 crores - Rs.80,000 crores. And we have been always taking 16%, 17% of the market share. So, we hope to maintain that at least 16% 17% of that share will come to us. But then third party PPA and counterparty where counterparty risk is there, that also we would like to tap upon.

We did the first project on sewage treatment plant. It is an annuity project, Adani enterprise which we have done recently. We would be very active in a big way after the elections are over and new government is there which will be a huge upside happening on the waste-to-energy and waste-to-gas. Government policy is that 10% of the CNG gas should be the waste gas. STP plants would be a big area which huge investments are there. So already we are about, in two to

three days we will sign a MOU with Indian Oil Corporation as a preferred partner to finance this kind of STP projects.

Electrical vehicle charging is started. Of course, in numbers and volume it is not looking very big. But I feel that maybe in few months' time it would be a hockey stick kind of a situation where sudden spurt of growth will happen. And last mile financing has started quite a bit in energy solution distribution level, automated meters. So all are, everybody, electrical vehicle, DMRC Metro, coaches and all, they are moving from like base to pay the suppliers one time. After making the supply they are all moving to a model where a long-term financing model is there. So everybody is moving to PPP. So, we having built a niche in PPP financing, we would like to be in this space. So, as of now, though we are at cross-road, but we are also looking at the opportunities which will be there in the market.

I would like to reiterate that the actions we have taken on stress assets prove we have increased our provision ratio, number one. Number two, we have been able to resolve some of our assets where money also has come. And we have gone quite advance in resolution of some of the assets, which the results should start flowing in a big way in the current year.

I would now open up for, the questions and answer session can start and floor is open to everybody. Thank you.

**Participant:**

Thank you so much for a detailed update on the business. Sir, firstly, if you can help us understand that many of thermal plants making some sort of a resolution or some sort of visibility of resolution, what sort of update you can give us on project by project basis so there could be some write-back, if at all, are given as we cleaned up a lot last year as far as the asset is concerned? That's my first question.

**Dr. Pawan Singh:** So, if I look at my thermal assets, you could see the numbers that they have come down from 60% to close to 13%. So let me go the way where in terms of when we have reached at advanced stage or resolution. So, of course, SKS we have been able to get money back, the net of provisioning we have been able to get roughly – so we got Rs. 137 crores this quarter. Prayagraj, already you know agreement has been finalized, Tata Power is the bidder. So some last moment hitch has come because they wanted regulator, basically they wanted regulator to approve the transfer, because they didn't have to get a tariff approval, it was not required. But they required, because two years' period was coming to an end on 21st May. And before two years' period if you have change of ownership you have to go to a regulator. I don't know it was very wise on their part at that stage of not, but and when they went to regulator the regulator said that -- when you go to a regulator and if they have a little bit levy, they have said that you got so much of an advantage, pass on some of the advantage to the consumers also. So they have reduced the tariff by 14 paisa. Tata Power took it up in the High Court. High Court has referred it to NCLT. NCLT hearing may happen this week. And the way I look at power sector, and probably we also talked to UP regulator and they said after 21st May it could better come clean. So, we are hoping that this should be dissolved quickly with Tata Power and Prayagraj shortage of power is there in one of their low-tariff power plants. UP needs power also, so I think they should get settled quickly.

**Participant:** And exposure you had in Prayagraj?

**Dr. Pawan Singh:** Prayagraj, we had 328, we have made a provision of 183, and the value which has come in the bit is 153, and that is the amount. So, 153 plus 183, that's it.

**Participant:** Do we have any equity, sir?

**Dr. Pawan Singh:** No.

**Participant:** We don't have any debt to equity swap which happened, we don't have any consolidated debt, only bank has?

**Management:** PFS has no equity participation, but lender has invoked the pledge is around 87%. And as a part of the resolution the Tata Power will get 76% equity. So, 13% equity will remain with the lender post resolution. And if there is any upside in future, so that...

**Participant:** So, 12% remains with JPA? 13% remains with banks, you mean to say that?

**Management:** Yes.

**Participant:** And Tata Power will get 76%?

**Management:** Yes.

**Participant:** So what will be the transfer value of equity? Because today he is sitting as book value in most of the lenders' books, right?

**Management:** So, as of now lenders have not recognized that equity in their books, so it is laying in the SPV account as a part of the equity. So, once this value deal gets materialized then only the others will get the equity.

