

**PTC India Limited**  
**Q4 FY20 Earnings Conference Call**  
22 June 2020

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**Moderator:** Ladies and gentlemen, good evening and welcome to the PTC India Q4 FY20 Earnings Conference call. Representing the company and to answer your queries we have with us on the call, the senior management team lead by Mr. Deepak Amitabh – Chairman and Managing Director.

May I draw your attention on process that all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your Touchtone phone. Please note that this conference is being recorded.

At this time I would like to handover the conference to Mr. Deepak Amitabh of PTC India Limited. Thank you and over to you, sir.

**Deepak Amitabh:** Thank you very much. Good evening, ladies and gentlemen. On behalf of the management team of PTC, I welcome you all to the conference call of the Quarter 4 of 2020 and also for the full financial year 2019-20 results. I am like some nostalgia comes into my mind because it has been 15 years that every time after the annual result this time and earlier it used to be May. By May we have to declare the results, etc., and we used to be in Mumbai and meeting you all on a physical basis. So this is new India, new norms to which we all have adopted very well. So this time we are doing through the virtual world.

This has been a challenging period for this industry or not only this industry but for the industry in general. We all know the broad macro indicators that we continued to see for the best part of the year. And the revival of power demand in the fourth quarter lead to a nominal growth of about 1.3% in power demand for the year.

However even the smart revival of Q4 20 could not be fully sustained due to the sudden fall in demand as the nationwide lockdown started at the end of third week of March. And post un-lockdown 1.0 from 1st June onwards we have seen recovery happening in electricity demand which has been driven by domestic agriculture and industrial demand. Obviously the heat of summer in the North as well as South some places and the paddy sowing season have been good news for the power sector people.

It is an early trend and it may be not fully matured, not that pre-mature but not fully matured to make a meaningful inference of the current full year but at PTC we are hopeful of better days ahead. Now coming to recent steps taken by Government of India including the draft electricity amendment act which has been circulated and comments are being received and the start of the real time market are all small incremental steps towards making the sector sustainable in the long run.

Overall in this environment, PTC's operations have demonstrated sustained volume in the short run and more important is the resilience of the business model for the long run. We have been saying for quite some time that this is what we always wanted that more than one year contract should be 50% at least. And this is for the first time in a full year when we are seeing that it is more than 50%.

Second thing is important the liquidity package which was announced by RBI also and subsequently the Discom focused liquidity support by Government of India will take time to convert into revival of the MSME sector, auto and ancillary sector and the consequent demand coming from there. And power being an essential service for our way of living, it will continue to move up in terms of the base demand but obviously quantum just will start coming through revival of large scale industry and then SME.

It had started happening in many parts of the country and over a period of time we believe that we should see that similar type of demand which we are seeing in pre-COVID time. Now all those things have led us, also in PTC ,when suddenly the lockdown was announced and you know we have to maintain a 24 hour control room and which is round the year. Thanks to our IT team, preparedness of IT team and our support system that we could keep prior to June also ,those 30, 40 days, more than 60 days continuously ,a set of people who continued to stay there and ensure that April, May all these times, the power flow continues.

So, I wanted to pay a special emphasis and thanks to those people the frontline warriors of PTC also. Now, in spite of all these types of things we have seen, the company has registered a volume growth of 13% on QoQ basis and 6% on Year-on-Year basis. And it could have been slightly higher if the lockdown could have come from 1st April. That, I leave to the question-and-answers and where Director Marketing can answer any questions if it is there in this regard.

Also we have seen the operating margin has registered a growth of 11% QoQ to about Rs. 118.79 crores and 9% Year-on-Year basis to Rs. 517.8 crores. We have been always talking about the consultancy income which have further consolidated this year with a total contribution of 13% to the total operational income of the company which were better than what we did in the last year.

And overall ,I mean last year there was certainly seeing the full year; there were certain fluctuations which were on account of Bangladesh trading which we are doing but however if we take out knock of these fluctuations which were one time or for a limited time activity, our margins remains at a decent unit and we believe that this is one thing which should be sustainable in the medium to long term.

