"PTC India Financial Service Limited Analyst Meet"

January 29, 2020

Abhinav Goyal: Good afternoon ladies and gentlemen. I am Abhinav Goyal, Vice President and Head of Investor Relationship of PTC India Financial Services Limited. I, on behalf of the management of the company and the company, welcome you all. It is matter of great privilege and pleasure for us to host your auspicious presence in today evening. I request management to take forward with their presentations. I request Dr. Pawan Singh, our MD and CEO for taking it forward.

Dr. Pawan Singh: Good evening, I am so grateful that all of you have taken your valuable time and agree to be here with us to see our presentation on the quarterly results of Q3 but before I come to the results, just I wanted to give you a snapshot of how the industry has been behaving, how PFS has been responding to various dynamics of the market and situation and what are the steps we have taken in past, both from improving our operations and making structural changes to make ourselves more robust and sustainable organization for a long period of time and also how the market environment has impacted PFS and how we have in our own unique way try to challenge and come out of this market challenges. So all of you know that last one and half year has been challenging not only from the economy but also from the financial sector and also from the NBFCs and we in the infrastructure NBFC space, we were not untouched by the market environment.

The issues and challenges which came up, we on our own unique way taking advantage of our inherent strength and capabilities. We were able to handle these market challenges, rapid with the last one year and with lot of confidence, I can say that we have been able to come up or leave behind some of the real challenges which could have had a serious impact of the company and today, we are poised that we can advance from here with business at usual situation but I would definitely like to put on record that market dynamics has improved to some extent but we don't foresee zero challenge coming forward but we have tried to position ourselves in a manner that we are by and large insulated from the market challenges. So the year gone by the NBFCs, we found that specially what used to be a growth oriented scenario from that it moved to more of a liquidity challenge scenario, more of an asset liability management scenario and with the tightening of market condition, with fixed income security product not been available in the market, commercial paper market getting tightened, the challenge for raising resource for NBFC became a greater challenge than the challenge of expanding risk book. The regulatory tightness which came henceforth also created greater kind of accountability on part of NBFC, greater commitment on top of regulatory indications, following the RBI guidelines from time to time providing for high quality liquidity assets to meet our immediate requirement. All this issues we had to face and we successfully grappled with all of that and we manage to retain our rating and not only we manage to retain our rating we finally got the final credit rating from CRISIL for our partial credit enhanced bonds that has formed AA+ we got and the first tranche LIC has already underwrite 250 crores which in the next couple of days we would be able to draw. Also, what we tried in this situation we made couple of strategies, one was that we try to shift from our short-term borrowing mix to long-term borrowing mix, so one and a half year back, our short-term to long-term ratio is to be close to 35:65 which we changed it to today, I was just looking at figure before coming on the dais that it is close to less than 18% short-term and over 82% long-term borrowing mix.

We also have been able to diversify our source of borrowing because I said that this year we are doing, we got support from SBI, so we were able to draw about 1000 crores from SBI, recently Bank of India has given us 500 crores which is at a very competitive rate and international organizations, IFC has underwritten a borrowing commitment of 200 crores, which translate into roughly about 1400 crores, where Proparco the French development financial institution, JICA, Japanese development institution, which will be doing first of its kind lending in India to private sector and with the Australian development bank and the OEeB which is another French development institution combination of several European organizations, they are all participating. DEG is also likely to join the bandwagon. We also took this crisis situation comes, obviously that crisis is also an opportunity and we said that while we will not be keeping our hands crossed and while we try to focus on like treasury management, quality of asset improvement, consolidation of our balance sheet, we will also try to have some loan activity going on in the company, so we continued to do disbursement and this year we have done disbursement close to over 2,160 crores despite the challenges. Of course, because of renewable energy, we have substantial exposure of almost 50% of my book goes to renewable energy and merger acquisitions are common happening there and one of our large exposure Greenko had acquired Orange and because of that we were violating the credit consolidation norms, so we have to down sell that kind of loan whatever was going beyond the credit construction norm and because of that the book size has come down and then of course focus on stressed asset. Last little over one year, we had been able to reduce our stressed assets by 1200 crores and last, week our board meeting happened, they further cleared proposal of clearance of stressed asset close to 220 crores and 1,400 crores of stressed asset. 2,000 crores asset was there in our book as stressed asset close to September 19 which we have reduced it to substantial number. There has been one slippage in between of stressed asset for which almost 15% plus provisioning has been done and all this assets are categorically advanced stage that we were able to resolve this 1,400 crores. Here also, we are hopeful of resolving almost all the assets in the 19-20 going and first 2-3 quarter of 2021. With the consolidation, we also take that since it was an opportunity, we priced our loan, we have improved our yields to great extent, we moved from base rate pricing model, which I have told you in the last investor's concall also that we have moved from the reference rate model to base rate pricing model while we do cost plus so it is not a reference discount, we have decided that we will do business at a threshold level or we will let the business forego but then certain margins and spreads have to be there in the business. We are focusing, we have greater thought of learning has been there for us both ways in terms of learning because while we did business and when we created so much of stress, we also learn what not to do in the assets, so thermal side and hydro side, we issued the challenges which we had by and large tried to overcome and many of us are in advanced stage of resolution, so we have been able to handle that requirement, however, the 2-3 areas that we have really worked on is one is that not only resolving stressed assets that capability which we built. We have been able to resolve our assets to multiple models, (samadhan) scheme, one-time settlement, ARCs and then of course last resort IBC, that has been great learning for the organization. Apart from that we have also learnt that it is always better to respond earlier than later and we have started having early warning system in our quadrant which CRISIL has worked with us and whenever there are changes in certain variables parameter which we have done in the initial assessment, immediately the number gets thrown up in the early warning system and we try to take preventive measures before the problem arises, What we have been able to do, which are the preventive actions? Not a light stress to happen, but taking preventive action before the stress to happen. Also like we have changed our model because one of the realization for the company has been that we had entered into areas with large lenders but long gestation period while their revenues certainties were little open as to what will be the cost of the power purchase price so that we have accepted to be lot, we will only be going areas were we have upfront

PPA it has been adopted or upfront concession agreement in other than power sector or other than renewable sector where upfront concession agreement is available and land has been acquired. Gestation period is not much, at best in few cases you can go up to two years but not beyond that. The cost to uncertainty is not there, so these are things which I have been learning for us where are trying to change our model long to shorter duration period and then of course we also realise that while we increase our book and increase our operating margin, do business. At the same time, we also need to churn our book, so we have started focusing on fee based income and churning our account, so lot of efforts in last 3-4 quarter where more towards consolidation, reducing stressed asset, improving operating margins, having system and processes in place for early redemption and diversifying our liability base not depending so much on PSU banks borrowings, Infact because you were highly dependent on PSU Banks which has we have benefited also because when MCLR come down, the benefit gets passed on to the company, so not depending on that these are the measures which have been taken, the fruits of that entirely may not be reflected in the current quarter, but fruits of that would certainly get reflected because we have build up a model which is not only in the sustainability finance. Sustainability finance is clean finance, we would be doing renewable and water and sanitation and what is clean mostly, some high HAM projects we were also doing in transmission lines but sustainability also in terms of structure, we have tried a bit of structure which is very robust, which is able to put forth in coming times. So with this I request my CFO, Mr. Sanjay to take you through the numbers and principal questions in detail. So over to you, Sanjay.

