



PTC India Financial Services Limited

- Q2FY23 Earnings Conference Call

Date & Time: December 5, 16:00

MANAGEMENT: Dr. Pawan Singh

MD & CEO, PTC India Financial Services Limited

Mr. Vijay Singh Bisht

Executive Vice President, Head Debt Cell, PTC India Financial Services Limited

Mr. Sanjay Rustagi

Senior Vice President and Head Finance, PTC India Financial Services Limited

Mr. Sitesh Sinha

Senior Vice President and Head Credit, PTC India Financial Services Limited

Mr. Abhinav Goyal

Vice President, PTC India Financial Services Limited

Abhinav Goyal

Very good afternoon to all valuable investor and analysts. So today we are having a much-awaited physical meet. We would be having our management team to address us. So, before we start, I request our MD and CEO Dr. Pawan Singh to come over dais. I request Mr Vijay Singh Bisht our executive director to come over dais. I request Mr. Sanjay Rustogi our Chief Financial Officer to please come forward.

I am Abhinav Goyal heading the Investor Relation function for PTC India Financial Services. Today we are having a small presentation for you. I am just moving forward. So, this is how our presentation will go, this is at a glance. We are green sustainable infra company having a market capitalization of more than 1,000 cr. which is increasing with the passage of every day and in H1FY23 we cross a sanction of Rs 1,000 cr, we did a disbursement of over Rs 1,000 cr also. Our debt equity ratio is very much comfortable, debt equity is slightly over two only. We have been rated by three leading rating agencies of the company. Crisil, ICRA & Care, all have rate A+. with developing / negative implication / negative outlook , we are trying to restore our rating to stable outlook probably by end of January, then we will take it up for further upgradation This are quarterly snapshot. Our CFO will explain in more detail at latter part of this presentation. This is our business, mission and values. So, we have been supported by a team of around 50 professionals. We have listed on both NSE and BSE, having a PAT of Rs 100 cr in H1FY23 and having asset base of around Rs 8,000 cr. This is our management outlook. So, I request from here our MD & CEO Dr Pawan Singh to please take it. Over to you sir.

Dr Pawan Singh

Thank you.

This is much awaited meeting we were waiting for a long time. We have been able to complete our Q4FY22 result of last financial year and now Q1 and Q2 of the current year and we are up to date. A lot of things which I just wanted to share because the results have come and of course our CFO will take you through numbers, but I will just tell you that a couple of things of the pattern and trend which the company is going to move henceforth. So, if you have seen that another one that our stress asset resolution has, net of all provisions is around Rs.250 crores for which also we have some resolution plans. We are hopeful of resolving these very soon and it is also part of our performance which we have communicated to everywhere. So first the credit cost cycle is, over that cost which entirely came from our legacy assets, thermal and hydro that is behind us. Our thermal asset group also has come down to a single digit, balance stress thermal assets we have resolution plan which along the corner, hopefully by end of fourth quarter or the next year we hope to become a zero of thermal company. We are committed to as the globe is moving towards, Net zero.

By 2070. there are other developed economies in the European economy who have to become net zero before 2030. They have said that by 2070. We have our own challenges and we want to be net zero. That is going to be a major retransition for Indian economy and just to give you one example of other things just to give you an example that today we have roughly 150 gigawatts of renewable energy in the country and by 2030 the plan is to reach a figure of 2,500 gigawatt so the kind of potential which is available will be renewable.

But a lot of things new areas in green finance has also propped up for example E-mobility we had mentioned about it. Now it is having more than a holistic rate of a role for which we will be hoping.

To get participate not just a role in immobility financing, we also hope to capture, because of, our presence and focus in the sector. The very sooner to announce like blending of ethanol, they have made that there to have at least 10 to 15% ethanol in the conventional fuel for an auto industry, similarly for manufacturing industry is proposing a very smooth that should be a model stating that a certain percentage of whatever ammonia is used, between green hydrogen a certain percentage. That is going to be another area where we will be able to participate.