Also, I just wanted to point out two, three events which took place. Complete operationalization of that pilot one project which was accepted as thermal power project of 1,900 megawatt fully operationalized. So, in thermal, we have done our job. In hydro, also, Mangdechhu fully operationalized and as the results of that will kick in we will see the full benefits coming in this financial year 2020-21.

Invariably, in renewable also, around 1,000 megawatt whatever was there has been operationalized and good news which you all are aware so I do not have to repeat that, that we have been also selected for the pilot two scheme that 2,500 megawatt of the Government of India scheme and we have started going in a full cycle. But, suddenly because of this lockdown there is a loss of almost more than two months, but I am sure that we will pick up soon and details if anyone has any other query can be given by Director Marketing, Dr. Mishra.

So, I have today my full top management team supported by CFO Mr. Pankaj Goel. Goel is making the financial presentation to you. And then we have Dr. Rajib Mishra, who is my Director-Marketing as well as Head of the Business Development and Dr. Ajit Kumar, who is the Director-Commercial & Operations also in charge of Director Operations also; and Mr. Rajiv Malhotra whom you all know he is the Executive Director & Chief Risk Officer and also the corporate communication in-charge and last member is not the last but one most important person who has continuous interface with you Mr. Anand Kumar.

So I handover the mike to Mr. Pankaj Goel for making his presentation. Thank you.

**Pankaj Goel:**

Thank you sir. Good afternoon everybody. Now I will take you through the Q4 FY20 results. The volume has increased by 13% to 12 billion units from 10 billion units. Total operational income has increased by 10% to Rs. 124 crores from Rs. 113 crores. Profit before tax has increased by 4% to Rs. 86 crores from Rs. 83 crores. Profit after tax has increased by 19% to Rs. 64 crores from Rs. 53 crores. Total comprehensive income has increased by 8% to Rs. 64 crores from Rs. 60 crores. And the earning per share stood at Rs. 2.17 in comparison to Rs. 1.82.

For the full year ended March 2020, the volume has increased by 6% to 66 billion units from 62 billion units. Total operational income has increased by 10% to Rs. 542 crores from Rs. 491 crores. Profit before tax has increased by 6% to Rs. 422 crores from Rs. 397 crores. Profit

after tax has increased by 22% to Rs. 320 crores from Rs. 262 crores and the total comprehensive income has increased by 28% to Rs. 320 crores from Rs. 249 crores.

Earnings per share stood at Rs. 10.81 in comparison to Rs. 8.86 in the last year. Thank you, sir.

**Deepak Amitabh:**

So it was a short and comprehensive presentation. Had we been in Mumbai we could have run it longer this thing. But may I request Dr. Rajib Mishra and then followed by Dr. Ajit Kumar to give their opening remarks and then we can leave the floor open for question answers. Dr. Rajib Mishra?

**Dr. Rajib Mishra:**

Good afternoon everybody. As Chairman has just informed that this year in spite of difficult situation, as you all know, that the COVID started at the fag end of the quarter 4 and almost 11 days at the end of the year, the demand got subdued because of this lockdown which started from 20th onwards. So there was some subdued demand in the month of March and after that in the month of April we could feel the brunt of this COVID-19 because the demand was subdued to the extent of 33% on one particular day but it ranged from 18% to 33% fall.

But of course, PTC could come out of it very soon and in this quarter, in the month of June, we are almost back to normal and on some of the days we are doing better than what we did previous year. So we are back on track. So I am not talking about this quarter but previous year as Chairman had just mentioned we have operationalized all the 1,900 megawatt pilot one projects which was a task for different Discoms and power flow started during the year. Mangdechhu 720 megawatt we could commission. The 2,500 megawatt pilot two we have started getting orders and we will be informing you as and when the orders are complete, and we will sign the PPA and PSA with different Discoms.

The most important thing which we could achieve last year, which I would like to mention for all the investor community, is that the long term and medium term volumes which was 56% for the entire year of the total volume was one of the things which we desired for long. And we always wanted it that ,in our portfolio, we should have more than 50% of long term and medium term which of course gives us lot of certainty in off take. So there was a 32% increase in the volume in this long term and medium term and we could achieve 36.9 billion units out of 66 billion units from long term and medium term against 27.8 billion units which we did in the previous year.

