



“Analyst and Investor Call to Discuss Q1 FY24 Results of PTC India Financial Services Limited”

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Moderator: Ladies and gentlemen, good day and welcome to Analyst and Investor Conference Call to discuss Q1 FY24 results of PTC India Financial Services Limited. 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 this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhinav Goyal – Vice President from PTC India Financial Services Limited. Thank you and over to you, Mr. Goyal.

Abhinav Goyal: So, thank you and very good afternoon to all investors and analysts and we are pleased to warm welcome for discussing Q1 Financial Year 2024 Results.

So, as we've been seeing that this time we are having a Result much before time, we have broken the trend which we were following last year. And now we are on the path of having a regular result with all compliances.

So, today we are having our Managing Director and CEO (Additional Charge) cum Director Finance and CFO – Mr. Mahendra Lodha, who is also a chartered accountant, eminent chartered accountant having years of experience in the relevant area. We are having Mr. S. Siva Kumar, who is our Executive Director (Credit) and having years, I should say decades of experience in banking sector. We are having Mr. Sanjay Rustagi, who is the Senior Vice President and we are having Mr. Devesh Singh, who is Vice President.

So, over to you Lodha sir.

Mahendra Lodha: Good afternoon, everybody. So, I will just highlight the few things regarding the PFS. Now, fully functional board is there along with the three Independent Directors, I will highlight – one is Bharathi Madam, she was Chairman and Managing Director of Corporation Bank. Another one is Seema Bahuguna, very senior IAS officer. She was Secretary in the center. So, fully functional board is there. Now, we are strengthening our senior management team. So, we have already recruited the Executive Director (Credit), Head (Internal Audit), Head (HR Resources), Head for Finance, Director (Finance) also has been appointed. And Chief Compliance Officer as well as Executive Director

(Monitoring and Recovery) is in the process of joining. So, they are likely to join next month. So, I think issues related to old matters of resignation of three Independent Directors have also been addressed. So, we have an unqualified audit report for Financial Year '22-23 as well as unqualified audit report for Q1 of FY2024.

So, in Financial Year '22-23, profit was around Rs. 176 crores, we have declared dividend of 10% for Financial Year '22-23 and again, that unqualified audit report we got for that Q1 of Financial Year '24. So, PFS has achieved a PAT of around Rs. 36.77 crore for Q1 of Financial Year 24. The stress in NPA accounts are also being resolved and the trend is like resolution for all these NPA accounts and focus is on improving the performance. So, the capital adequacy ratio also we are at a comfortable level of 34.90% with majority in the form of Tier I. Net interest margin is around 4.33%. The debt-to-equity ratio is also around 2.05x. So, we are at comfortable cash flow position with liquid funds of around Rs. 453 crores including HQLA. So, the net worth of PFS is also around Rs. 2,200 crore. And the market cap of PFS is around Rs. 1,450 crore plus.

We are having loan book of around Rs. 7,453 crores. So, ICRA and CRISIL has also removed PFS from the watch list and reaffirmed their rating as A+. We are having proposals worth of more than Rs. 1000 crores to Rs. 1200 crores which are sanctioned. We are in fundraising mode.

So, these are just brief highlights about PFS. So, over to Mr. Siva, our Executive Director.

S. Siva Kumar:

Good evening, everyone. I'm Siva Kumar. We have a good state of the proposals in the pipeline and also the disbursements in the pipeline. We have more than around Rs. 1,000 crores disbursement also in the pipeline, which we are focusing. Also we are looking at resolving some of our stressed assets. We are expecting that we will move towards a very clean book by end of the second quarter this financial year.

Abhinav Goyal:

So, that is from the Company side. I guess we may straight forward move to question-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sameer Dalal from Natverlal & Sons. Please go ahead.

Sameer Dalal: So, you know, I was there for your last analyst meet that you also had and one of the big problems you had discussed back then also was the fact that you were not able to get funds or were looking for raising funds so you can start lending out. You already had certain proposals which you could fund and things like that, and you were expecting some funds to come in from particular overseas body, any progress on either of that and where are we getting stuck when it comes to raising funds for giving them out against the sanctions that you have?