From generating power plants or solar generating power plants or sanitation power plants which will be able to be want to be part of, we have prepared ourselves. We are forcing this to happen away from carbon type of lending to a green kind of our objective is to become green sustainable infrastructure finance company and cleaning of balance sheet. We also have been able to maintain our operating margins model. So, you'll find that our operation has, certainly, been doing well and it has better coverage quarters and we hope to maintain operational margins in the future. The trade on our balance sheet was primarily the credit cost of the project almost behind us that we have resolution for whatever limited which we have to take out of our balance sheet very quickly and we will continue to be focusing these areas. Also, we would like to augment ours, other very basic advisories we have. last year was a challenging year, especially for us in several respects. We had come out with the COVID challenge, had the problem of certain visions. I don't want to go into resignations but for certain reasons the idea that is right. And because of that the business came to standstill because my board was not constituted for that time and my board was constituted not clear as to whether this board will be doing proper operation. So that is almost two quarters for us, was wash out for PFS. We hope to make up that and we thought of second quarter. We did try to somewhat we have made sanctions. Third quarter, we hope to pick up further quite a bit. We have a robust model. We hope to cross that very soon. We hope to give a decent ROA and decent return on net worth going forward. The good news is that we have. very very competent, independent directors in our board who had come for a same period, also part of the board, because there was no clarity as to what role they will play. One way who are committed to the company which is possibility of the company chosen the board members because the past fortunately or unfortunately the choice of directors was not so much required of business. Three new directors which have come are very close to our business in some way or others. And one of has been the chairman of the largest bank. She also was ED of one of the largest banks of India. The other person is a chartered accountant who was the director of finance of India's largest NBFC. So, it will bring lot of experience lot of exposure in international borrowings quite a bit. So, he's right our vote from extract dependents of PFC he's in our vote and very rich experience achieved. And we have taken one Indian secretary to government of India. She was in charge of secretary department of public enterprises. So, her job was to have oversight.

Of corporate governance of all India's of the 200 companies' sectors. She has had very strong bandwidth of corporate governance. We have been able to, despite the challenge, we have been able to. Our networks hope to continue to give, kind of incremental margins in future also. And I will request my CFO to take you through detailed numbers

Abhinav Goyal

So, moving further to it's our purpose. So, we are here, we are for financing the environment sustainable green project with not only served to the economy but also to the environment, to our generations to come. To contribute in a way for providing clean air to us, in a way to provide clean water to us, in a way to provide clean environment to our children and so on. So, these are our broad product and services so we do debt financing we are a NBFC - infrastructure finance company we do fee-based services whereas we issue a letter of comfort to various borrowers for having further credit facilities and we do advisory services to others, who has to have their optimum structure and optimum value addition in their business. These are the key functions of the company right from interest rate mechanisms to corporate development and strategies there are broadly ten functions in which our functioning is working. Every function is supported by a professional having decades of experience then it is a business model right from robust credit appraisal to adequate liquidity in our system. Our CFO will explain at latter part of this presentation. And this is how we are unique. So, we are probably, I should say only infrastructure finance company presently active in the country which is providing such a long-term finance to a sustainable green infrastructure project and we are navigating through the next strategy and we are having a very robust risk mechanism and a market risk management. This can be perceived from the fact that in last four or five years whatever we are saying shows the creditability, the strengthening in our system we are marching towards the carbon neutral or sustainability we are committed to contribute a lot towards the India target of net zero emissions. These are our key lenders and the list keep increasing with the passage of every quarter.

We are already in discussion with a couple of new lenders probably next time when we will be meeting; there would be two more names. These are our marquee clients just like in lender, this list also keeps increasing with the passage of every quarter. Right now, we are having an additional project of around Rs 5,600 cr at various stages of sanction and this is the part which probably you all are looking very eagerly, so I request our CFO to take it forward

Sanjay Rustagi

Good evening. I'm just giving you the briefs about the financials. This is for the pertaining to Q1 and Q2 of FY23. So, first of all, I would like to say, first of all, I would like to say that for an NBFC company, the liquidity is a backbone and in case if you have a sufficient liquidity, and you have the line of credits available, you have a potential to grow. So as of now I'm just giving a brief about the ALM statement. The blue line shows the total inflows, the grey line shows the total outflow and there is a cumulative mismatch which is a positive. So as of November, we have a liquidity close to Rs 1,200-1,250 cr and as per the RBI guidelines where NBFC has to keep a certain amount of cash as per the HQLA requirement, high quality liquid assets. So, against those requirements of Rs 525 cr we are having around Rs 1,245 cr and excess liquidity will be used for the disbursement in the coming quarter. And again, the key balance sheet indicators the loan sanctioned in the first half of this