**Participant:** So, for, that Rs. 2,800 crores debt which got converted into equity, that didn't happen?

**Management:** No, that didn't happen.

**Participant:** So, the debt is still sitting on the project balance sheet?

**Management:** Yes.

**Participant:** But in case of this deal going through, then very clearly it will get converted into equity?

**Management:** No, loan amount will not convert into equity, lender has do a 1 time settlement. Suppose the total loan outstanding is roughly around Rs. 10,000 crores, so lenders will get getting around Rs. 6,000 crores.

**Participant:** In fact, what I was asking is that, over and above this Rs. 10,000 crores there was this I think Rs. 2,800-odd crores of debt which got converted into equity and all the bankers got...

**Management:** So there nothing around that way.

**Participant:** So, there is no face value of equity lying with any of the banks?

**Management:** Correct.

**Participant:** So we don't have any equity?

**Management:** We don't have any equity. Later on whenever the deal gets materialized and if the lender gets some portion in proportionate to their loan outstanding, then we will recognize that equity.

**Management:** But there will be equity when the deal is set.

**Participant:** And is this tariff a condition precedent for the deal to happen, sir?

**Dr. Pawan Singh:** No. See, deal has happened, the tariff issue has come out of the regulator. So it is not a condition precedent, but Tata Power because this issue needs to be resolved because Tata Power will not complete the transaction unless if there is a clarity about this particular tariff issue. So it is not a condition precedent, but this is kind of a force majeure thing which has happened.

**Participant:** So they can back out of that if the tariff issue is not resolved.

**Dr. Pawan Singh:** Their intent is not to back out, but in the extreme situations this Tata Power can do that.

**Participant:** They are allowed to do that so it is in a way condition precedent or a force majeure either?

**Dr. Pawan Singh:** So this was never a condition how to become a condition precedent because it was the only condition precedent they thought they had to approval for change for ownership for which they went and this has come, but the Tata Power still has that option of not taking it forward and backing out of the deal but from both the stakeholders UPL or Tata Power it is too much of same and Government of India is monitoring it very closely at the Apex level. So our understanding is that some solution should be happening soon. Most probably the act of judgment comes probably it would have settled the issue.

**Participant:** And worse case sir our provision of 183 is okay based on whatever Tata Power has did EV of 6000 crores.

**Dr. Pawan Singh:** This is entirely based on Tata Power bid which we have got.

Third asset, which I was talking about is 125 crore we have given to NSL and NSL because this plant never came so they acquired the entire land for the power plant that entire land is pledge with us apart from that additional collateral and security is also available with us. So now what we are trying to do is that we are trying to enter into one time settlement with NSL and we had 125 crore NSL and 25 crore we have provided. It looks like whatever is the book value we would be settling it may be by end of this quarter or the beginning of next quarter.

**Participant:** Sir we can get 25 crores back is what you are saying if you are able to get....

**Pawan Singh:** So I will not get this 25 crores. I am going to get 100 crore closer to my book value it could be 2, 3 crore plus at best not more than that. So next project is thermal site-based Kohinoor. Kohinoor we had exposure of 50 crore we have made provision close to around 35.20 crore

balance is 14.80 crore, the matter has gone to NCLT advance stage of hearing. Hopefully our expectation is about 20% of the total value it could be realizable. You can say that 10 to 11 crore realization could happen here and maybe another 2, 3 crore kind of a provision we will have to make. In case of we have another project which is Athena Chhattisgarh we have at 189 crore exposure we have made a provision of 73 crores. This project is close to about 87%, 88% complete and this will also be settled through NCLT. So we will know the value as and when the bid offers comes, but it is better than others because it had plant and it is 87- 88% complete. Another thermal plant which we have is sonara power. Sonara power exposure is 96 crores, we have made the provision of close to 80.13 crore roughly little over 15 crore is left and we are on advance stage of NCLT resolution. We hope to get value close to the residual value which is reflected in our balance sheet later provision. This is about thermal and then of course one thermal is gas based thermal power plant that is Konaseema. Konaseema we have made provision of just 100 crore we have made a provision we have made a provision of roughly 45.30 crores and this is also in the NCLT stage and based on whatever offer it comes through NCLT we will have could be breakeven or little bit extra provisioning left. This is about the other project.