Abhinav Goyal: So, that time we were in discussion when we had last meeting in Mumbai, we were in discussions for raising further funds. But you know, post that meeting, there was some directive and related media reporting. So, there was a time when we were at advanced stage of discussion, somehow the process with the domestic lender has got delayed, so few of the lenders have requested us to wait for Q1 Financial Year 2024 results. So, now the result has been over. So, after having this result, we are again approaching our banker to have appropriate consideration so as to have a sanction of fresh credit lines to us. Now as regard to overseas lending, we got a sanction of \$50 million from IIFC UK which is under the process of documentation. So, this process is going on and hopefully in the next few weeks, we will be able to draw the limits / funds in our account. So, that is the status as of now.

Sameer Dalal: And from the domestic lender, what kind of ability of fundraising would you have if all the things, I mean you said that once the results come, they will open up a line of credit? So, what kind of line of credit can we expect? And secondly, what is your repayment schedule for the next 3 to 6 months because now whatever repayment is also going to be there? Are they going to relend to you? Because at the end of the day, your raw material is money and if somebody is saying no for whatever reason, we don't want to give money, you are not going to be able to raise the funds. So, I'm trying to address what is your cash flow kind of situation in the next 6 months or 1 year?

Abhinav Goyal: So, very relevant question and of course for any financial institution, not only for us, for any lending institution, raw material is money only. So, as regard to cash flow position, I guess you must have gone through our investor presentation Page #17 where we have shown the cash flow position not only for 0 to 3 months, but for longer buckets as well. So, after going through, you may visualize that in terms of liquidity at this point of time, we are at a comfortable position. Now another question is what is the status of having a line of credit from banks and financial institution from domestic market? Yes, we are in discussion and few of the proposals has gone from branch to HO level for appropriate consideration and our management is also in discussion with their management at top level so as to expedite the process. We are quite hopeful that in time to come, we will be able to get a few sanctions to cater the investment requirement for our organization.

Sameer Dalal: And I'll ask one last question. It's in the same regards. You know there is something called co-lending which a lot of institutions and banks are doing. Have you all thought about doing that for the time being? So, at least you can get the ball rolling, very part of the loan is borne by you, and part is given to a bank through a co-lend. At least your sanctions that you have and things can progress. Have you looked at that option at all and if not, are you planning on looking at that option?

Abhinav Goyal: So, I split your question in two parts. First, one is a lending and the second one is co-lending, right? So, as regard to lending activity, we already updated that we are in discussion with banks and financial institutions. So, whatever be it lending or be it the co-lending, there is some outflow of money from the organization. So, our first focus was to maintain appropriate ALM, which we are doing, which as I mentioned can be realized from our investor presentation as well. Now as regard to co-lending, we have initiated few of the things which our Executive Director, Mr. S. Siva Kumar will explain, over to you, sir.

S. Siva Kumar: As regards the option of co-lending, we are moving with a few of the institutions to have a co-lending wherever it's possible. So, that's certain proposals we can share with them and share the risk and share the sanctions and other fees. So, that option is now being discussed and mostly we will come out with a few proposals. We will end up co-lending with other institutions.

Sameer Dalal: And in the co-lending that you all are looking at, any terms and conditions that you all have in mind, which you will be following on the terms of those co-lendings?

S. Siva Kumar: It will be the conditions or basically it will be mutually agreeable and mostly in the sectors of the infra only. So, that's the one which we are looking at and it's in a preliminary stage with two or three institutions we have bumped upon and it is well received by those institutions also, so we are in the process of exchanging information and going ahead.

Moderator: Thank you. Next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir first I wanted to understand now touching upon the fundraising part only, so how optimistic we are that we will be able to raise fund in next 1 to 3 months?

Abhinav Goyal: So, we are quite optimistic and that is the reason we across all levels are putting so much effort for raising it and that is I think the only challenge not only challenge, but is among the prime focus area for us. So, the process is going on as we mentioned and hopefully in time to come there should be some good news for the Company.

Deepak Poddar: And what is the quantum we are looking to raise?

Abhinav Goyal: Quantum, although we have not restricted ourselves to any limitation, but yes as of now, we are in discussion for Rs. 1500 crores to Rs. 2000 crores with various lenders. The request has gone from our institution and once we will be having some sanctions from few of the lenders and probably will approach for more sanction of limits.