As Chairman had just mentioned, in spite of so many hiccups and other things which happened particularly the economic slowdown in third and fourth quarter in the country, the margin we could sustain at the same level if we take out the Bangladesh fluctuations and against a margin of 3.7%, we could achieve 3.65% without the surcharge and rebate income. If we take surcharge and rebate income per unit margin has gone up marginally in this financial year. So these are some of the things which we were trying and communicating to you people in last so many years and we could achieve this year.

Particularly, one thing which I would like to share with you all is the threshold level of consultancy income. We have almost reached to a level of Rs. 25 crores of revenue from our consultancy income and the consultancy areas also have increased and we are now giving consultancy to many new areas. Particularly ,one I would like to mention is the portfolio management of one particular state in eastern region where we are managing the entire portfolio for them.

And this is the first portfolio management which we have undertaken this year. With RTM being introduced we are expecting that there will be many more consultancy opportunities which will come, and we will keep sharing these information with you as and when it comes to us. So with that I would like to hand it over to Director Commercial and Operations, Dr. Ajit Kumar. He will be telling you the highlights during the year.

**Dr. Ajit Kumar:**

Thank you, Rajib. Good evening everyone. Most of the details have been given by our Chairman as well as CFO and Director Marketing. I will just take you through the numbers of commercial and operations. If you take our debtors and creditors outstanding, we have a net working capital deployment of Rs. 2,196 crores which is around 9.3% of our total revenue as compared to 7.8% which was deployed as compared to last year.

As it has been told that the last 10 days of the March were under lockdown ,so we could not receive money from the firms, otherwise this figure would have been similar to the last year in spite of increase in revenue. And the number of outstanding days as on today ,considering the lockdown, is 35 days compared to 29 days working capital outstanding. And if you see the collection ,we are close to 85% to 90% collections we are able to do our billing amounts which we have been billing this year.

And as far as the operation part is concerned, we have dispatched this time 66.3 billion unit as compared to 62.4 billion units last year. There was a marked reduction in demand in the last 10 days otherwise this figure could have been greater by 1.82 billion units.

I leave it to the Chairman for further instructions.

**Deepak Amitabh:**

Thank you very much. I think detailed result is already published and therefore CFO has not taken it out on an overall basis because of teleconferencing and not on screen. So now I leave the floor open for question answers. Thank you very much.

**Moderator:**

Thank you very much. We will now begin the question-answer session.

The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:**

Sir, three questions. First is on the PTC Energy. So what are your sales receivable situation right now and how do you see in that situation, what is the progress of the APERC hearing

and when do you think this all these things to get resolved given the current information? And secondly on this we had one 300 megawatt I think 250 megawatt long term PPA with Meenakshi, Bangladesh. Is it now things scheduled right now and how do you see it panning out? And thirdly on the RTM. How does RTM creates an opportunity for us in the next two to three years apart from consultancy?

**Deepak Amitabh:** Regarding PTC Energy Limited, I will request Ajit Kumar to explain the things and regarding the Bangladesh and the RTM, I will request Dr. Rajib Mishra to answer.

**Ajit Kumar:** Thank you, Sir. Regarding PTC Energy, we had a total billing of Rs. 310 crores this year and we collected Rs. 267.45 crores. But we have a huge outstanding also of Rs. 219 crores. So whatever huge amount Rs. 120 crores was collected from AP, based on the AP High Court order, where we have been paid at the rate of 2.43. The petition has now been heard in the division bench in the AP High Court, because we have gone and petitioned against the single bench order of 2.43. Because our petition request is to give us the full value rate as per the PPA.

As far as the outstanding part is concerned, the Madhya Pradesh outstanding is of 3 months as on 31<sup>st</sup> March and Karnataka and AP is 6 months but subsequent to that, Karnataka has paid some amount. But Andhra, yes, we are expecting that after this Covid package which they are availing from PFC, all the states, MP, Karnataka and AP will pay up their amount. I leave it to Dr. Mishra to answer other questions.