Sanjay Rustagi: All of you are aware of that the main areas of our operation is in debt financing, the structural products and part of the income is coming from the selling of power .This is our board. Mr. Deepak Amitabh is the Chairman; Dr. Pawan Singh is the MD and CEO; Mr. Naveen

Kumar Director Operations and Mr. Kamlesh Vikramsey, is the leading chartered accountant; Mr. Rajib Kumar Mishra is Nominee from PTC, Ms. Pravin Tripathi, Ex-IAS , Mr. Santosh B. Nayar was chairman of IHFCL; Mr. Nagesh Singh, Mr. Rakesh Kacher_and Mr. Thomas Mathew. These are our three independent directors. With respect to cumulative selections, from the quarter 2/3 2018, to now **.** The portfolio shift, it is a section and the green represent renewable section and yellow from 28% to 39% are others, the thermal remain constant from 12% to **11%** that is because our book has shrink in this quarter. This is debt outstanding as on 31st December 2019 of 12,000 crores, previous quarter it was 12,830 crores and as Dr. Pawan Singh told, the Greenko group has to be paid around 1,283 crores during last 6 months and that is the reason for major decline of book we are reconsolidating ourselves and we are expected to achieve the same level by march 2020. This is the portfolio mix. , our renewable portion has come down because the greeko group has repaid 1,283 crores of the loan. The other component has increased from 22% to 37% and the thermal component has reduced from 19% to 12% during last 6 months. net interest income in the Q1 2019 as at 90.56, it has increased marginally, more or less same for over the period of year. In spite of the reduction in the book, we are able to maintain the same net interest income. These are the yield on earning portfolio for this quarter is around 11.86%. The cost of borrowing has increased marginally to 9.2% from 9.09% but it will come down in the fourth quarter where few of our loan accounts are due for the reset, close to 1,400 crores is expected to reset in the fourth quarter. These are the results overview the interest income is 322 crores for this quarter. The total income is 331 crores. If we compare the 9 months number, it is around 1036 crores is the total income whereas receipts in this 9 months corresponding period is 1006. The total expenses have been increased from 783 crores to 879 crores. The major increase is on account of provisions and contingencies from 51 crore to 121 crore**.** Profit before tax is 157 crores for the 9 months from 223 crores and for the quarter is 66.08 crore as compared to corresponding period quarter of 64.54 crore . The profit after tax for this quarter is 43 crores with respect to the corresponding quarter of the previous year is 41.73 crore, there is an increase of 3.19%**.** These are the major key indicators. The capital adequacy ratio for this quarter is 23.02% as against 20.65% in the previous quarter. Debt equity ratio is at a comfortable level at 4.67 times it has been reduced from 5.06 times. These are the major highlights. The outstanding debt is around 12,000 crore at the end of the December. These are the quantitative aspects like the company has as Dr Pawan told few of the foreign financial institutions have given LOI for close to 200 million dollars which translates to 1,400 crore. There are certain in-principal approval from banks as well and there are fresh credit lines by banks in the last year quarter. The company is having fresh loan requirement of 3,000 crores in the area of solar, loan request which is our order book, the company is focusing in generating more PPA income and start advisory services **in** current year which has taken further fees based income of the year, NTPC has given us contract among various other institutions.

Loan portfolio of more than 5,365 crore has been released at a rate of 15% and these projects are operational for more than one year and don't have any stress and the company has short term credit rating of A1+ for this commercial paper upto 1,750 Crores but as of today we don't have any exposure towards the commercial paper. The company has shifted its pricing methodology from reference rate to base rate of higher range for the business model. A loan of 676 crore has been prepaid back in Q3 that is the major reason for the reduction. with respect to the capital adequacy, the tier-1 capital is 20.07 at the end of H1 and for Q3 its 22.02 it has been improved significantly. Let us see the status of the stressed account separately, as on March 2018 the total stressed account was close to 1,700 crore which has been reduced to about 1,000 crores, a reduction of about 700 crore over a period of 18 months or 21 months. This figure may reduce further in Q4 post resolution of some stress assets and this is one of the share holding pattern, 29% is owned by the retail investor, 2% FDI, 2% Bodies Corporates and Mutual Funds and 2% banks, financial/insurance companies. May I request Mr. Naveen Kumar, the Director, Operations to say a few words.

Dr Pawan Singh: Good afternoon friends. So actually Sanjay has taken you through the numbers and financial results which you can you will answer and more clarity will come in the question & answer and I will request Mr. Naveen Kumar, who is director- Operations. He has a very vast experience in engineering, an engineer from Delhi college of Engineering and MBA from Faculty of Management studies Delhi University. He has law degree and he has worked extensively on public sector companies. He is very strong in the technical side also and on the appraisal because he has not only been a manufacturer but operator of power plants and he has also been largest lender in this sector and he has joined us two years back and lot of system process improvement he has brought. I will request him to give you a snapshot of the measures we have taken on the monetary front which we have implemented to take control of our existing accounts and also I will ask you to give you a snapshot of how does he focusing on growth of the business and come in times.

