

March 28, 2025

## PTC India Financial Services Limited: Ratings reaffirmed; outlook revised to Stable from Negative

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture	9.37	9.37	[ICRA]A-(stable); reaffirmed; outlook revised to stable from negative
Long term fund based – Term loan	1,225.35	1,000.00	[ICRA]A-(stable); reaffirmed; outlook revised to stable from negative
Long-term unallocated bank facilities	99.65	0.00	[ICRA]A-(stable); reaffirmed and withdrawn; outlook revised to stable from negative
Fund based – Short-term	100.00	100.00	[ICRA]A2+; reaffirmed
Commercial paper	1,000.00	0.00	[ICRA]A2+; reaffirmed and withdrawn
<b>Total</b>	<b>2,434.37</b>	<b>1,109.37</b>	

\*Instrument details are provided in Annexure I

### Rationale

The proposed revision in outlook to Stable from Negative for long-term ratings of PTC India Financial Services Limited (PFS) factors in the abatement of concerns on corporate governance related issues, which impacted its business and funding profile in the recent past. The rating action also considers the improvement in PFS' earnings profile with no slippages during 9MFY2025. The pace of decline in PFS' loan book moderated to 5% in 9MFY2025 compared to a 26% decline in FY2024 and its capitalisation profile is comfortable, with a gearing of 1.15 times as on December 31, 2024. While there have not been any incremental slippages and some recoveries in FY2024, PFS' reported asset quality indicators remain weak with gross and net stage 3 of 13.3% and 6.02%, respectively, as on December 31, 2024 compared with 12.82% and 6.07%, respectively, as on March 31, 2024, due to reduction in loan book. While resolution plans for large stage 3 assets have witnessed some progress, PFS's ability to achieve adequate recoveries from stressed assets on a timely basis and control fresh slippages will remain imperative for an improvement in its absolute asset quality indicators.

The company had reported volatile and relatively lower disbursements levels (Rs. 866 crore in 9MFY2025) though higher than Rs.585 crore in FY24 due to the delays in securing long-term funding from lenders during the year. Going forward, ICRA expects with momentum build up, the disbursements trajectory to improve with the abatement of concerns on the corporate governance related issues, which impacted its business and funding profile in the recent past. However, a prolonged sluggishness in mobilising fresh funds could result in further moderation in the loan book size and weaken the competitive positioning of the company and funding diversity.

ICRA takes note of the majority stake held by PTC India Limited (PTC; ~65% shareholding as on December 31, 2024; [ICRA]A1+) in the company. The rating has been based on the standalone credit profile of PFS and does not consider any financial support from its Promoter, PTC.

The Stable outlook reflects ICRA's expectation that the company would be able to reverse the declining trend in loan book and report improvement in its asset quality and maintaining an adequate capitalisation profile

ICRA has reaffirmed and withdrawn the rating for the Rs. 1,000 crore commercial paper programme and Rs. 99.65 crore unallocated bank lines as there is no amount outstanding against the rated instrument. The rating was withdrawn as per ICRA's policy on the withdrawal of credit ratings.

## Key rating drivers and their description

### Credit strengths

**Capital profile commensurate to support near term growth** - PFS is well capitalised for the current scale of operations and to support the near term growth with a net worth of Rs. 2,696 crore, gearing (debt/net worth) of 1.15 times and a CRAR of 57.36% as on December 31, 2024, compared with a gearing and CRAR of 1.54 times 43.07%, respectively, as on March 31, 2024. The capitalisation profile improved in 9MFY2025 with the decline in the portfolio amidst limited disbursements and repayments and supported by internal accruals. The solvency (net stage 3/net worth) improved to 10.38% on December 31, 2024, from 11.61% on March 31, 2024 owing to Nil slippages and the increased provision against stage 3 accounts. However, ICRA notes that the company has outlined a roadmap for growth, which is likely to increase the leverage from the current level.