financial year we have sanctioned close to Rs 1,160 crore of loans and the disbursement is Rs 1,061 crore. This is keeping in mind in the first quarter we have sanctioned the nil sanction of the loan amount and disbursement is only Rs 20 odd crores in most of the part which we have done in the second quarter and going forward we are in the line to keep the momentum up with respect to the loan book. The loan book, as on September, is Rs 7,500 cr has come down a little bit because of the certain prepayments and the small amount of the sanction and disbursement and we are confident that we will be able to make up the lost ground, and will be around Rs 8,600 cr at the end of the March we will be able to cover this by December or maximum and we will over cross this by the March 23. The capital adequacy as of today is 31.74%. It is well above the regulatory requirement of 15% and as the end of the March 22 it was 26.71%. So, it is significant and it give us a headroom for the further growth. It's about the net interest income yield on the loan so net interest income for the Rs 170 cr against Rs 169 cr the net interest income is we have crossed as compared to the previous year six months number. The yield on the earning portfolio is 10.754% and the interest spread has it is around 3.05% and the internet interest margin is 4.28% if we see with respect to the quarter on quarter so it was 2.98% in the June quarter, it was 2.92% in the March quarter and it's coming up as 3.12%. So, there is a significant consistent growth in the interest spread and the earning per share is also increasing. It's 0.39 paisa for the quarter in March and then Rs 0.79 and Rs 0.82 paisa per share. The cost of income ratio is consistent around 12.24%. The cost to equity ratio is 2.38% and the return on the net worth is 9.9% the return of the assets. So if you see quarter and quarter the company has made a significant progress and the profit if we talk about the profit for the March quarter was Rs 24.98 cr and in the June quarter it's Rs 50.56 cr, it's almost double and then there is a consistent Rs 52.86 cr for the September quarter on a half year basis previous year we made a net profit of Rs 98.7 cr which has increased to Rs 103.22 cr it is in spite of a decrease in the loan book size due to prepayments but we are confident to make the similar profit or the more profit in the quarter sooner. It's an operational performance. So, I would like to call our credit head who will give a synopsis on the loan outstanding he's Mr Sitesh Sinha and the credit head.

Sitesh Sinha

Thank you.

If you see that figure our book size was Rs. 8651 at the end of year, which has been reduced to Rs. 7165 at the quarter one end mainly because of we could not do any incremental sanction and we could do very few amount of disbursement like Rs. 19 crores, subsequently we have picked up the growth and in Q2 we have done sanction of Rs.1160 crore. Out of that we have disbursed Rs. 1041 crore. With that our Q2 book size has been increased to Rs. 7528 crores. And as on Q2 if you see the maximum our exposure in the renewal sector for which for last ten years PFS is targeting this sector. And our MD has also said that our endeavour to go for green sustainable infra financing. So, this sector will continue our major thrust, that in March 2022 it was 33% which has been increased to 35% by September 22 in the number it is close to Rs. 3000 crore was at the March but in September to Rs. 2351 core outstanding and next bigger sector in infra we have sanctioned the Road project which is under hybrid annuity model (HAM) where the post operations and annuity risk is not there. Out of that sector we have outstanding of Rs.1224 it has been close to 16.27% quarter to quarter and it has been gradually increased from 14% to 16%. Next as we have focused our area is

towards the green financing in the sustainability. Primarily we have sanctioned two type of resources 1) is the water infrastructure and water treatment, we have sanctioned under the Namami Gange scheme which is a sovereign guarantee kind of scheme. And second, we have funded is the E-mobility as Abhinav has stated that we are the first lender o sanction more than Rs. 300 crores in Uttar Pradesh under the Fame II policy government of India. That project is operational. It has been subsequently prepaid and we are again looking for same type of projects which is under detailed due diligence. Then another is our area of funding, is state power utility. Which is if you see the number, there is no significant increase in numbers compared to march 22 of Rs 2500 crore has become 2864 crore. Only incremental number is Rs 300 crores with 29% exposure in the March 22 now it has been increased to 38%. Majorly because denominator has been drastically reduced. But going by March 23 will decrease this number. During last six, seven years we have not seen on any single day delay from this state power utility out of this 2864 crore, more than Rs 1202 crore are the transmission company, which are the A rated company by Ministry of power and REC. And the best thing is that we are paying attention for last more than two years marching towards a zero-carbon finance company our exposure in thermal has been reduced from 2 digit to single digit in March 22. With this we have the sector exposure next slide which comes in the percentage I already told along with the number and the future we have the pipeline of more than 5000 crores in that most of the areas towards the highest number is transmission again the private sector and more than 500 crores of the E-Mobility and another infrastructure we have. Port and water infra waste of energy. So, with this I hand over to Mr Abhinav

Abhinav Goyal

Thanks you, Sir. So if you look at our cost of fund, it has constantly improved quarter on quarterly basis. And although we are at a stage we have not taking fresh borrowing yet in coming quarter further improvement is expected. Yes, we are working hard. So, the next improvement, major improvement, I need to say will happen when there would be an increase in the credit rating of the company. So, our team is dedicated refocusing working towards that direction. So, these are the stage three stress accounts. Request our Executive Director to elaborate on this.