Naveen Kumar: Thank you, Dr. Pawan Singh. Dr. Pawan Singh and Mr. Rustagi, they have given a comprehensive presentation on the vision of PFS, so I would like to share some of the operational aspects with you. The cumulative sanctions of loans by PFS is of the order of 18200 crores and for that PFS has sanctioned for 138 loans which are active at this stage. Documents to the extent of 130 loans out of total 138 active loans they have been executing and total outstanding as on date is of the order of 11,990 crores. Disbursement has already commenced against 122 loans out of these 138 loans and talking about this third quarter, PFS section loans amounting to more than 900 crores and the disbursement of about 500 crores has been made. As of 31st December 2019, the generation projects did constitute about 16% of the total portfolio and distribution projects 14%, road projects 8.5% and then some of the area which we have covered are coal, mining, port, water and transmission, transmission is of course around 9% of the total portfolio and apart from that some structural loans also we are sanctioning to the holding companies which constitutes of about 7% of the total loan portfolio. In the coming years, we have just deliberating that what should be covered under our portfolio whether we should diversify to some more area in PTC Financial Services, we spend lot of time and lot of energy and lot of analysis in identifying the areas where we should make an entry. While we have planned to continue with our existing portfolio which includes renewable energy projects and transmission distribution as I have already mentioned that apart from that we shall endeavour to fund projects which may improve city gas distribution projects, sewage treatments plants, biogas, electrical vehicle charging, etc. There are certain more areas also but we are at this stage in the process of weighing the pros and cons, we are in the process of doing lot of SWAT analysis and we are trying to make an estimation of the market share which we can capture in these areas and we have engaged the expert services also from outside and once we are fully convinced about the business potential in these areas and we will be able to do it in a profitable manner, then we will take a plunge into these areas. But some of the areas which I have mentioned that we have already made up our mind like on the water side and sewage treatment plants, city gas distribution etc. As a practice we carry out business with better performing and strong entities as was mentioned last time also we are highly selective in this area, we carry out lot of due diligence then only we select the particular entities for motors and projects and we see what kind of payment security maximum they can provide of what kind of risk they are prevailing and what kind of mitigation can be done. So comprehensive analysis is carried out and then only decision making is done. Another area where we are getting to focus is the down selling on a selected basis to improve the overall yield of the company. In the past we had identified some of the projects for down selling as Pawan Singh has mentioned, we have adopted this benchmark system of pricing our tools. The benchmark rate that is already known to you. So taking into consideration this benchmark rate when they notice that some of our loans they are much below the benchmark rate as per our earlier system. So immediately we decided that we should try to down sell this loan and we were able to do this successfully. But then as you know this depends up on the market dynamics, at what stage we should do downselling and at what stage we should not do. So we are consistently analysing the market scenario and accordingly we are taking action in this regard. These loans which have been downsold and the funds which we have received they have been deployed gainfully at higher interest rates which could be as high as 13% and even 14% also and some of these loans was sanctioned at 9% also and 10% also with this range. So clearly it has been quite beneficial for us to adopt this particular strategy for downselling. Past few months has seen a, witnessed a flurry of merger and acquisition activity in the Indian renewable energy sector including a billion dollar deal in which Greenko acquired Delhi based Orange renewables in 2018-2019 and Renew power it acquired Vostro energy in 2018-2019. This necessitated restoring our exposure to such acquiring companies within regulatory limit based on appropriate action. Our exposure in Greenko group it exceeded like anything and of course regulatory authority would like us to have a check on this kind of movement and immediately you know we took the appropriate action with a result that now we are in a very much comfortable position in meeting the regulatory requirements. Then another important area is credit risk assessment and credit evaluation. Whatever project is coming to us whether it is pertaining to our this areas which we are already, this considering the sanction of the loan as well as new areas where we are pending to diversify, our operations system is very much robust. Why it is so, how we are different from other organization that I would like to share with you. In PTC Financial Services, we are having the executives with multi/various background. They are having exposure in erection, commissioning, installation of the power projects, renewable energy projects. Some of the executives they are very good finance professionals, others they are very good legal professionals and as you might have noticed that is most of the financial institution, the vast majority is having some multiple background. Once the detailed project report comes to them they start their work based on that. In our case there is a clear difference, whatever detail were there in the report is coming to us we will analysing in detail. If the cost of completion indicated as X rupees in the detailed project report it is not necessary that they will be considering and since I have worked in many organization earlier like BHEL, NTPC, Power Finance Corporation, what I noticed is that basically everything depends upon what is given in the detailed project report. But you know the experience of the individual in another information given in the detailed project report is of paramount importance and we can always work out the realistic cost for completion from our side, then we can sit across the table with the debt proponents, we can discuss with them, we can convince them, we can tell them, the ground realty is based on our experience and then we will reach to a common decision and that will be the project cost what we have decided jointly and that will be the completion period because completion period is also of paramount importance. In general I am saying three to four months, six months delay is not given much of the weightage. But you know what is the cost impact of the financial, how much will be the adverse effect on IDC of the project, so that part is very much important rather than focusing on the DPR presented to us, spiral bound reports or power point presentation of course that is also an important aspect of the project financing. But the main consideration is given on analysis, cost factored analysis, risk analysis, risk mitigation. A full-fledged team is there who will spend lot of time in analysing the project credential, the entity credentials Whenever such kind of proposals come. And then we have created our own formats, if the project report comes to us, the loan proposal comes to us that should conform to the formats that had been created by us based on our experience. I have spent about 39 years in the project financing sector. So whatever I have learned during that course, I try to improve in that so that we could do justice with the project financing and each and every aspect is viewed with great interest and lot of analysis is getting out. So that no scope is left for the project would turn to NPA. What are the NPA they were existing in the financial services, they were sort of legacy assets it was mainly because of this conventional thermal and hydroprojects and these kind of NPAs they are prevailing with most of the financial institution who have funded in and some of the financial institutions they have extended lakhs of crores and there the NPA also very high but of course all the financial institutions slowly and slowly they are running and they are getting the initiatives to control this and then PFS we are having this credit appraisal department, they carry out the appraisal then risk department is there, the review each and everything which has been done by the credit appraisal from their point of view, from the risk analysis point of view only. What we say, four eyes principle we are following, two eyes in the credit department and two eyes in the risk department, lot of discussions take place every day on the daily basis and ultimately consensus is reached and what I have noticed during the last 2.5 years of my service in this organization, when the consensus is reached it is really wonderful situation and we reached such a situation where everyone feels confident that yes we should go and present this proposal to the Board of Directors for sanction and during the Board meeting also when difficult questions are asked we are able to reply in very comfortable manner because of this kind of approach that we are following. And risk department of-course they play an very important role in telling if it is case of go or no-go for the projects. Then we are having certain sector specific internal credit rating models for assessment of credit risk for sectors such as roads, transmission, renewables and such products and these models have also been created after lot of deliberation within the organization and taking the expert opinion engaging expert consultant and spending lot of time. Finally we have been able to create such kind of models which are really useful in carrying out the risk analysis of the proposal that we are funding to do justice with the project financing business. One thing more, at the credit appraisal stage also we see what is likely to be the post construction risk at that stage we do the analysis, the business risk analysis, management risk analysis, financial risk analysis in detail. So there were parameters for possessing such categories of risk are incorporated in our credit rating models. So the analysis is not confined to the kind of problems that we are going to face during the construction phase but we also make a realistic assessment of the situation which is likely to emerge during the post construction stage also, I mean to say during the operation stage also. And we keep a close eye on the project performance with respect to the capacity utilisation factor, billing payment cycles, monitoring of account we are doing in a very religious manner and then what kind of operational expenditures that are being incurred and how they can be optimized and how they can be controlled that also we are seeing on every day basis. So when I say we are doing this kind of assessment and monitoring, then at the cost of repetition I would like to mention that we have created such kind of formats even if a beginner if he goes there for carrying out the monitoring or for doing the detailed discussion with the borrower just giving the format and the format is build up by them, most of the things which are required by us they come there and the borrower becomes very diligent that these guys on a monthly basis, on a quarterly basis they are going to tell us to fill up the information in this format. Preparing those compact and comprehensive format, it is based on over 3 decades of experience. And of course lenders independent engineers they are there, they are doing analysis on a quarterly basis. They are submitting the report to us and since they are not the main party associated with either the implementation of the projects or in financing the project, so we do understand that we also supposed to make important contribution, what they are doing so lender engineers they keep the report in their format and at the same time in the annexure they are supposed to attached the report in our format Also. So that forces them to act in a very serious manner and present us all the facts and also the financial institution I am saying normally the dependence is there of the report of the lender engineer only. Though various points apparently they may not appear to be important but based on my experience I will say these aspects are paramount importance. They are very much useful in creating good asset quality in controlling the NPAs, in controlling the forwards operations, in controlling the work being done by the lenders engineers also. So this is something unique which we are doing in PTC Financial Services. Then there is an early warning signals framework we have implemented in PFS, MD, he has already mentioned about that and the thing which I want to tell, the risk models they are re-run during the operations stage also to check whether the risk category which was assigned to the project at the time of the sanction it remains the same or it has changed. So this exercise is being done on a 6 monthly basis and every 6 months we see in totality in which direction our loan account is heading and whether some early risk signals they are emerging if they are emerging then we have to do So that gives us some extra weightage or an edge over our competitors. The risk based pricing this was also covered by MD and CEO. PFS has implemented policy for PFS benchmark rate wherein debt facilities are sanctioned over and above the PFS benchmark rate and ensuring the mechanism of risk based pricing and we are definitely at advantageous position after implementing of this benchmark related concept, I think Mr. Rastogi you will also agree with me. More than 1% in the interest rate that we have gained after implementation of this benchmarking framework. Then we have started the consultancy and advisory services also in our organisation. Last time also I shared certain details with you. At this stage I would like to inform you that though it is a new endeavour from our side and no client is going to give you the assignment in case you don't have the prior experience of providing the advisory services. We faced immense problem if I tell them you see the profile of the individuals it is very strong and good experience there they say we are not concerned about the profile of the individuals. You tell us what kind of jobs PFS has done in the past and what the experience of the organization is. Despite facing these problems, just within a span of less than one year, jobs worth 1 crore and 16 lakhs they are going on and we have achieved these assignment based on competitive bidding procedures and we have competed against big MNC, established players and some of the clients they include NTPC, Coal India, BHEL and then some ADB Bank projects, then Indian Oil Corporation. So these are some of the big names. When just while motivated with this kind of success then we started operating at international level also. We are already executing one job in Vietnam. It is regarding preparing a framework regarding identifying incentives for efficiency for installation of the construction of the high-rise buildings and promoting the energy efficiency in that. That work is going on. We won this in international competitive bidding. When another job which we have received is from ADB regarding preparation of project completion reports towards utilization of $200 million dollars of loan on clean energy given to IREDA. So there also we had lot of competitors. But finally we have been able to bag this contract and we are going to implement it in the near future. NTPC now most of the jobs where financial appraisal is to be carried out which may also include third party financial evaluation is coming to us. BHEL they are building their 5 year investment plan for the next 5 years. So there were many phases of the biding there. Sometime you know they invited the preliminary rates, they wanted to see our competency, we clear that. Then they invited the bid, reverse bidding process. Ultimately we emerged as L1. So that speaks of the kind of commitment that we are having in establishing ourselves in the domain of providing that advisory services. As I mentioned, we are at the level of 116,000,00 but this level is consistently increasing and in the coming year there will be drastic increase in our operations and we are making all our efforts and the important thing is we have not increased any manpower within PFS for this purpose. Power executed in this kind, they are extending the support to the consultancy unit, very small unit and we are doing it internally. Wherever some highly technical or complexion is there, we are not getting exposure, there of course we take the outside support. Then another interesting work which have been awarded by BHEL to us, financial appraisal for setting up of manufacturing unit of aerospace component for ISRO that the BHEL has recently awarded to us that we have won base the competitive bidding procedure. So whether it is credit appraisal, whether it is a monitoring, whether it is providing the advisory services, so in all the domains, we are giving the best of our capacity and to make the continuous progress of all the these domain, so that our operational and financial parameters, they become really impressive and everyone starts liking them. Thank you so much.