**Participant:** Any NPAs renewal?

**Management:** No NPAs renewal we have one solitary case of NPAs which was very old lending of our which we did to Shalivahana where we have about 10 crore exposure that was mainly on account of Tamil Naidu not making payments in time that also we have got one time offer and in Shalivahana we have made certain provisions. So total provision we have made here is 7.10 crore under 12 crore was the loan outstanding and offer we have got is 7 crore from the existing promoter we are challenging it through Swiss challenge. We are also asking the



promoter to improve for that so 2, 3 crore is recovery is going to happen.

**Participant:** We are coming to the growth opportunities I see the phenomenal growth opportunities in this mid-serve which is happening in two or three opportunities first is the state Gencos are finally breaking up and expanding very fast in the state of Tamil Naidu, Telangana and clearly banks are doing very soft on that, so do you see an opportunity for you given that your average yield is not substantially higher than 10% so it is not very high and you could be comparative with those kind of plans this is my first opportunity which I see wherein you can make some in roads and secondly on annual annuity there again the banks are doing soft you understand the sales, you understand the annuities, you will be far more comfortable handling those kind of projects compared to those guys who do the multiple landing, so you see these two as a growth opportunities for you?

**Dr. Pawan Singh:** We have ways to this growth opportunities, but thermal is in the area which we are not watching very closely for number of reasons. Our book style is not very big and thermal is a big boys game actually and having burnt we say that once bitten twice shy and having burnt our finger whatever maybe the reason x, y, z we can do analysis I will be correct, but the fact remains same is that thermal will not do well and renewal we have done well so why should I go to the area where I already burnt the fingers but of course as you rightly said it depends on asset to asset you are doing Greenfield, you are doing Brownfield, you are doing completed projects all those things all are there. So that is why state Gencos if at all we do thermal we will try to do thermal which are operational where maybe some talking of all this required that kind of financing we do to get our premium on that and maybe for a shorter period say two years and get out of it rather than stick on that with 20 lender and you become the most minority lender in the entire groups and those lenders have a balance sheet of lakhs of crore. We

don't wait for five years of gestation and this is not our cup of tea and we conflict that kind of space but yes, wherever thermal last mile financing, operational, PPA and all that that is an area we could always look at and those opportunities are as you rightly said are there and will be there. Even though cases which are settled down, restructuring is happening all of them will be meeting finance, but we will try to provide them a niche financing, not the typical project finance and you talked about 10% yield my yield is 10% but I do not want to 10%. Now 10% yield is because of stress assets not giving me returns if I minus with the stress assets my yields would be close to about 11.5% even that 11.5% I would like to do better I would like to do better on that. So I don't go back to yields which are 10% especially when my cost of borrowing has gone up to closer to it is slowly inching towards 9% it has not reached there but it is reaching towards 9% so why should I go into 1% spread model. There are opportunities where I would be able to make very easily 2.5, 3% kind of a spread and we are churning much faster those opportunities have been now getting located whoever going out I do want to take names lot of NBFCs similar types are getting out. So that space is getting affected for us because earlier we were not very strong in that area so we will be doing that and pick up and sells. What these two people used to do pick up and sell to PFC and REC and to some extent to us also so now we will pick up and sell to PFC, REC.

**Participant:** Same CAPEX is happening we understand the domain and we could be actually leading other bank and let the onset further to the bank and there is enough opportunity for fees plus the project the management consultancy they would do something great. Anyway thank so much for this and HAM could be one such opportunity

**Management:** HAM we are doing but HAM we have been pretty choosy with developers because many of them over leverage so we are little careful about that as I said HAM or no HAM we have also said in case of

HAM we will not do anything below 11% so our threshold is decided will not do below 11% this is our benchmark.

**DK Bakpat:** I have few queries first of all regarding the project like you said renewable energy and thermal project, can I know which state it is and second question is that you said that a lot of project will be gone through NCLT, so can you let me the how much the number that how many projects have gone to NCLT?

**Dr. Pawan Singh:** The cases which we have discussed most of NCLT cases we recovered. So there may not be many more additions to them. So there are one or two here and there ICOM is there which is not of thermal which is also going to NCLT that is addition other than that these are the by and large cases which I mentioned just now other cases which have gone to NCLT. One or two small exposure we have in hydro which of course like what we are doing in case of NSL because most of them where with very strong collateral so we have advantage there and we have roughly about 42 crore exposure in himagri hydro and we have another 74 crore in dilag hydro and both of them because they are backed by very good collateral either we will get little higher than what we have provided for or at least close to net of what we have provided for.