**Improvement in earnings profile<sup>1</sup>** - PFS' net interest margins (NIMs) was stable at ~4.6% in 9MFY2025 and improved to 4.5% in FY2024 from 3.7% in FY2023 due to the decline in gearing levels and recoveries from some non-performing accounts. Further, the company reported negative credit costs of ~-0.2% of average assets in 9MFY2025 compared with 1.2% in FY2024, owing to provision reversal post recoveries from stressed accounts, while the operating expenses as a share of average assets remained stable at ~0.8% in 9MFY2025. Overall, the company reported Return on managed assets (RoMA) and return on net worth (RoNW) of ~3.2% and ~8.1%, respectively, in 9MFY2025 compared with 2.1% and 6.5%, respectively, in FY2024.

Going forward, the company's ability to grow the business volumes while maintain the earnings profile amid competitive pressure from banks and other established players remains to be seen, given the funding constraints currently being faced by the company and its relatively small scale. It would also be critical for PFS to continue achieving recoveries from stressed assets and control fresh slippages to sustain the improvement seen in its solvency indicators.

### Credit challenges

**Moderation in loan book size due to delay in fund raising, though liquidity is adequate** - PFS' sanctions and disbursements remained constrained in 9MFY2025 compared with the previous years, albeit higher than FY2024. Consequently, the loan book declined to Rs. 5,178 crore on December 31, 2024 from Rs. 5,395 crore on March 31, 2024 (Rs. 7,339 crore on March 31, 2023).

In the past, concerns raised by the independent directors wherein they highlighted certain corporate governance issues and exits by the key management personnel and resignation by the statutory auditors, adversely impacted the lender confidence and hence PFS's ability to mobilise incremental funds. Consequently, incremental fund raising has been limited since January 2022 and, hence, disbursements (Rs. 866 crore in 9MFY2025) have been funded primarily through repayments and prepayments. In this regard, continued inability of the company to mobilise adequate funds could result in further moderation in the loan book size and weakened competitive positioning and funding diversity. ICRA notes that the company has been focusing on strengthening the senior management team and is in the process of finalising the appointment of a regular Chief Financial Officer subject to regulatory approvals.

**Weak asset quality indicators** - ICRA takes note of the ongoing resolution process for a sizeable proportion of its stage 3 assets, nonetheless, PFS' reported asset quality metrics remain weak due to base impact of the portfolio rundown. As on December 31, 2024, the gross and net stage 3 assets stood elevated at 13.30% and 6.02%, respectively, compared with 12.82% and 6.07%, respectively, as on March 31, 2024, despite no incremental slippages and some recoveries in 9MFY2025. At the absolute level, the gross stage 3 assets aggregated Rs. 750 crore as on December 31, 2024 compared with the peak of Rs. 1,717 crore in March 2018 (Rs. 769 crore as on March 31, 2024). While PFS has resolution plans for large stage 3, and there has been some progress,

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<sup>1</sup> Ratios as per ICRA calculations

its ability to achieve adequate recoveries from stressed assets on a timely basis and control fresh slippages will remain imperative for an improvement in its asset quality indicators.

### Environmental and social risks

**Environmental considerations:** Given the service-oriented nature of its business, PFS does not face material physical climate risks though it is exposed to environmental risks indirectly through its portfolio of assets. If the entities or businesses, to which PFS has an exposure, face business disruptions because of physical climate adversities or if they face climate transition risks because of technological, regulatory or customer behaviour changes, the same could translate into credit risks for PFS. However, such risk is mitigated for PFS through adequate portfolio diversification.

**Social considerations:** With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and invite regulatory censure. Given the nature of its business, PFS' exposure to social risks is limited.

### Liquidity position: Adequate

PFS' ALM profile remains characterised by cumulative positive mismatches across all buckets, given the relatively long tenure of the assets, like other infrastructure finance companies. The availability of sufficient on-book liquidity provides comfort. PFS had on-book liquidity of Rs. 1,095 crore as on February 17, 2025, with inflows from advances of Rs. 815 crore expected over six months between January 1, 2025 and June 30, 2025 against repayment obligations (including interest) of Rs. 755 crore during this period. ICRA notes that the company had off-balance sheet liquidity of Rs. 100 crore (in the form of undrawn sanctioned bank lines) as on February 17, 2025.