Dr Pawan Singh: Thank you Naveen Kumar to given such an exhaustive list of the monitoring and preventive action plan which we have developed in the company. Also, the new initiative which we have made in the advisory services. Actually we know only what to do because we want to present ourselves as a strong credit underwriter capability and that is why one of the reasons why we took the advisory services elsewhere that we wanted to show that this capability exits because we want to, as we have strengthened it in past and we are trying to make as stronger as possible. That is our cost financial and advisory credit underwriting and also the acceptability of that the number as I said, they don’t look so impressive because it started earlier, but consultancy business works on qualifying requirement it’s important to build up qualifying requirement as a qualifying requirement the growth becomes hockey stick kind of a growth, not business as usual growth, so that is where we have made for into it. Just to give a of course Sanjay will present detailed numbers, likely to give a snapshot of how the numbers were compared to previous quarter & previous year and yield has improved from 11.4 to 11.86. The NIMs have improved from 3.20 to 3.38. Our return on assets has improved from 0.32 last quarter to 1.42 moving towards business as usual, we expect more improvement to happen here. Of course capital adequacy remains very good at 23% and debt equity ratio has improved because of down selling and resolution of stress asset in the book and today the debt equity ratio stands at 4.6 which gives us tremendous growth capital adequacy and debt equity ratio gives us tremendous elbow room for expanding the business in the existing calendar year.

Just to take you forward, as Mr. Naveen Kumar said that the government has talked about $**1** trillion investment in infrastructure and where lot of emphasis will be on road, rail infrastructure, renewable energy and water, clean sanitation that will cost almost half of this $1 trillion, and we are in that space. Two-three things have happened talking about our competitors, one is during this churning phase which happened in last one and one half years we have very few infrastructure company IDFC bank, I don't want to take the name IL&FS disappeared from the scene and lot of other infrastructure players are there, L&T Finance is there but that also trying to want to move away from Infrastructure finance and SREI i infrastructure move away from the infrastructure financing, with this kind of opportunities available, we are positioned adequately to take big lead forward and the system that processes and structural changes which have made should help us to grow and move forward to take control of the opportunities. We foresee a position that is why I have seen many international institutions are ready to invest in this climate 200 million dollar worth debt financing with us is . in place debt equity ratio in place we hope to take this opportunity which is being offered by the government and go forward in this area. So now are happy to take questions if it is there,

Participant: My question is to Mr. Naveen Kumar. I would like you to share from the capital business and sheet that you have prepared with respect to the way you are able to and also are you involving monitoring unit because you say that the sheet that you have prepared capable of capturing the kind of issues that will come in the way of NPAs or ethics and like that so could you highlight that figures and just a little observations, Mr. Ghadkari has said that I have read in the news that 2.5 trillion out of 1 trillion. That answer will help us in more understanding ? I have figures here because this is a national infrastructure pipeline report of GoI

Participant: I just heard a news that it is 2.5 for you, so 2.5 trillion that is the opportunity available. .

Management : 2.5 trillion it will be further better for us.

Naveen Kumar: Yes, what I understand from your query that it is oriented towards the kind of this formats of system that we have driven. See, any project financing endeavour, you should be in a position to establish, what is the scope of the world, what are the main activities involved in that? What is the correlation between those activities? What is the sequence of those activities and how much time does it require for completing those activities? What activities are in the critical path? What activities would be expedited by the top 10 crushing technician in deployment of the both resources for reducing the time and all these are spends, if you don't know then perhaps there is going to be a very big problem in the future, some borrower might come to you, he may present some technical project report to you where if you are not conversant with these aspects, then perhaps he will be able to get his work done, he understands what kind of appraisal process you are using, what kind of DSA are you expecting? What kind of internal rate of return you expect and minimum level if you get it, then you will be ready to give the loan to them. Let us say, I present the 90% scope of work in my DPR and if I can move the 100% scope of the work then my internal date of return is slightly below the required date of return, then the borrower will say that this lender will say no, this project is not viable, then how do we make an estimation. If you are a good say finance man and you have done lot of analysis, you have run excellent borderline everything, but you are not able to pin point. If he is acting smartly and 10% of the scope is missing and one space starts making the disbursement and get involved in the project, then after some time, he will come and say because of unforeseen circumstances and because of certain other reason, this particular scope was not included. Then not much of the option will be left with you. If you prepare your format taking care of all these aspects, then you will not give him the chance to escape from this kind of situation, he will have to give all the details right from the day one only when he is presenting the reports to you.

Participant : If curiosity of this format is manual or it is some kind of software driven monitoring or working ?

Naveen Kumar _: See, when I was working in power finance corporation, there initially there were manual, then we use some software but here in this organization, we are in the beginning stage only, we have introduced the manual kind of format, repaired it and before our executive may visit the project site, one copy is sent to our prospective borrower, he is supposed to keep in ready, another copy he takes along with him. Interestingly in this country you know what happened, while you sent the format to someone, he will sell within 10 minutes or I will fill it up. Whatever there is a easier information, there will be filled up, other places dash and NA and they hand it over to you and this is there every day. This is what I have noticed in last 39 years. Now, how we have to make them or motivate them rather to fill up everything. That is of paramount importance. The power executive should also accept this system of working and at the same time, the prospective borrower they should also appreciate this thing and another problem which crops up well, there you see so many lending institutions there they are not asking for this type of information, why you are asking, then perhaps in this competitive world, they may not like to come to you. They go to some other lender and so our role becomes very important. There we should share this kind of information with other lenders also. They see it is for the benefit of the lender community and if you ignore this thing, then it is going to be a problem for everyone in this scenario where most of the projects they are being funded in a consortium but after varying these formats, it requires prior experience on finance side also, leader side also and on project side also. Technical word, I do not use because technology is driven by some other people. We are the people who are either implementing it or financing it, so keeping that aspect in mind we have to act and we have to create such kind of format, so that we are able to do justice with our job.

Participant: I appreciate your insights. Thank you.

Participant: This question is to Dr. Pavan Singh. Sir, you have reduced your loan book by 675 crores, so what is the impact on cost of funds?

Dr. Pawan Singh : The cost of funds have also come down.

Participant: By how much?

Dr. Pawan Singh : The interest expense has come down compared to biggest quarter, it has 244 to this level of 230.

Participant: So, as in percentage, the cost of funds?

Dr. Pawan Singh : 5% reduction.

Participant: Very marginal. The second question is you are evaluating 3000 crores of loans which you would give at what rate are you going to give this?

Dr. Pawan Singh : This what we have done is that we have this.