**Participant:** You have mentioned about the project monitoring, are we totally dependent on the external agency our staff is very less. So are we dependent on external agency is only for project monitoring or we have 100% dependent on our own people who go to the site and monitor the projects.

**Management:** Most of the lenders at financial institutions those are seen over the years they engage the lenders' engineers and once in a quarter they undertake a visit and submit their report. So most of the financial institution they are dependent on them basically whether they have to do the disbursement or whether they have to rectify some problem which has appeared in the physical progress of the project or some

other areas. So basically, it is a lender's engineers which they are dependent, but in our case apart from seeking the services of the lenders' engineers we are doing our analysis also. We are in the process of creating some formats, they are not the bulky kind of document just one page or two pages which will reveal most of the problems pertaining to the project and lender's engineers we will not laid them free to submit the report as per their liking. We create a format in which they have to submit the report, they can submit very bulky report if they feel like, but the portion which we want to have as in line with our formats covering certain very important feature based on the experience required on number of years in the sector, so that we will expect from him to include. So of course, because other lenders they are not insisting upon that slowly and slowly they fall in line with our requirement and it has already started happening. So that gives a better board of the physical and financial progress of project, the kind of concerns that are emerging over the years. So that way we will be having a slight edge on our competitors.

**Participant:**

But in the case of external agency that I have seen they have played both sides of the games anyway what about last time you have mentioned about that you have ERP project monitoring what is the status on implementation of that project? I think we have completed of some stages what are the parameters on which you would judge the success of it. Is there any advantage in implementing that project because you have mentioned specific that we will also be going on cloud.

**Management:**

Apart from the basis I have looked after the project monitoring earlier. As far as along with the allies which is lender's independent engineers, our team also visit along with him to see the project monitoring so what exactly is happening I decide. So how it is happening since it is a renewable project which it takes usually 6 months to 1 year time for the implementation and before releasing any additional tranche amount

for the project implementation we asked the LIE to visit and along with them our team is also going to see whatsoever project progress is happening or not happening what are the issues. He is technical person he knows how to check or visit along with him also we will cross check. As far as ERP implementation is there so as of now we are monitoring the various parameter like the operational of the project suppose if we are funding to four project so what is coming like what are the TRAs so those things are being monitored regularly from last two years and there is a report which we are publishing for senior management as well. Apart from that to build a flexibility or work transparency or track record we have started putting those information into the ERP and are under the reviewing stage. So we have started capturing those information, but for a fruitful information it will take its own time to get . So maybe by the end of this year we will be able to fully operationalize those things, but it does not mean we are not monitoring. We are monitoring those things and keeping the track of each and every project with respect to the power generation the payment from discoms, what are the receivables of the discoms, how the money is moving out from the project whether it is operational or under construction.

**Participant:** My specific want was that ERP will definitely have some process.

**Management:** So those cost has already been incurred so there will be no significant additional cost which we are going to incur.

**Participant:** Please if you can elaborate more on that receivables with more than 6 months specially related to discoms because we are focusing more on state discoms, has there been any cases where clients has been the money is getting delayed by more than 6 months?

**Management:** In the state of Telangana, Andhra and Tamil Naidu there is a delay payment for more than 6 months, but the project which we have funded has a strong promoter and promoters are making the additional

money to service the debt and these are provision of working capital to the extent of 5% to 10%. We are allowing them to take 5% of the project cost as a working capital and most of the promoters are bringing the additional money to service the debt so we are not seeing the significant challenge.

**Participant:** So are they doing that by bill discounts or some other means this promoters?

**Management:** The promoters are good enough to bring those validation apart from that we are having two quarter DSRA . So it is of very extreme emergency we can take it as DSRA so DSRA is equivalent to six months of repayments.

**Participant:** Since PFS is not going through very good phase what are austerity measures that company is undertaking?

**Management:** Since the power utilities are taking the power and they have to make payments so there may be few challenges where they are delayed the payment for certain projects which are beyond our control, but this issue is with most of at the certain selection.

**Participant:** This is related to power plant with PFS what are the prospective measures. We do not see any we have not seen any good performance over the last four years, so what has been the prospective measures taken by our company PFS?