Deepak Poddar: And this Rs. 1500 crores to Rs. 2000 crores of, that's we are in talk that we are likely to raise over the next 3 months. Would that be a fair thing to assume?

Abhinav Goyal: So, that is the amount for which the efforts are going on and we are working hard to achieve that. So, that is our prime target as of now as regard to fundraising.

Deepak Poddar: And in what form would these debt be actually? I mean, would it be in terms of pure debt or in in terms of NCDs or something else?

Abhinav Goyal: So, NCDs are not immediately, it would be in form of ECB to the extent of Rs. 400 crores as we mentioned that we are having a sanction of \$50 million from one UK-based lender. So, documentation is going on and probably in time to come, now if you convert 50 million into INR, then it amounts to roughly Rs. 400 crores and the rest would be in form of bank credit line, long-term credit line.

Deepak Poddar: Bank credit line. Understood. And if you see last quarter, our loan book has been stagnant at around Rs. 7,000 crores to Rs. 7,500 crores, right?

Abhinav Goyal: So, I think how to look at the situation. So, another way is that there is a stability and the bottom is there, reason being before last quarter, every quarter we were declining. So, it's over to you how you look at things, but that is the factual position.

Deepak Poddar: But how do we see that? I mean, if we have to see this year, what sort of loan book we're targeting and maybe next year. So, any kind of light you can provide there?

Abhinav Goyal: So, our first target was to ensure that the things should move in the right direction for which, we are working and one of the areas where we got, successfully started results being published well at time and I think in last few years it's first time that result being published in the month of July. Now, every effort is to raise funds, so once the fund will start flowing to the organization and the quantum has already been shared, just now. So, then that amount will be utilized for onward lending. As of now, we are not focusing any specific amount that like we will do Rs. 5,000 crore or say Rs. 8,000 crore. We are focusing , slowly and gradually, but of course, cautiously we should start moving. So, once we'll start moving, then probably that would be the right time to catch up the pace and to deliver more.

Deepak Poddar: But have we started getting fresh disbursement? We have started, right?

- Abhinav Goyal:** We did some disbursement that we mentioned in our investor presentation in Q1 as well. We did some sanction as well. So, Rs. 332 crore of disbursement we did in Q1 Financial Year 2024 and this quarter also we are working for making some disbursements.
- Deepak Poddar:** What sort of ROA we can target in our business on a steady state basis?
- S. Siva Kumar:** It's around 1.5 to 2 we are looking at for ROA for us and given the situation, we are trying hard to achieve those numbers.
- Deepak Poddar:** Because currently we are at 2.1, right?
- S. Siva Kumar:** Yes.
- Deepak Poddar:** So, why lower range, I mean is there any additional cost that we expect to come?
- S. Siva Kumar:** There is a marginal increase in our cost of borrowings and beyond the level, we will not be able to pass on our cost also to have quality assets. So, that's the one which we are looking, maybe a few basis points will be here and there for ROA and it will be more or less in line, maybe few bps we will get reduced than what was there in the 2023.
- Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.
- Vignesh Iyer:** And just to understand it, if I'm not wrong in the last quarter earnings call, you had given a target of size of Rs. 9000 crores AUM for this quarter, are we looking at the similar target? I mean are we maintaining that target for this financial year?
- Abhinav Goyal:** So, the target of AUM of Rs. 9,000 crores, yes, we are quite hopeful that by end of this financial year, we should be able to achieve that.
- Vignesh Iyer:** And what is the comfortable level of debt-to-equity the management see as comfortable reaching?

Abhinav Goyal: So, if you look at our debt to equity, we are far more than the comfort being required. So, we are just two times. So, that way we are, I should say, very comfortable in terms of debt equity and normally NBFC can have a leverage up to 6-7 times. So, if you look, the kind of room available to us and the kind of room we are utilizing. As of now, there is enough cushion to do business in terms of debt equity and capital adequacy.

Vignesh Iyer: And what would be our cost of borrowing for this year?