Participant: I am asking this question because the simple fact it is coming out, you are talking about lot of systems, etc., I as a shareholder is getting less than the rate of return from the bond return available in the market so the person who is giving you money is better off than as a shareholder who is making this money, making all the risks, so either you are not able to understand what should be the step or you are not able to assess what is the inherent risk of these projects because now also you have made debt provision , in the worst time the distressed assets you have made adequate provision , we do not see more provisions coming into the future, some stage we have to get return on equity of at least 12.8.

Dr. Pawan Singh : Yes, couple of things comes in your question what have be addressed in certain ways. What is of course you said that you have well founded it is an equity holder, we have to have certain kind of return and what you are asking is not unjustified . We have done repricing of our models because we used to have reference rate model and we used to have discounts from that and there was a time that we were doing it to lower our cost of borrowing and that we have said that yes, now we have a base rate by cost of borrowing from that and have my return on equity. On that I will have my overheads on that I have my standard provisions, so it comes to a number, for example, my base cost today which is close to little of 9%, I put all these loan in then it comes to 10.60, so I have decided that I will not do business less than 10.60. That is one of the reasons the prepayments had all that debt equity improvement because I said to file leverage of us to capture this kind of, so we said it business, but business at these terms only otherwise we are not doing business. so we are not focusing so much on asset but then the moment has been last one year from asset to return on asset. That is why from 0.32 we are able to bring it up to 1.42 which of course I feel good improve as the impact of this process to government which we have done will be felt more and more. Also what is very important is that my cost of borrowing because there has been a steep rise because of IL&FS issue. Almost my cost of borrowing went up by

60 bps during the year but at the same time the stable dialogue is that 80% of the borrowing is bad borrowing so what happens is the RBI started cutting because when the economy started going down RBI started raise and further what happens is there is a lag between RBI announcing rate cuts and banks passing it on and hence passing it on getting transmitted to the borrower, so bank started passing it on. Transmission only has to happen on a way **.** Sanjay explained that, when significant portion of my loan will get re-priced in January, impact of that will be felt in January. We are diversifying our source of borrowing because that was creating value for us but also let me tell you because you are fair enough to ask this question in .. let me tell you that last one year, for NBFC had been challenging and specially for us had been more challenging because apart from the NBFC challenge we have been saddled with huge amount of thermal assets half of which were under stress and not performing which we have shown here that we have reduced it by close to 1,500 crore so roughly 1,500 crore today. It is that 50% provisioning already we have done. Operating margins get improved. You will find distinct impact of this coming in future quarters. I can assure you that.

Participant: Will it be fair to say that the worst is over?

Dr. Pawan Singh : Definitely you can say first is **..** definitely you can say. We are much better than what it was. So having settled from 2000 crores of stressed asset had been brought down to 1200 crores, have been moved from 930 kind of yield to across to 1130 kind of an yield. We are definitely on the different path, it is on the different direction altogether so first what we have seen is definitely behind us.

Participant: I just wanted to know what is the situation currently in the Andhra renewable market in terms of what kind of payments are coming through and have you seen increased stress over there so first of all what is the kind of exposure there we have in that Andhra thing and what is the average price on the power that we have taken over there?

Dr. Pawan Singh : Andhra we have close to little over 700 crores exposure in Andhra and infact pricing what I am going to tariff it?

Participant : Tariff it.

Management : So they were all close to Rs. 4 tariff. The PPAs which we have they have been precedence in past that the tariff accepted by the creditors of dispute in terms of the whether they have to be accepted, not accepted is settled. Andhra case is a difficult case because what should not happen in a renewable space but the way we look at it is also a case where what possibly worst can happen and it gets tested, so Andhra went through that cycle of worst thing that stated. It could have been worst that what happened and payments did get delay for about 11 months or so. Luckily as far as how three accounts of standard which we have. In one account we had small delay inventory but that has also now added and two accounts never had a problem because they were supported by very strong group Greenko and Hero group.. Now, at least the payment have started in case of Andhra and outstanding also has been reduced quite a bit. The tariff related issue is not fully settled. The Andhra government is paying as per the court directive, the tariff at present but the court has also directed that this has to be settled in 6 months' time and they are delivered to them. Three months' time is over, so next 3 months' time, I think the tariff issue should also get settled.

Participant: So, I don't know if you will be able to answer this but would PTC energy also be.., would we actually have exposure over there as well?

Management : Yes, PTC energy has exposure.

Participant: And also just one final thing, so we talked about raising the given yield across the entire book over there to taken up to 11.8 or close to that so what part of the book has actually moved to that..to a higher level over a period and how much time will essentially the rest of the book take to re-price?

Management : See 90% of my book is re-pricable . They are only re-priced. Only 10% of the book has to be fixed, so that will not get re-priced and there must be short term renewable.

Participant: In your presentation, your opening remarks laid great emphasis in the last 1-1/2 years we have seen the first sign of a slowdown, we expanded very wisely putting your blood and sweat in recovering the stressed assets of the NPAs. The result is from 2000, now this stand at 800 crores and you are very confident that two accounts, going forward will get resolved and this NPA thing will be a matter of past**.** so it is full marks but this exposure as expounded by Dr. Naveen Kumar has shown you the way to create a model of lending which is in the form of forensic functioning to any project from the grassroots of the brownfield level, which is full marks to your vision because power sector in India has gone into several bottlenecks several issues because of several manifold reasons or aspects. you are very correct yield from small studies, small projects to medium and then to large, creating a kind of a monitoring assessing model of the three various aspects, credit risks, management risk and financial risks inbuilt into the system so that no NPAs which again speaks volumes of the insightfulness and indecisiveness**.** This is something which is the need of peer work and this model needs to be fine-tuned and shared across all the sectors. So you are consulting which is now at 1.16 crore will only.. the decimal will shift to the right, I don’t know when but how many. I mean it will shift manifold This is my precipitate of your presentation, now you have good capital adequacy of 23 percent. You have almost without borrowing and you can easily lend 15 crores to 5000 crores and going forward what I see whether you like to confirm or share, in your blueprint you have at least 30% CAGR for the next 5 years looking at the scope of growth in the various verticals you intend to play a active role. so I would like to have your comments on that?

Management : First of all thank you so much for your appreciation for whatever effort we have put and as you rightly said one should not be doing a own talking point but definitely we have put our sweat and blood into it. Firstly we will continue to focus on increasing fee based income as far as we have …………….. . second thing the point which you made on using our models to help others to come out of this problem, that's a very useful suggestion, that helps us to take our consultancy business not only to infrastructure but also to the finance service then of course, apart from the money part of it is also the possibility of a fellow lender ought to share its thoughts and experiences, together we stand and together we stay in the market from your side. Coming to the book growth, the capital adequacy is 23%, debt equity ratio is what it is and then this goal which is available in infra space people come to us now because people say that there are not been much leders available with infrastructure, even strong private sector banks, all our competitors who used to be very strong and was giving us tough time. Today, are moving away from infrastructure event and 1 or 2 private banks are in trouble and are moving away from this because they feel that those guys**,** that is where we have a very strong because our own perception is that infrastructure has to be headed by domain guys**.** it cannot be handled by finance case. That is where he was making a very strong case for risk management and control system, monitoring system and all that, the kind of investment, the kind of nuances which go there, and we have greater power domain over a period of time and the opportunities are there, we like to grow. Only thing is that we don't like to grow blindly we will have to make very cautious, there has been learning lot of things we have learnt not to.. there are certain things we have not thought to do but we have also learnt lot of things we are facing normal gestation period, revenue certainty, cost of funds to certain projects will not be attributed because given our science we are not very small but we are also not very huge, so we can't be present there. Second is that it will cannot be David joining the Goliath**,** we cannot be lender like SBI like Prayagraj case we came out luckily but we cannot be a consortium of SBI, BoB and PNB , the way of reaction also because we are nimble footed we are private sector, so we would hope the way we respond to money is different from the way somebody would respond. Would not like to make the statement but just ponding on behalf of public, on behalf of own money makes a lot of difference, so these are the business we shaped on here. Our annual growth will grow and we will be highly, we will not say cautious, we will be very alert vigilant and careful as we do lending and that is where we have cross functional arrangements as where the consultancy is not not only supporting us but also strengthen our systems so we will continue to grow that is for technique and numbers can vary, I can't say that this year could be certainly 30% but as you grow confidence will spit up the numbers, so for that 15% is where we move and what we are looking at but more than the growth, not in the quantitative aspects but also in qualitative aspects . . So knocking off of stressed assets that is one of the reason we are trying to improve of our ROAs denominator is not there and numerator improves. So it would drive off growth. Topline and bottom line would be the guiding factor, not so much the asset risk it should be important aspect , that is why the mix also we are changing, trying to use our leveraging capability not doing only plain vanilla kind of financing, strong fundamental underwriting capability domain expertise will use to do products which are niche products because I think I take money-I give money I must have some huge value addition in between. Organisation which grow and become sustainable over a period of time is the one who bring value from day one. What we are looking at numbers are not so sustainable over million dollar over a period of time.