**Management:** Biggest prosperity is because most of the cost, most significant cost comes from the interest cost. So for most important is I took my interest cost and most of my cost is taken care and employee cost for us if you look at us it will be hardly 48 crore in a year that is my employee cost. So that is pertaining to any other NBFCs very low and also 40% of our payment is very low. So performance was down the variable pay either is not available or it is available in a much lower value. So that is my main cost apart from that we have the admin cost

which have add in public sector buildings for internal purposes and we have only 1 office, not a very lavish office, it is a very small office, everybody sits in the small space. So by and large our overhead costs have been continued in fact as you only mentioned that you have 50 people. So going forward rather than you know as we have resolved our issues in stress assets from the balance sheet then when we are going to grow this is also very important because ultimately value which we had to see manpower there is no other value which we will be adding the credit appraisal, there is management system, the monitoring system. So we need to compensate our people also many in between numbers we have dropped new people like Sanjay has new team as it turned out to be a big asset to the company, but some of our best people also have left the company for greener future while we do austerity we also have to be careful that the quality people which we have in the organization that has percentage of total cost is minuscule but at the same time if I don't compensate appropriately my best people will get approached and there is so much of demand in the market they will now leave me and go so I have to be little careful about like a position.

**Participant:**

About HAM you have mentioned that it is your focus area, so in that as per the reports 50% of the projects has started especially in the last two, three years because many promoters have taken, many promoters have taken too many projects, so how you are going to manage at this especially since we were experts in power sector and we couldn't manage whatever projects we have and this is a new sector anyway for us?

**Management:**

I just like to add one of the things. In case of renewable project as there are around 67 projects which we have in the range of 7,800 crore that will be a major portion. So out of these 67 projects only 4 are under construction and rest are operational as of now. So if we perceive the risk associated since these are the renewable and solar or wind, once

the project gets operational, there is no recurring cost even the working capital is needed only if there is a delayed payment from the discom. So far as generation and induction to the grid that is happening. So if I say even 94% of the 7800 crore is operational.

**Participant:** It is related to road construction.

**Management:** So we have total exposure close to 500 crore max in the road construction that is almost 4% of portfolio and the group which we have finance is Sadbhav those are the company we have financed and yes there are little bit challenges, but our exposures to those projects are not significant and we are observing and closing problem.

**Participant:** But since that has been mentioned at the focus area. So I have one suggestion in the annual report or whatever when you may at least have a detail about the project whatever have been resolved or whatever if we can take more information that will be might better. So as a stressed asset whatever you have given right now stressed assets whatever has been resolved, provisioning has been done. So if they get more information it would be much better for us?

**Management:** Definitely useful suggestion.

**Participant:** Project wise it would be a good information for us we do not have to ask more detail because it is known that this particular project whatever has been the provisioning done, whatever we have received after the provisioning or whatever has been the loss to the company on that particular project. So we will know project by project what has been the performance.

**Management:** PFS is in accordance with the disclosure requirement we are fulfilling all those requirements. There are too additional information you have asked .



**Participant:** Nobody is saying that additional information will have an impact. It will improve and why we are saying that.

**Management:** In our presentation you will find slide on stress.

**Participant:** Doing bare minimum there is no point in that.

**Participant:** One question what is the gross NPA and net NPA number as of 31<sup>st</sup> March, 2019?

**Management:** 800 and 400.

**Participant:** So as a percentage it will be?

**Management:** 50%.

**Participant:** And as far as the debt equity ratio is concerned it is currently 5.5 and we intend to improve this to probably a higher number because otherwise how we will improve the return on equity because if we are working currently on 1% margin you said that in good times you made 2%. So until and unless you have leverage balance sheet of 7 times or 8 times how will you create shareholder value for the equity holders.

**Management:** See on our completed projects we can have a capital adequacy of 15%. So our point is those completed projects infrastructures that were completed satisfactory of operation for one year they have a risk weightage of 50%. So going by that we have an opportunity of leveraging further, but while we do that of course I take your point then you know we have to maximize the return on net worth, but always there is a to a point because tomorrow all my assets becomes 50% risk weight. I can leverage myself even 10 or 11 times or 12 times, but you know rating agencies do not look at me totally differently. So there is always a cutoff point where return on net worth but what is also very important is apart from leveraging I grew by margins and also resolution of stressed assets and improvement in the

other income. There are different ways of giving returns to investor. We will not only look at one way, but will look at certain of course your suggestion is well taken we will keep in mind. Further we will look at several ways of giving return to investors.