**Dr. Rajib Mishra:** Mohit, regarding Bangladesh, we are supplying power continuously from the month of January for a long term contract of 200 megawatts. Of course there was some difficulty supplying it from Meenakshi. So we are supplying it through alternate source, but we are supplying continuously since the month of January, and we are honoring the PPA since the very inception. Regarding the second RTM part, you are very right that there will be many consultancy opportunities regarding the RTM. But, other than the consultancy opportunity, the most important thing is RTM is nothing but a kind of a transaction on exchange.

And as you may be aware, in the present context also in the day ahead market, PTC has a substantial share of around 40% of the traded volume, which is being contributed by PTC. So similarly we are expecting, if not more, the similar kind of market share in the RTM also because RTM is nothing but a shorter term where, within this, it takes place just 60 minutes in advance compared to 24 hours in the day ahead market. So there are more nitty gritty, complexities involved in the RTM. But it is a kind of a trade where PTC is contributing significantly in the current RTM markets since 1<sup>st</sup> of June when it was introduced in the exchange. I hope I clarified both the questions?

**Mohit Kumar:** Yes, sir. One more question if I may squeeze in. Sir, is there, so this 2,500 megawatt what is the validity of the bids and what kind of challenges you see in closing this particular bid given

the Covid circumstances, the demand has fallen and so the Discoms would not be willing to sign any new PPA?

**Dr. Rajib Mishra:** The validity of this bid is there and we are trying ,as Chairman has just mentioned, that we got the initial response very good in the month of February ever since we got this. And we have contacted almost, rather we have touch based almost all the states and we were getting a very good response in the month of February. But as you know the demand fell and there was no new demand but after the Unlock 1, we have started this process again and we are getting very good response. So ,we expect that we will be closing all the 2,500 megawatt very soon and the bids which we have received are all valid now.

**Moderator:** Thank you. The next question is from the line of Amitabh Sonthalia from SKS Capital. Please go ahead.

**Amitabh Sonthalia:** I wanted to ask you about your dividend policy and how sustainable that is likely to be in the coming years?

**Deepak Amitabh:** You talked about which policy?

**Amitabh Sonthalia:** Dividend policy you have declared a liberal dividend this year which is?

**Deepak Amitabh:** I would say we had declared as per the dividend policy. I am not talking about liberal or not because when we made a policy which we thought which was good and we are as per the policy. And I believe that we should be sticking to our dividend policy in future also. If the black swan event, the whole idea is happened like we had in 2007, the international crisis that is there. If the black swan event starts happening every month or two months, then obviously, no one can make a prediction but otherwise as my Director Marketing has said that we are catching up. India is ,also, let us say demand is catching up and we believe that this 2,500 megawatts also.

And as I said about Mangdechhu also ,the benefits will come during this year. Benefits, but partly it was there for the last year, but being a hydro plant the maximum output is just May to September. So all these factors should add and what was our dividend policy is whatever the facts we give at least 50% will have to be really paying.

**Amitabh Sonthalia:** So that would be on the standalone basis you think or will you also take into account consolidated?

**Deepak Amitabh:** No, we do it on a standalone basis because consolidated is an accounting necessity and obviously the company, their LODR, etc., they talk about. And PFS as you have seen last to last year ,their dividend had fallen down; last year they gave a better dividend. Again this

time the dividend had been slightly less. So such kind of fluctuations will keep happening but I can talk about on a standalone basis.

**Amitabh Sonthalia:** And this year you have also benefited from the dividend tax, right, so you have passed on that benefit to some extent to the shareholders?

**Deepak Amitabh:** I will not like to comment on these.

**Amitabh Sonthalia:** Government has eliminated the dividend tax, right, which you have to pay?

**Deepak Amitabh:** See, I believe that we have stuck to our dividend policy.

**Amitabh Sonthalia:** Okay and how do you view, you mentioned consolidation is an accounting issue. So how should you like investors to view the company on a standalone basis and your consolidated performance should actually not be given too much importance?