Management: We thought we had chance of leaving a few solar power generators, small in size, however the cost of projects are around 150 crores onwards almost and other we would like to share we were with the TATA power management 2 years ago, they share with us one distress model then each and every residential building we will have rooftops, going forward over the next 25 years and of power in clean energy and all and obviously that is the case where you are coming. You also have included city gas, and water treatment which is now water crises will be a reality going forward. It actually is in India even 5 years from now. So the times are good, but the condition, controlled carefulness is what we incorporated really for forensic type of this. It is good thing to keep growth rate of 30%, but you are very fortunate when you say 15% growth rate safe to achieve it.

Participant: Sir, out of 6 resolution, 2 you have already been there and out of 850 crores infrastructure with growth we have, these 4 resolution what will be the value we are looking for recovery is first question. Second question you talk about 15% growth is there right now. So I didn’t see any growth in renewables at this point in time as per your, when you see the new disbursement criteria you pick up in that segment. Third one is, it is just an hypothetical question, is there any possibility of PTC Financial getting merged with PFC or is there management in total because you are seeing now the recoveries are happing now and you want to consolidate into one big entity do you think this kind of possibility is there.

Management: So, as far as your resolution of stress has been concerned, I said that we have now close to little over 800 crores as stressed assets, in fact it is okay 804 crore . So these assets are two types. The ones which are very stubborn type and ones which are proactive type. So if I have to break them into two types, no haggling means you will get close to the balance which is available in your book, already for that. Thus stubborn type would be the ones who would happen over a period of time. As of now a very comprehensive assessment will not be possible but a indicative assessment will be possible. So right, there were cases one which adequate provisions were made and it is roughly out of 850 crores which is close to 200 crores. And this is Nagapatna this is 125 crores off my book. and I have KSK Mineral 44 crores. Out of these Raigarh Chattisgarh already what is happened is that matter went to NCLT and AP Discom has bid for it and they will also do the purchase. So we have already paid more than 50% provisioning here and the provision is higher of regulator requirement or as per ECL methodology. . That is the association between AP Discom UP govt and Athena project and because of that this project is close to 84% to 85% completed and they would have stayed in the project. So that will be completed we expect reasonable bid to be there, not a very high value bid. So much of competition is not there. So we should be hopeful of finishing around whatever we have provided for or may be a small hit could be possible it all depends on where AP Discoms bids. in case of Prayagraj Power this is 328 crores already the settlement has happened, and money has been received and Himagiri Hydro 10 crores principle which we got this time must confirm, but March we will go, we are getting more than whatever is the provisioning about this has just happened, over 15 crores. In case of NSL Nagapattanam we have about 125 crore, we have provided for 25 crores and we have already got offer of 90 crores from the developers, we are trying to negotiate hopefully we will finish at those numbers. In case of KSK Mineral the dispute is between Goa and Chattisgarh Govt, it should get resolved because it a inter govt issue, the money that will come to goa will come to us. time is difficult to say 3 or 6 months but we are hopeful of recovering whatever balance net of provisioning we have. In case of Dirang Energy we have made provisioning of close to 54 crores and just before the meeting, as the meeting started here they have given me an offer which is superior to what they offered earlier . In case of however this sum like in the case of Surana power the exposure is 96 crores, we had a provision of 85 crores. Balance 11 crore is there, It has gone for liquidation, some value is of expected . Maybe some whatever provision we are going to get. We have cases like Kohinoor power 50 crores and 36 crores is net provision and 13 crores is balance. Maybe some additional provision will have to be made. So this is the snapshot of by and large Meenakshi is a large account 150 crore resolution will take a little time.. This is a completed project, this one is complete. The other 3 units are synchronised. So from that, it is a good project value added and we hope to recover for these projects around 3 crore MW projects also is what is prevailing there. If we go by that assessment probably we will get 100% will have to make some provisioning there. So this is a snap shot of indicative snap shot of how things could unfold on the stress side.

Participant: Second question is a 15% growth which you were talking about… which are the segments likely to come up, in renewable there has been hardly any disbursement in the last one year even in the core business, there are others there have been a sharp increase

Management: We have over 1, 500 crores we will do another 1500 crore this month. 3500 will do large in the year but you point of book size not growing is because prepayments came. For few of our borrowers mergers happen and we can only take 40% of our net worth exposure. That is the reason of reduction and of course reduction in book has been reduction in stressed assets and that is good thing to happen with us. There is 20 lakh crore of investment in renewable every year because PM vision for 2030 today renewable is 85000 MW his vision is 2,40,000 crores. Thermal is about 2,40,000 MW and then vision is 2,55,000 megawatt. The only thing is that last one year has seen couple of issues which have been almost addressed now. and the Andhra issue come in between. Of course uncertainty around the tariffs still remains. Lots of issues are now being settled, hopefully in projects we expect some things to be there for the counter parties because renewable sector the only risk is completion which is not there. Disbursement only after the final prices settled and Transmission line clearance is available and it takes about 9 months to complete that is not the risk but renewable the only risk is counter parties. Already govt has said that all payments, current payments are to be released . overdue payments will take some time.

Management: Well, we are a value added company we will not fit into PFC frame for couple of reasons. PFC is 85% state government, we have 18% and 82% down state government. PFC is only power, we have diversified transmission, green energy and you will find that hike becoming bigger and bigger, water, sanitation, sewage treatment, city gasification all those areas we are now vehicle charging these are the areas. Third is we try to do niche products, we had tried to copy PFC but it doesn't work, the model, the large book size and small spread. That model has not worked for us because you end up, if you don't churn your book, you don't keep spreads and you start having NPAs like PFC then you are caught. So that is a learning for us so we can't copy of these. So we have to have our own space, we've learnt our lessons, we have created a space for ourselves we will operate there. So there is no question of copying other institutions I don't think that should be a very terrific synergy to happen. What we will from our own experience thought everything is in my hands. But my vision is how to get this company going fit for years and how will be the holding going forward. I wish this would be that we have tried to project this company as a nimble footed sustainable infrastructure finance company and that is why all these international lenders despite their total aversion doing PFC are ready to give us money because that is the question they ask me, what is the difference between PFS 3 years back from now. I said I was 30% thermal, today I am 10 % thermal, going forward we're will soon do 5% thermal. This is prior to the notification sustainable finance committee, you know finance for a purpose. So that is how it is, so I would like to ask those guys who are coming as debt players the same kind of they have a mandate for development as well as mandate for clean energy giving sustainability on that front. So these guys were covering while and multiple growth month and that is how this should be a heterogeneous holding off these kind of international institutions, that is how I would like to perceived , how much is it is true, well I try to make it as true as possible.