### Rating sensitivities

**Positive factors** – The company's ability to demonstrate a material and sustained improvement in its business volumes while maintaining asset quality would be a credit positive.

**Negative factors** – A deterioration in the asset quality and profitability and/or weakening of the capitalisation and liquidity profile could be a credit negative. Specifically, a deterioration in the solvency (net stage 3/net worth) to over 30%, on a sustained basis, may result in a negative rating action. Any governance issues and/or continued pressure on incremental fund raising and the consequent impact on business operations would also be negative factors.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating methodology for non-banking finance companies</a> <a href="#">Policy on withdrawal of credit ratings</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

PTC India Financial Services Limited, incorporated in 2006, provides financial assistance to infrastructure projects with a primary focus on the energy value chain. It is registered as an infrastructure financing NBFC with the Reserve Bank of India. PFS' outstanding loan book was ~Rs. 5,178 crore as on December 31, 2024 compared to Rs. 5,396 crore as on March 31, 2024. As on December 31, 2024, the loan book comprised of renewable (19%), thermal and hydro power (7%), transmission (17%), distribution (39%), roads (7%) and others (11%).

PFS reported a profit after tax (PAT) of Rs. 159 crore in 9MFY2025 compared with PAT of Rs. 161 crore in FY2024. Its gross and net stage 3 assets stood at 13.30% and 6.02% on December 31, 2024, and the company reported a capital adequacy of 57.4% as on December 31, 2024.

**Key financial indicators (audited)**

PTC India Financial Services Limited	FY2023	FY2024	H1 FY2025
	Audited	Audited	Unaudited
<b>Total income</b>	797	776	325
<b>Profit after tax</b>	176	161	92
<b>Total Assets</b>	7,634	6,525	6,037
<b>Return on managed assets</b>	2.0%	2.1%	2.7%
<b>Gross gearing (times)</b>	2.1	1.5	1.3
<b>Gross stage 3</b>	13.59%	12.82%	13.17%
<b>CRAR</b>	33.05%	43.07%	44.65%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Type	Amount Rated (Rs Crore)	Current (FY2025)			Chronology of rating history for the past 3 years					
			28-Mar-25	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Short term-fund based</b>	Short Term	100.00	[ICRA]A2+	14-JUN-2024	[ICRA]A2+	30-JUN-2023	[ICRA]A1	22-DEC-2022	[ICRA]A1	23-JUL-2021	[ICRA]A1+
				-	-	21-DEC-2023	[ICRA]A1	-	-	28-JAN-2022	[ICRA]A1+@
<b>Commercial paper</b>	Short Term	0.00	[ICRA]A2+; withdrawn	14-JUN-2024	[ICRA]A2+	30-JUN-2023	[ICRA]A1	22-DEC-2022	[ICRA]A1	23-JUL-2021	[ICRA]A1+
				-	-	21-DEC-2023	[ICRA]A1	-	-	28-JAN-2022	[ICRA]A1+@
<b>Non-convertible debentures</b>	Long Term	9.37	[ICRA]A-(Stable)	14-JUN-2024	[ICRA]A-(Negative)	30-JUN-2023	[ICRA]A+(Negative)	22-DEC-2022	[ICRA]A+(Negative)	23-JUL-2021	[ICRA]A+(Stable)
				-	-	21-DEC-2023	[ICRA]A+(Negative)	-	-	28-JAN-2022	[ICRA]A+@
<b>Long-term unallocated bank facilities</b>	Long Term	0.00	[ICRA]A-(Stable); withdrawn	14-JUN-2024	[ICRA]A-(Negative)	30-JUN-2023	[ICRA]A+(Negative)	-	-	-	-
				-	-	21-DEC-2023	[ICRA]A+(Negative)	-	-	-	-
<b>Long term fund based – Term loan</b>	Long Term	1000.00	[ICRA]A-(Stable)	14-JUN-2024	[ICRA]A-(Negative)	30-JUN-2023	[ICRA]A+(Negative)	22-DEC-2022	[ICRA]A+(Negative)	23-JUL-2021	[ICRA]A+(Stable)
				-	-	21-DEC-2023	[ICRA]A+(Negative)	-	-	28-JAN-2022	[ICRA]A+@