**Deepak Amitabh:** I will tell the reason. As you rightly say; that ten years back it was different but now we have moved into financial ;our financial investment they have become. When they have become financial investments, the management has been thinking; that they have been not only thinking, has been stating also very clearly not only on the analysts call but at the respective Board levels also that PTC will not be putting up any further money into that. And these companies ,they require like the way in PTC Financial Services last year was very subdued because of the whole economic atmosphere then NBFCs starting from ILFS and DHFL and so many.

I mean I do not have to go to that because I am sure Dr. Pawan Singh ;he himself is a listed company; and he must have answered all the analysts' query very well this time. So we believe that over a period of time, in the near term, we should be able to get more money into that ecosystem and we are not going to put more money into this .So even if we get diluted or totally divested, we have left all the options and we are working on that. And therefore, you should be looking at more on a standalone basis because trading is a business which we selected in this country and we understand trading, That is our blood basically!

**Amitabh Sonthalia:** And so and there are no cross guarantees or any liabilities that you may have on account of any of your subsidiaries like PTC Financials or?

**Deepak Amitabh:** Other than being a promoter, so whatever comfort people can derive , that promoter, the brand name, etc., we are very conscious of that. So, to that extent and I will ask my CRO to answer this question. But however, both these companies India underwent the most turbulent time in last one-and-a-half years starting with ILFS October '18. But they have been able to always serve their debts, etc., and we have not seen any pressure at the Board level



when we are sitting in these companies. Rajiv Malhotra, can you further explain this question?

**Rajiv Malhotra:** I will just try to add from where you have left for now. The question that you are asking is about any cross-fault liabilities we have being the holding company. The answer is No!. As Mr. Amitabh just explained to you, that basically over a period, these have become pure financial investments and that is the reason we are looking to divest. If one is saying apart from being in the position of the majority shareholder and promoter, there are no undertakings, liabilities of the nature which we all know as. Does that answer your question or do I need to elaborate more?

**Amitabh Sonthalia:** No, more or less, my only guess where I was coming from is that can you in case PTC Financial or PTC Energy sees stress on their balance sheet, would they expect you to bail them out in the short run, put in capital to ensure of their capital adequacy or to avoid, help them avoid any liquidity constraints in the short term if required? Would you be willing to provide them any loans or short term financial assistance to if it is a survival issue for them?

**Rajiv Malhotra:** It is a somewhat hypothetical question. First of all, as we were saying and I am repeating there is no question of further equity investment in these companies, and if something catastrophic is awaiting which we do not anticipate, we will cross the bridge when we come to it.

**Deepak Amitabh:** And just to add to what Rajiv is saying. See the capital adequacy ratio of like PTC Financial Services. I do not remember it is 23% or so.

**Amitabh Sonthalia:** Okay so at the moment you do not see any reason why you should have to support any of these companies financially? Through equity or as a loan or any for short term?

**Deepak Amitabh:** That is what Rajiv said. That as on today ,there is nothing, no signs which have come but if hypothetical question as the situation arises, that is the time. Because we do not believe in such kind of situations coming and that is what I said, that is when events happens once maybe once in a decade or whatever it is, there. I hope that the event which have happened the worst we have seen and worst is over and everybody is moving forward.

**Amitabh Sonthalia:** Right and quickly sir last question. On your own receivables front, etc., is there any reason to feel as if that the cycle may get elongated or?

**Deepak Amitabh:** Ajit Kumar and Pankaj Goel, if anyone can answer this?

**Dr. Ajit Kumar:** Sir, I will just state as I have already told you that our FY'20 and FY'19 receivables have been at the same level and now with this Covid package coming, where PFC, REC is arranging the Rs. 90,000 crores in two tranches and most of the states where we have outstanding are

applying for this loan. We hope that the situation will ease out to a large extent and the payment cycle will improve rather than getting deteriorated. Pankaj, if you want to add anything you can add.

**Pankaj Goel:** Okay.

**Moderator:** Thank you. The next question is from the line of Aditya Mundra from Mytemple Capital. Please go ahead.

**Aditya Mundra:** Sir, the debtors has increased from a standalone from Rs. 4,700 crores in March 2019 to about Rs. 6,800 crores in March 2020. So out of this, how many debtors would be more than 6 months and how many would be private sector and how many would be public and have we taken any security for the same, are they secured in any way? And sir, I have one more question I can say that right now or maybe after this?