Participant Sir, two more questions. What are the target ROIs and ROEs which you are talking about in next 2 years, could you throw some light on this thing? Second question is, basically you were talking about CGD, CGD is a new segment right now at this point of time, a lot of private participation happening. Don't you think it is the same kind of risk for maybe now you are entering into new segment where there is quite a dark thing right now and as of in terms of execution. So again catering to some kind of the same cycle, what are the, because we have seen in thermal and hydro in 2008 and 9 every one was so very optimistic even in the renewals also we have seen some issues are there. So I just want to understand your view on how exactly part of these challenge.

Management: So ROIs we like to keep it above 2. That is what our they are moving towards that and as we resolve our stressed assets, expand your book and very soon we will be very close to 2% ROI which we like to maintain. So with ROI improving will try to maintain the Networth also not at least try to go below 12% like to do better than that. From our side we would like to work on 14%, is what we are trying to work on. As far as your second question on the CBD is concerned, well I agree with you that CBD is a new area operating, we are also not lending CBD but very closely managing CBD area. And let me also tell you, we will do if any participation , we will not be blindly jumping into it couple of proposals have come close. We have look at it from lot of advantage angle also because the ticket size is less, second thing is the agreement is with off takers is the oil companies all AAA so that is a bid advantage, but the problem there is that_ while companies are not used to PPA we are used to PPA and they do MoU kind of agreement for everything. So we have taken it up with oil ministry and said that if you want out money and other lender money and convert it into a concession of whatever kind of an agreement which is binding on both sides. And second is that they must cover because they have kept exposure to international prices. So they must give us as to visibility as to how the fuel price, up to what level it will be linkage with oil prices are open and we will be exposed to that. That is the reason we have not been able to so far take any exposure in this sector. We are working around with petroleum ministry, Indian oil and so on So that you build that kind of an agreement. If the segment is not viable it will be very difficult for us to take a call but we are watching it very closely ... If a good promoter comes, yes for me this from a promoters capability is an important factory for our money there probably we would look at it… more inclined to do this kind of .. this kind of factors we consider.

Participant: We are expecting certain re-pricing advantage, if it is possible if you can quantify next one year now, how much and how much you because of the linkage of formula how much will be passed on so next year to borrowers **.**That is what I want to know. .

Management: Let me also tell you that while we are making couple of pressures to improve our financials performance and one of the measures is that see that we do pure project finance. So I cannot stretch it beyond a point because there is something which is a industry practice. Today maybe it was not most NBFCs are getting into this space, probably I found a opportunity but this is an area where there is a limit to what they can charge. If I start charging beyond a point also where it effects the business model of the developer, so that also I have to be careful. But there are areas, I feel it is a combination mostly it is a combination of project finance and maybe what we call our ability to do cosec project finance existing developer I know that the money is going how quickly to become for new projects that kind of investments I can do that mix has changes, that mix has become earlier it was almost 90/10. Now also it is closer to that but then that mix we are trying to improve on that, that should reflect on my results . Also what we are trying to do is that because these are making drag by …. as I had 1900 crores of assets not giving any return which are added on close to 850 crore, so this 850 crores is what I would like to resolve it quickly, so that that starts reflecting in my yields and spread.

Participant: Because of the rating change, your loans are getting revised, so much gain are you expecting?

Management: If I look at my book, as I said 90% of my book is variable . So if I get my input cost down whatever is my input cost is coming down. So in the ratio of almost 60-40 is very good. After what bankers have pass me, after one year I will also have to pass them on a equal rate maybe 6 months 9 months 1 year, 40% of that variable is close to 40% of this fixed components. Fixed components remain with me, so that advantage I will get on my pricing. Even this I will get a lag advantage over a period of time.

Participant: Sir, can you share something on aspiration for the consultancy fee where Mr. Naveen Kumar worked out entire models and how you propose to carry forward, some quantitative numbers or some milestones so that we can have some idea . on consultancy you have laid down vision and started, you share some thoughts on 4 to 5 projects scale and the thing. So is this consultancy income, how you are supposed to end. what are your aspirational goals in this.

Management: Consultancy fee how?

Participant: Maybe I will take this offline.

Management: And this was regarding the business development, actually?

Participant: Yeah.

Naveen Kumar : We are focusing on… you know the whole business models work on your capability of doing similar works, if you have got two similar works of same calibre and all, so what we have to try to do is that build up qualification that is what we have been able to do, getting acceptability across various large organisations.. Once we are empanelled as a B2B consultant or large PSU Consultant more business will come to us. So areas would be like energy efficiency, financial consultancy that is for example in Andhra Pradesh, we provided the movement from normal accounting system to Ind-AS we were to first NBFC to do this in the country this is an area we will like to work on. Financial appraisal for projects, preparing business plans, Credit appraisal capabilities, we are the first to implement IndAs system for a very large NBFC. 2/3 institutions we are trying to work around and build up along with the similar lines the consultancy framework how to implement and how to go about. Financial restructuring of various institutions including power utilities is an area we feel we will be able to do. This pitching of utilities itself we will try to tie up and do it. So huge opportunities are there.

This financial appraisal services, tremendous scope is there, what I have seen in different organisations especially PSU's there is a system that a third party valuation they would like to get done from some other organisation. We fit in there and then Ind-AS as MD has mentioned then some techno-financial or techno-commercial kind of work also we can do. MDI murshidabad campus is there, so they wanted to make there green kind of campus. So our team is already there and they are assessing what is their power requirement and how it can be met to this installation of solar system. So that study is going on there. Then apart from that another thing which I mentioned is project completion reports that also we can prepare, then detailed project report, say some borrowers they take loan from different lenders and for that detailed project report should be available. Based on our experience we can also extend this kind of services, Energy efficiency side, there also we can do it. See what I am trying to convey is, we may not be having the exact experience what is required for executing some of the consultancy assignment, but overall experience and with the support of some outside agency and outsourcing services from some other experts, we get two different kind of assignment this is what I see in my earlier organization also where they are doing the consultancy in a very large scale, but traditionally they started outsourcing the services, but in our case as I have mentioned still we are not outsourcing to that extent, internally our executives they are sparing time and they are doing the analysis and we are completing the job to the satisfaction of the agencies who are entrusting the work to us. There could be many areas, technical, finance, energy efficiency, detailed project report, financial analysis and lot of areas will be there.

Participant: Good afternoon sir. Mr. Naveen Kumar mentioned that whatever is easy then it gets done generally by lenders, so they try to get in by doing the minimum, but isn't it the same with PFS because since 2018, I have been requesting to get particularly the NPA accounts whatever there are large NPA, so that we have a feel of the things, how the things are progressing on a particular accounts. Still in none of the quarterly, every time all the investors and analyst are asking the same question and the same things are repeated. Isn't it better that, to the investors, whenever we are sending the presentation the major borrowers whatever in the progress that is shared in advance so that we can ask detailed questions and another point is, 30 minute presentation because that will also reduce the time for presentation. And we can have more discussion and question. I have sent mails to company officials since 2018 as well as share with you during the conference call, but still I did not got the answer to this. So I would like to hear thoughts on this, can you share more information because bare minimum, then we can have the conference in a small hotel, why we are having in this Five star . Let us have more information to the investor because as an investor we are not getting anything and as another investor mentioned. Can you share more information on stressed assets rather than going by the bare minimum.

Management: As I mentioned earlier that we have close to 850 crore of stressed asset

Participant: Sir, I agree to that But that information is already available, so why you want to share it in advance, because we have to ask the questions and when we get the answers, rather than that it should be available in advance or you can share at the time of the results, when you are giving to BSE, even we have to ask for the results, we just get the invite. Why don't you send the results also along with the mix, that can we can get the answer it is available on the BSE site. If everything is available on the BSE site why we do need this investors meet also?