Vijay Singh Bisht

Thank You

Larger NPA accounts are already taken care. And in case of Danu it is not NPA but it is a stress account. That's the reason it is being classified here. But yes, here also we are having a resolution. Now in this project the APDISCOM was not releasing payments for the project. But now there is a scheme under which the central government has started releasing directly to the TRA of this particular account. And we have also started receiving payment from APDISCOM also and shortly it would become a standard loan account. There is a possibility, I can't assure at this moment, but yes, there is a possibility, If the money comes to us as been expected considering the latest development Now as we get to other accounts.

So, as you see that most of the stress accounts are already been provided for... also we are having an OTS offer from one of the borrower and we are discussing for having a better offer from the borrower. So, in case that happens, there would be a reversal stress on the portfolio is on reducing trend over a period of time. So is gross NPA. However, the position is not

being clear the way it has been improved. The reason being that there is a decline in our portfolio. because of which the reduction is not visible. We were expecting the business to grow however, we were not able to do to the extent we were expecting. But, yes, in the time to come, we are having a target of having very comfortable growth and reduction in net NPAs. And we are quite hopeful that there will not be any major stress in coming times.

There is a social responsibility also for any organization. So, for us also, we are doing a lot of good CSR projects which are being appreciated across the government sector and by the society as well. We are contributing giving back to the society during covid-19 tough time. We are contributing to reduce stubble burning in the state of Haryana and Punjab as because stubble burning there is issue of pollution across Delhi NCR. So, we are contributing a lot to this particular area. We are contributing to other areas also.

So, our market capitalization of Rs 1,140 crores by 2nd of December today it should increase 5% then this is a performance of charts for performance of our install and these are our major stakeholders as of 30th September. This is our new board. So, as been mentioned by a respectable MD Sir, we are having three new IDs. She is MD corporation bank. And before that She was Executive Director Canara Bank. Another is Ex Director Finance – Power Finance Corporation and third one is Ex- Secretary, Government of India.

Dr. Pawan Singh

This is the brief presentation given by my team. We are having huge investments opportunities to fund in sunshine sectors, likely E- Mobility, waste management, renewable power among others. WE would like to be more participative, my team and I would be happy to answer the query of our esteemed audience.

Audience :

At the outset. Indeed. Particularly, let me say hats off to you. You have done a wonderful job. All channel checks show you are a very straightforward and honest person. We used to have interactions before pandemic. In BKC. And We used to interact with most of the board Members online offline, of the heads of you. And your profile in the power. Sector heads of you. And our request to you is to Keep Up the courage and don't give up. we're afraid about that you may resign power or go to another power sector company. Say your system and power sector is in a rising phase. Maybe you elaborate more, but I'm referring to some issues which have happened over. The last couple of years you mentioned. Between a line inadequacy, mismatching of responsibility. That is a very polite way. There is much more to it.

What has happened is actually collusion of IDs. IDs don't quit this way one. At a time is okay how can all collude? That means you are putting some credentials regulations which are not in your hands or not in your hands so keep it up. And I wonder what is your duration of term remaining. It's very important for us because we believe there are some people trying to vest it into interest and we are also worried about if any new person come next to the, prove it right, do the wrong people. Right. This is one for you.

And another thing especially for you. Hats off on transparency I'll come to question later. Stage three. You gave account by account. Very few companies give this. In fact, I'm underway. Company gives openly Said, these are the accounts. And of course, what they say, we could see because I said, and like you answered, this means we can take something else. Very, very transparent, very, very clear. This is what is expected from our CFO. One

more point to introduce the team. What about the company secretary? See here that's okay in this particular. Issue you had one company secretary we did not know him, interact with him because of overtime who supported you? I believe we have gone through in fact I was telling. Over 80% on. 1100 page pages report by auditor. Over 80% line by line including management response the way it is done and the company stood by you by sending emails to the forensic auditor the way it was done had talked to him

I wonder. I believe he left. That's okay. He still is a company and what's. The date That's people I believe he is a good folks still now. He should be awarded as the best compliance officer in the country. Without knowing.