**Participant:** Sir you go to the NBFCs space all the NBFCs which are trading at 2 times, 4 times, 5 times have return on net worth of 15%, 20% you are trading half for your book value. So until and unless you target our return on equity number which is more of the 14% how will you get a re-rating that is the question so either you can do it by leveraging your balance sheet or looking at projects in which you have greater margin which will lead to HAM projects which we would like to diversify.

**Management:** And in fact return on net worth is which were are concerned about, what was put down on return on net worth is couple of things one is spread part which came down for us. We will continue to focus only on project finance and there was lot of computation in the NBFC space. At the present that computation is not as much important it used to be and today we are at better position to take away our pricing. So that is advantage will be for this in the future quarter plus our shifts from pure project finance where we can definitely more spread and of course churning of assets we will do. One very strong reason for my net worth to get down was I have a large portion of stressed assets where no interest income coming that also we are focusing here and taken out some of it and some of it we will be able to take out and close the suggestion on leveraging. I think we will be able to give you a kind of return on better net worth which you are expecting.

**Participant:** Can you talk a bit more on the other components because that other components has become almost like one fourth of your book now so can we know specific sectors and how many projects you have financed which are the parties or the books over there whom to have exposures over there?

**Management:** Out of those others there is a significant portion around 1200 crores to the power distribution companies like discoms Telangana discom and 400 crore is approximately just you need give me two minute and also can you talk about what kind of yield or spread you make on this other component is it like similar to what your renewable is or more than that

**Management:** other things area, it is not product. So other things in transmission line we have done HAM project we have done state power utility distribution companies it is a segment it is not product. So it could be closer to or little better than what we get in shares, but the pricing advantage is available in products which are different from other project financing. So other need necessarily mean we have better yields for example other would not have HAM, others would not have transmission lines both are annuity model they will not pay very yields. Distribution company give us little higher yield compared to HAM, but they do give me as much as I would like to take from may be a structure product this we are deliberately somewhere in between. So others would fall two types of others for this annuity types of products business as usual and the distribution others which gives me little more than business as usual and then there could be a third category which we are now working on that could be in renewable space as well in other space and that is the structure profit. With respect to the exposure it is 1500 is the distribution companies those are the three discoms 1000 crore is a transmission it is a public and private both.

**Participant:** Can you throw some light on how you calculate your gross and net NPA, so are we confident that there is a 50% recovery or you are making 50% provision for this?

**Management:** Gross NPA as of today is 804 crore and wherever I made a provision of 402 crores it is almost 50% of NPA. These provisions is in excess as prescribed by the RBI based on the expected credit loss because you

know under the resolution plans either the resolutions are ready or what is the realized value or securities based on those valuation.

**Management:** This is what is provided for. One more thing about the sewage treatment project which state are actually working this project with?

**Management:** Actually this sewage treatment plant they are come under the Namami Gange scheme and in that the Namami Gange has been set up in the authority like NHAI and it is based on the annuity model. The period comes from the Namami Gange authority to the concession and so ultimately like for example we would not like to state the one solitary case we did, we are doing into it Adani enterprises and Adani enterprises the concession agreement back to back with the Adani Namami Gange authority. This authority has since it came after the concession agreement which was provided by in the road sector. So there has been a improvement in the concession agreement. First of all instead of like for example the payments the interest payments in case of NHAI is based on the bank rate and whereas in this case it is the SBI, MCLR rate and thus 3% so it is much higher number one. Number two the milestone payments during construction all the milestone payments because HAM projects are based on combination of grant as well as annuity payment so whatever 40% versus 60% is a annuity payment. So whatever grant payment has to come two advance milestones are now getting placed in the escrow which is not there in the HAM projects. So there has been a significant improvement for HAM projects in particular Namami Gange projects. Another big issue the better issue here is that all this sewage treatment plants basically one could be fresh also, but normally the packaging is done in such a manner that two-third could be existing sewage treatment plant and one third could be new sewage treatment plant so that acquisition and all are not a challenge in these projects.

**Participant:** How about the EV projects that you see it through

**Management:** EV projects and such they have not stayed to the state because they would not like to retail kind of business in this area not from now. So they have not come to a scale where we can finance them, but this is as we the policy supports like that maybe in the next year time there could be a huge opportunity in the EV space that is why I said it is a hockey stick like a situation present not many opportunity, but this is an area which we are very closely watching. Our expectation is next 6 months or 1 year this will really throw up and we are just before everybody else is there.