@ – Rating Watch with Negative Implications

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper programme	Very Simple
Non-convertible debentures	Simple
Fund based – Term loan	Simple
Fund based – Short term	Simple
Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details as on March 17, 2024**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE560K07102#	Non-convertible debenture	Mar-30-2012	9.15%	Mar-30-2027	2.33	[ICRA]A- (Stable)
INE560K07110\$	Non-convertible debenture	Mar-30-2012	9.15%	Mar-30-2027	7.04	[ICRA]A- (Stable)
NA	Fund based – Term loan	FY2016	NA	FY2028	1,000.00	[ICRA]A- (Stable)
NA	Fund based – Short term	NA	NA	NA	100.00	[ICRA]A2+
NA^	Commercial paper	-	-	7-365 Days	1,000.00	[ICRA]A2+; withdrawn
NA	Unallocated bank facilities	NA	NA	NA	99.65	[ICRA]A- (Stable); withdrawn

Source: Company data; ^ Unplaced

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis: Not applicable**

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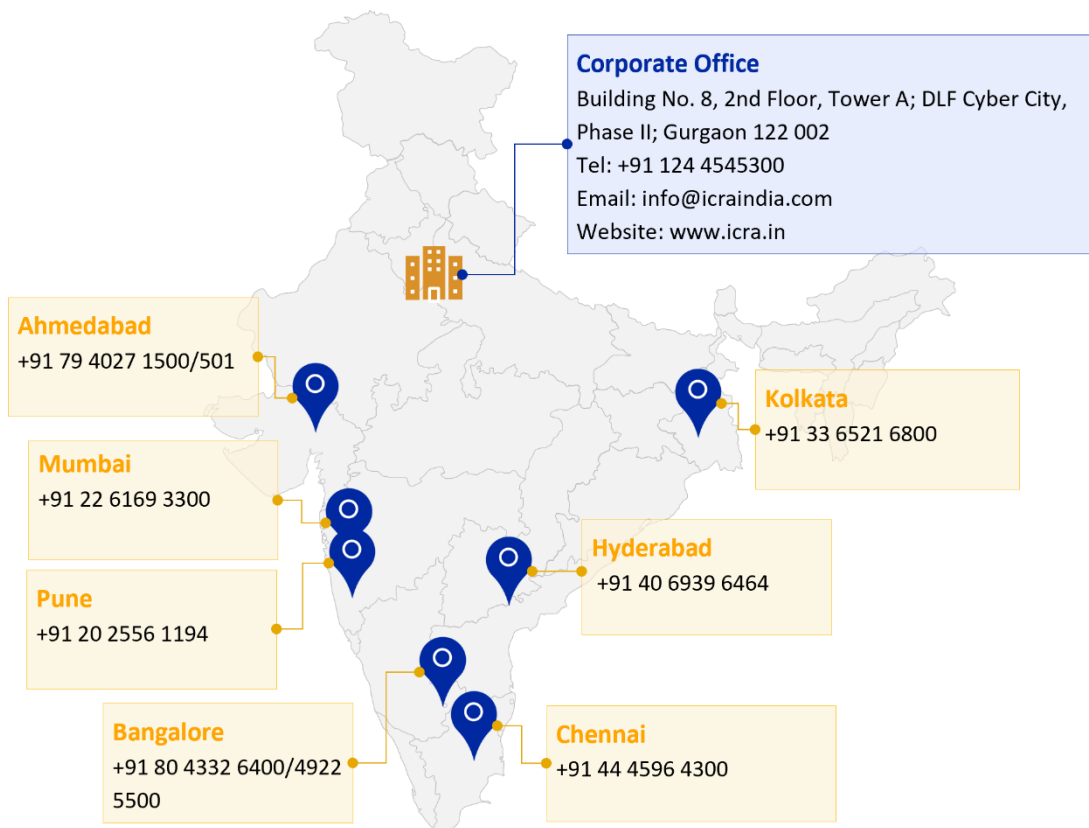
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