Management: See, I really don't know, at least the issue whether we need to have investors meet or not I personally feel see sometimes lot of work, we come and meet the person, we can talk about the issue. Sometime it is useful to talk on telephone but even nowadays it is a e-environment everything is video conferencing. So nobody needs to travel everybody has to sit at his place and do the work.. I feel that lot of things, one to one meeting is very important, knowing you, knowing your concerns, if I do that through concall I only give you a buzz, but today I am going to see look at you in person. So might not be obvious but to my mind not always but we also don't do it every quarter because certain developments have happened, we thought we will come and meet you. We will meet you again next quarter because it is annual result. So whenever significant trend or pattern is emerging who would like to share it with our investors you ought to know, you have the right to know and we also get the feedback from you first hand. So many people we are meeting here it is not only the verbal communication that is happening So Many other thing we are looking at, thinking of response and everything we see and we also get a confidence of because whatever effort we want to put we have also want to see what is the feedback response, what correction you want us to make modification changes. What are your anxiety and concerns? If you have an issue, good thing to get feedback from you from that angle, we may be spending a little more but sometimes it great value to the company many times we have to go and meet bankers because of private discussions may fetch more understanding but meeting them is necessary. It doesn't happen if I don't give them work, that it is a policy issues taken up with the RBI, if I don't meet them it will not happen. I will have to go and meet them and explain things in person just writing letters will not serve the purpose you know, you will get a technical reply. Many times they don't even understand the question that I put so. So physical communication becomes important.

Participate: I too agree. That is why I said why don't you share more information on particular NPA because that is a major concern whether it has gone…

Management: I do agree, I have also consulted my team, one reason we are doing it is, what I found out is that nobody else is doing , that is what the understanding is. But that should not be the reason, we should try to at least what is there, how much provision we have made, expected recovery and all I cannot give you in presentation, but I can tell you how much .. what is the amount outstanding and at best I can tell you where it is, which form of resolution is taking place these thing I can give you.

Participant: It seems that we have time to diversify our portfolio, just wanted to know like what kind of future companies and portfolios we are looking for in terms of thermal and solar and others. And second question what are the future equity infusion we have.

Management: Yeah. So the way our present portfolio also is like this, out of 12000 crores, 6000 crores is renewable and roughly about 1100 crores thermal, Hydro is 234 crores and then we have others category which is 4400. So out of others we are having distribution 1500 crores, transmission 100 crores, roads about 800 crores. This is the composition but if I have to give you a projection for future, Probably I would say that renewal would be closer to this kind of number 45 to 50% because this is an area which we domain, we have expertise, we have zero NPA, we have worked on this area for 12 years, cash flow certainty. one of the reasons why we did apart from the measures taken to, what does the NBFC might be able to, what was the strong point in ours because ours if you look at some of the complete NBFCs, strong NBFCs fell down because what was the problem in their model, because cash flow was not there. It was not a cash flow model, it was an event driven model. So those event AAA could impact, good asset base really the number was the cash flow is not there, but in our model regular cash flow is there every time. We cannot have this. Few discoms sometimes may default, some good discoms becomes bad discoms, bad discoms become good discoms, Andhra, Telangana top discoms are bad discoms. Maharashtra one year before was not so good So it also changes. It is not readymade available solution but a model which is based on cash flow is a far stronger than a model which is based on cash flow model for recovery, so that is our strong area, this is an area of course the lever has a lower gestation period, we do our disbursement after the tariff is adopted. The orders have been placed, the suppliers have been identified, transmission lines has been executed . So project risk is zero. So we are unable to work around them, plus little bit of wherever required advocacy we were also able to do. So this will cost you with a way looks like, transmission also gave regular cash flows the way it look like, the road also will because projects the government is there we have built up some capability, it would look like what it is . But not much change in the overall structure in composition in others but would get added to others, thermal will come down maybe 5% going forward may be 2 or 3% negligible value

Participant: So you are trying to close that investment entirely.

Management: No, thermal we would not like to do because for a number of reasons. One is my thermal because whatever stress happen in my book is thermal and thermal is a big ticket size. I become a small player there. I don’t have elbow room to greet the other. So I don’t want to, I will not like to thermal because I have to do banking with 13/14 PSB . So mindset and the approach and issues and problems is totally different from the mindset and approach we have. So all this reasons and then there are multiple variables in the gestation period 4 years, fuel uncertainty, tariffs are not known, so having learnt that thermal is bad still we continue to do that, I mean that is not wisdom which I should be doing, that is not the area I should be doing . Another plus point of doing renewable is that you are projecting yourself as a sustainable finance company. So you are able to get international capital which IFC, development financial institutes they are putting money into it and they don’t like to see you as a thermal company. And that is not entirely the reason they are not doing thermal, it is driven by our own risk assessment and economics. But that is another point, what we have in others category is we are as we will move to other more other areas which are alike not in the areas which are totally discriminating, doesn’t mean that I jump to education and health that will not happen I do annuity based sewage treatment plant, annuity based water supply system where you get the state government is making payment to a city operator or distribution licensing. So that kind of thing or you know immobility platform where the supplier gets liquidity on cash flow basis. So wherever there is a strong counterparty agreement and where you know there’s no project execution risk and where I have revenue certainty those are the related areas similar to what we are doing. These are the areas which we are very closely exploring and which may form if you look at the other pattern, others will have this kind of composition.

Participant: What are the future equity issue and infusion plan?

Management: See as capital adequacy is 23% and liquidity issue is quite comfortable, so and project evaluations I still think are, the work we are doing now will get felt into 1 or 2 quarter to 3 quarters what we are going to do. So we would like to certainly value that. My board has approved an infusion of 500 crores. So that is always there in the back of my mind depending on what pricing who is the investor, we will take a call as we go forward. But there's no immediate desperation to raise this fact.

Participant: PTC has kind of .. they have committed their share on that equity infusion part ?

Management: No, this money we have to raise from our side. We are not taking any money from PTC as of now because their holding is already 65%. So somebody else should come here and participate.

Participant: Sir, I have 2-3 questions, last year in the March quarter your GNPA was 7.68% roughly and net NPA was 3.7%. Now also the ratio is almost same 7.22% GNPA and 3.84% there is no marked decline and this year your provisions are going up as compared to last year, last year it was just 16 crores, this year it has already been 115 crores almost. So how long this provision respite will continue. I have checked your balance sheets in 15-16, they are having a provision of almost Rs. 1,000 crores you have written off. So no concrete information are being passed on to investor regarding in which account how much you have written off and how much you recovered and how much is the balances. So all these things need to be addressed.

Management: the concept is more similar to last terms so we will give you a table where it says how much of our assets this and what stage it is, how much is the provision. I can verbally tell you how much is the recoverability possibility. That indicative number would be different to it but I definitely tell you at what stage of resolution it is. Coming to your GNPA and Net NPA numbers, so the previous quarter like gross NPA was 7.35 Net NPA was 3.92 which has fallen to 3.8 that is despite I have reduce by our stress assets , roughly close to 1,200 crores Let me also assure you going forward we are going for the resolution, the numbers both will improve because of stressed assets getting resolved and also asset book going bigger so these numbers would definitely be better than what they are. Generally you will find that there is an improvement in this, I don't know when we will reach but very soon we will be very close to maximum one year from now, we will be very low on the NPA's.

Participant: Net NPAs should be below 2% in next 6 months, can we expect sir?

Management: No, not in next 6 months but if you give me one year's time definitely I'll do it.

Management: So thank you very much on behalf of my team thank you for giving such a precious inputs and also giving us honest feedback and wherever required a pat on our back, which is also needed and hopefully the way we have tried to concentrate our things, we would be able to present thing in a better way in the coming quarter. Thank you.

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