**Participant:** Sir what is our marginal cost of capital for debt for Q3 and Q4?

**Management:** It is additional marginal cost will be close to 9%.

**Participant:** The reason I am asking is just the weighted average and cost of debt has gone up significantly in Q3 and Q4. So if the marginal is still higher then at the incremental spread which we are talking about in next two quarters because of moving the loan book with the base view, so will this higher marginal cost is the marginal cost higher than 9.23 which is a weighted cost for Q4?

**Management:** Marginal cost is higher definitely higher than what it was before. Of course we have a model where we are able to pass on most of the cost, but as you rightly said marginal cost is higher cost and the overall weighted cost and the pay state would be based on pay scale, but the way we look at it is because there are two parts to our pricing one is the base rate which is based on my cost of borrowing. Normally the base rate also moves with the incremental borrowing cost which I have bought number one. Number two there is a markup on the patient so by base it moves but the markup does not move. So I make money there also it is not that I do not make money I only so there is a fixed and variable component. So the fixed component is not only the variable component we can change, but also like the way we are seeing the cost of borrowing it has gone up and it looks like that one or two three

quarters it would be a single trend it will not be better than what it is now, but the way things are unfolding and then we are trying to diversify like this marking credit enhancement between the bonds and then we are trying to go more for external commercial borrowing. I do not expect commercial paper market to be totally dried out over a period of time. We have a major structure of commercial paper will change because corporate are directly participating not going through mutual fund route and that is why we are also trying to have a bilateral relationship with corporate especially our advantage is to deal with public sector. So we are tying up with us we have managed to get first tranche of 100 crores through corporate and we are working very closely with many of the PSUs. So our effort and endeavor and of course the market as we look at it entirely will not be a in a later direction.

**Participant:**

Second thing is what is our rejection rate say proposal which came to us either in terms of number of proposals or end of those amount how much is the rejection rate for the proposal that come to us?

**Management:**

See what happens is we have various levels of scrutiny and our is a debate which is often happens our in organization all the proposal would vote. So that is strength for some people say that why we refer to vote, but in our case all the proposals go to vote that is one. So before it goes to vote it has various kind of scrutiny which happens and one is you know when the proposal comes that is we have our own business development team and they look at it whether the proposal can be taken forward. So maybe rejection at that level is quite high very high that could be my guess I do not have exact numbers, but it could be very high number 6 to 1 happens then from there after they find it suitable then they bring it to our internal credit committee where both of us are members and we have the representatives from the risk department, we have representatives from business department, representative from credit department and we make a certain second

stage. At that stage I could say that at least 50% proposals will see the light of the debt and then after it gets cleared the risk rating model which we run and apart from that there is a qualitative rating which is done by this department and probably 25% drop would happen there and after that it goes to vote. Vote I can say may by another 25% drop which happen at the board level so these are the various levels which we go through before our proposal is cleared.

**Participant:**

Any presentation you mentioned about the new orders like PPP and also the loans getting converted into equity, so for the future what are the models that you are planning to adopt and the strategy we have on this, can you throw some light on this and also the technology that we are adopting you mentioned about SAP and can you elaborate on this?

**Management:**

First part I will answer and second part Sanjay who is looking after SAP part of it he would answer. So as far as PPP and innovated products new areas is concerned we mentioned in our presentation we do not want to do pipeline in this area and we would like to stick to areas where we have our core competency and we have enough opportunity as I said that in the renewable space we will be there. Only thing is in renewable space we are looking for little different kind of a product. For example, we have borrower company and they have the EPC company and which does project execution work and also has some of the projects renew has some of the projects where we have done project financing. So many times they have required money for the EPC trading money comes to the financial closure till that happen at the SPV levels. So they require money at the EPC level. So if I do some kind of financing at the EPC level and which gets paid through the financial closure at the SPV level. I get a different I know that I get a different pricing. Now for the spread there would be 1.5 to 2% normally I would cross. So this is we have started now we have not been doing it in past but last three to four months we have started doing this and we have hedged because ultimately what happens is that