I'm just showing based on the substance. 1100 pages I have to still to read 200 pages because we often read on. The laptop and the signal take insights over 80%. And we have seen his response the way he does. It takes a lot of tenacity and courage to do it. And luckily, I was wondering if he shifted. But we don't know. In fact, we should we get a highest possible promotion or reward on certain missions. And you we have heard about you.

In fact, I was telling our friend IR in dialogue I was telling him we know him for last 30 years. We would like to have one on one with you? There are lots of issues, but I was a part of perception study. One Mr. Person called me up done by BCC about a few In fact, in a positive way we gave suggestion and it just happened months back and we took it up in all positive way. When I came to know about this meets couple of days back. This is the main first thing I said let me leave credit goes to you. Of course, we'll take on the question. You did not mention about anything about a dividend. Our NBFCs are known to give dividend, interim, dividend you should give whatever you give, whether it is Rs1 or ten paise it will send a strong signal on corporate domain. Whether 100 paise, 50 paise or ten paise. You do and you need to give it.

You need to give it PTC. Is that right? I was looking at both. They gave us dividend. I think they went to another interim. It is a silver jubilee come in 25 years, right? Possibly much more thing will come and there are lots of things to be. Clarified, lots of things. It's all nonsense which is going on being big deal. Instead, they are waiting for. When your company is doing on the strongest take-off group of companies as they both are on a take-off phase. There's a lot of misinformation going on. In spite of every clarification because very few people take the efforts to study.

Do a deep dive and do it to it. I hope this interaction and one on one you do you get a lot of very clear. Whatever day you want to give rating in a buy, out performance, etc. But this one thing is dividend has to come and don't wait for that. Anybody who opposes you, opposes dividend, is opposing you. It is the strongest sign of prosperity. So, another thing this is basically my views I thought you needed another thing is basically there is a lot of uncertainty about whether there will be consolidation.

Somebody will take over whatever. But ultimately the company itself has a strong fundamentals and price future. So, I wonder if you can get. Some insights on that. This worries employees also. So, some clarity is required and look at other questions I would like. To impact on the future. But I wish your company on it. Thank you also for the good words, do not speak for myself. Good words you have spoken about.

Dr. Pawan Singh :

As Far as a business ownership of business. Let me make it very clear. As we expand the business, we will require all the independent characters we might. Simultaneously, told that we cannot hold boat. Boating with or without a difference, so we could not hold boat. Subsequently they have said that IDs will come here. Meanwhile, what happened is that our statutory Auditor, because he has been auditing it a single complication but everybody was trying, insisted for forensic audit. To take sense of COVID concerns with this proposal of statutory auditor. Also, what happened is that the promoter IDs were appointed, I will go to the part and taken, but lastly, they were appointed. It means that the promoter existing IDs will come.

With a limited purpose, very clearly defined purpose that they (new IDs) will come and to form the communities, that they will start a new board and after the board start operation, they will went back. That was the purpose. So, they were here for a while. Because of this forensic audit, they stayed. Since the forensic audit was completed, we have inducted our new board members and new board has come that's only these IDs have to go.

All our audit findings, we have, but there was a view, we had our own views on the matter looks like that they were not so comfortable, they were taking the road title. They were trying to who was the partnership they are not known so we are surprised. We know they do not have any competence. That should happen very shortly, because they have written and forensic audit.

We have addressed every point in forensic audit. Our forensic auditor himself was not clear on few of the subjects and have assumed the possibility and guesswork at lot of places instead of mentioning facts. Our issues are now behind us and we are looking forward for having growth path. Let me assure you to deliver our best in coming quarter, we are quite hopeful to be benefitted with the new independent directors who are having high domain knowledge.

Our team is passionate to perform which can be witnessed from the fact of healthy pipeline, we created. We are having very strong robust system, right from selection of loan proposal to final disbursement and recovery. Our team not only have close tab on the performance of each of our borrower but also take appropriate measures in timely manner to address the stress, if any expected from any particular project funded by us. We are now have very good experience both in doing business and resolution of issues and quite hopeful to have remarkable performance in coming quarters.

We will adhere to best corporate governance and our board has mandated to engage a leading consultant to improve the process and provide suggestions. We are committed to see PFS as a clean green, sustainable infrastructure Finance company.

Note: This document has been edited to improve readability.