Abhinav Goyal: So, it is in line with the global trend only. So, globally, the borrowing cost has been increased. So, if you look at the scenario in general then in last 1-1.5 years, there is an increase across the globe due to high inflation. And the increase has happened in the domestic market as well, of course lesser in comparison. Now if we look at the Company financial, we were at just 8.35%. So, that is, we should say, quite reasonable and competitive in comparison of similar rated any NBFC in the country. Although again there is some increase in this borrowing cost is expected, as regard to that increase, we are having a policy, we are having a methodology where if there is any increase in the borrowing cost that has to be passed on to our borrower. So, for that, we are following a PFSBR mechanism. So, for that, we are having a meeting on quarterly basis to review what is our borrowing cost and other operational cost and if any correction being required in our lending rate, so that correction being made and accordingly the cost being passed on to our borrowers.

Moderator: Thank you. Next follow up question is from the line of Sameer Dalal from Natvarlal & Sons. Please go ahead.

Sameer Dalal: Just a quick question on the recovery side. You know, last time when we had met also you said you were working actively on certain recoveries of loans and they were expected that some recoveries on from the gross NPA side might start coming through where provisions were made to a very large extent. So, any update you can give us on that or any expectation of any recoveries in the next 3 months or 6 months?

S. Siva Kumar: We are expecting around Rs. 400 crores of assets and the gross NPA will be resolved in a very short possible time that involves asset, which is almost at the verge of resolving. We are in the process of executing the documents and

resolving it to extent of around Rs. 135 crores and another Rs. 150 crore asset we are expecting a resolution anytime now because the matter is at NCLT for the final orders.

Sameer Dalal: Sure. So, you said about Rs. 300 crores – Rs. 400 crores and this Danu Wind Park Private Limited where the provisions are still limited. Can you give some thought on what is the expectation on that one which is kind of large Rs. 282 crore where provisions are only about Rs. 43 crores?

S. Siva Kumar: Absolutely right. That is the one which we are looking at. We are expecting this will be resolved or we have made various strategies for resolving these efforts and we are working very closely with the promoters as well as with other stakeholders for resolving. We have various strategies. We are evaluating and we are finalizing. And we expect that we will resolve this account also by the end of this quarter.

Sameer Dalal: So, you talked about Meenakshi, which is the 150 and Vento Power which is 135. So, those two plus this 282, is that fair to assume these three are at the last stages?

S. Siva Kumar: Absolutely, that is what and the other one is NSL Nagapatnam where the OTS offer is there that we are examining and we'll be taking to. We are doing due diligence and we'll be putting up to our delegation authority for its...

Sameer Dalal: Sure. And NSL is fully provided for Rs. 125 crores, right? So, whatever comes will be a full recovery?

S. Siva Kumar: Absolutely right.

Sameer Dalal: And any progress on the IL&FS Tamil Nadu Power Company?

S. Siva Kumar: You might have read in papers also the consortium is in the process of taking the revised rating for the restructuring. Once that is there and we expect that also will be to extent largely resolved and there are enough funds available also in the TRA, the sharing of the one which is taking place. So, once the restructuring process is done, I think these funds also will be shared among the lenders. So, we are also expecting revision year by maybe by third quarter.

Sameer Dalal: And this one is also fully provided, right? I mean including your impairment reserve which you're holding, so there's nothing outstanding, there's no more requirement of provisioning for any of these, right apart from Danu?

S. Siva Kumar: Yes, we have adequate provisioning in IL&FS, Tamil Nadu and we expect no more provisioning will be there post restructuring of that.

Sameer Dalal: No, but what I'm trying to say is the impairment reserves that you're having of Rs. 147.5 crores. I mean in case of whatever resolution whatever, there will be no more requirement of doing any provisions for any of these five assets that you mentioned apart from Danu, of course?

Sanjay Rustagi: I just want to add one point. So, the impairment reserves represent the difference between the provisioning as per the IndAS and as per the IRAC norms as per the RBI. So, in the Rs. 94.10 crore has been hit to my P&L account whereas Rs. 147.50 crores is the appropriation of reserve. So, with respect to the 94.10 crores provision we have, it is adequate provisioning in sense it is based on the resolution plan, which has been placed which got RP4 rating from one of the rating agencies as well. So, we are hopeful to get the second RP4 rating for the same resolution plan and if that resolution plan goes through, then we are not required to make any additional provision apart from this 94.10 crores. I think that answers.

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

Mahendra Lodha: So, thanks a lot to each and every one for being here and thinking that clarification, whatever is required from the Company side based on that results recently we have published on 28th. Thanks a lot.

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

Note: This document has been edited to improve readability.