one is that renew is our existing borrower, we have crossed Collateralization and just the existing cash flows of the project plus either tomorrow for that particular project the financial closure is we can do financial closure with other financial institutions. They were well known name everybody wants to lend to them or else we can also step in at to the financial closure for the project. So as I said that we have minus 2 kind of so these are the kinds of products apart from this couple of which we are working on that is in terms of structure, but in terms of area we are looking for new areas which are related towards which will open up because sustainability is going to be the very great focus area and I talked about the SPG gas where best gas would be used in C&G gas and C&G plants would come and throughout the treatment plants we are going to come in a big way. Then PPA kind of a models it is not PPA but oil companies coming into a counterparty by management. So there as I said we are signing an MOU Indian oil as a preferred partners. So these are the areas. So this nature of MOU would be that first right of refusal to any such proposal would rest with us. Indian oil will help us to get any international assistance required for financing these projects. We will advise Indian oil on all financial restructuring, structuring which has to be done around this side of projects. So this would be a kind of a broad MOU which we assigned. On the IT part Sanjay will tell.

**Management:**

With respect to the SAP implement we have drawn your attention and this financial year results has been prepared from SAP and with respect to billing whenever we are changing the base rate which automatically get the revised rate so there will be no manual intervention for each and every entry. With respect to the security creation the project wise retains the things are to be securities to be taken in a certain security which needs to be perfected after the commencement of the assured those finance are available as per the facility. So we are tracking the security in case it is not creating. So



those controls are build up in the SAP in technology reasonably so have you adopted this.

**Management:** We are not there

**Participant:** Thanks for detail review of the business and I agree physical meet is much better than. So I wanted to ask are there any major provisions or write off we are envisaging with the company quarter that of the gross NPA?

**Management:** We are driving through by stressed assets and I told you how much provision you have made and how much likely recovery is there.

**Participant:** Any more exposure or more write off

**Management:** Write off provisions have been there. Some of the provisions could be write off. There is a solitary case which we have throw out next quarter so first make you aware of that there is one project of ours Menakshi which will get into NPA next quarter this quarter and further the project is complete and they have a PPA about 20 so what we have said that though it will be NPA as expected credit loss will not be much will not be very significant.

**Participant:** What is the amount?

**Management:** Menakshi is 150 crore.

**Participant:** Any exposure to IL&FS?

**Management:** IL&FS we have got the exposure to attain that thermal plant which is there in Tamil Naidu for that one case PPA 600 megawatt is already there one phase PPA stands second case PPA they have signed with power trading corporation for another 600 megawatt power and the amount is lying in the escrow and now the government is running the.

**Management:** Regarding the question for rejection rate I wanted to make a statement. Any financial institution of lender can reject the project very easily, but the expertise lies in getting the project re-cast so that it becomes viable for funding. Based on this the financial institution can advise them to you change the scope of work or you can change the implementation schedule or there may be so many other different things which can be done so that whatever little problem is there with the project that is taken care off. Over the years this is what I have seen that there can be contribution from the lender side also so help borrowers make the project viable.

**Management:** In answer to this gentleman what he said about the rejection of the projects you can also see the projects that we have rejected and somebody else has selected and they have performed well. So maybe you can make study on that and just see why and on what parameter we reject there and they have selected of course that is just placed and see why that particular project has been successful that might brought some interest in cases where the rejected cases have been really successful.

**Management:** See that is a very interesting remark but I just wanted to say from our experience certain thing I wanted to observe here. Number one not only not only selection of case after having selection do you carry the package. So what is very important is that your early warning system that you should be able to identify luckily I was able to have we have two more exposure in IL&FS they were the people who are able to foresee that and down sell that project and come out of it. So this is not only getting the right project, but also I mean what the project do not carry the baby too far that is also very important lesson which we have learned. One lesson which we have learned which you have said we do not have so much of problem where we have rejected the project and somebody else has taken, but there have been cases good projects where we sometimes did not react in a very fast manner and somebody

has grabbed it that is a area which we are now challenging. It is that if the good project comes we should not be fast forward that is what we have to be more vigilant.

**Management:**

In the last conference call one of the gentlemen has asked for interim dividend that is to comparing the investments that investors have made and the kind of share price that PTC is showing BSE over the last five. So we should really look into the compensation for the long term investors.

**Management:**

Investors are more valuable and that is why we this year we declared a dividend of though we are not taking it is easy then also we declare a dividend of 8% dividend payout ratio we maintain at 30% we try to maintain this dividend payout ratio in future with better profitability. Thank you very much and once more thank you for your time and we will request you to join us for tea here. We will be happy to interact with all of you. Thank you.

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