**Deepak Amitabh:** Pankaj Goel, you can answer that question?

**Pankaj Goel:** Yes! As you are saying that our debtors have increased to Rs. 6,000 crores, out of this, because we always see our debtors and creditors together, because when we have debtors, we have also not paid to the creditors. So if we net off the position, then naturally, on our balance sheet takes some exposure that the money has not come from the states and we have paid to the generator. So, in real terms we only map that type of a open exposure. So if you see that our open exposure for more than six months is around Rs. 800 crores and out of this Rs. 800 crores actually, we have already received around Rs. 254 crores including the bill discounting amount.

So, the position is not so alarming and the major amount which is outstanding for more than 6 months is the amount due from J&K around Rs. 300 crores. So, because we are expecting the Central Government to give this Rs. 90,000 crores to them and will realize our money. Director Commercial, do you want to add anything into this Sir?

**Dr. Ajit Kumar:** Yes, I think you are absolutely on the dot because we expect that these amounts will be liquidated after the state avails this COVID-19 package from PFCIs.

**Aditya Mundra:** Sir, no private sector exposure in the more than 6 months?

**Deepak Amitabh:** Please tell how much is the private sector debtors?

**Management:** Sir, all debtors are public, the state distribution companies only.

**Aditya Mundra:** Okay, and do we have any security, are they secured in any which way or any guarantee?

**Pankaj Goel:** No, recently what we have done, that we have started the bill discounting process with them. We are drawing the hundi on them and they are accepting our hundi and we are discounting the bill. Let us say we draw a hundi for one month from now on so they will pay the interest upfront in that case and they will make the payment after one month when the payment is due. So we have just started.

**Deepak Amitabh:** Let me also explain this slightly. Pankaj, sorry to get into. Obviously in the June of 2019 the Government of India ,Ministry of Power came out with a policy and then LCs, etc., which are supposed to be given by the distribution company. So, it has been the work has started in August and it was going on. Obviously in the beginning, they could give for only 7 days, 8 days, 10 days, etc., and things were improving and then this Covid has suddenly come which has put everything into challenge.

But obviously, I really appreciate Government of India was very proactive on this thing. They could understand that it may lead to a liquidity crisis. So quickly, the Government of India worked out, RBI also worked out for something else and they all got in touch with each other and we are looking for this whatever Rs. 90,000 crores or Rs. 50,000 crores, Rs. 60,000 crores whatever crores of package, that will ease out the pressure.

**Aditya Mundra:** Okay, my second question is what is the status of the divestment that you are thinking in our subsidiaries PTC Financials as well as PTC Energy? And how do we what is the status and if at all how do we plan to utilize the funds it is in the near future?

**Deepak Amitabh:** See for the status I will ask Rajiv Malhotra to answer the question and I will take the second part of it.

**Rajiv Malhotra:** Yes, so, if you could repeat the question please?

**Aditya Mundra:** Sir, what is the status of the divestment of the subsidiary PTC Financial as well as PTC Energy and if it is in the near future what is the plan to utilize the funds and will it be a full divestment that we are thinking of or is it a part divestment, how is it?

**Rajiv Malhotra:** Where is the thing coming from; just let us step back and see. We said these are investments which transcended from being strategic investments to being purely financial and therefore knowing the cash hungry nature of these businesses, we decided that PTC could not fund these indefinitely and therefore it was time to unlock that value. Now, which means we are open to a complete divestment to majority divestment as it turns out. That depends on the incoming investors' preference, whether they want us to be in a minority position for a short while, do some hand holding to move on. So it is a little ahead of that time, obviously a complete divestment is our preference but that it is always something which is going to pan out as far as the buyer seller dynamics go.

Second, what is the status. All I can say is that the processes are on. We did have an averted process where when it came to PEL ,which was the divestment that we started earlier, but we revived it. And as we speak, it is only the action which got suspended because of COVID-19 related situation for instance site visits, etc., by prospective investors could not be organized at this time. But process is very much on that much we can tell you and in the near term, if not in this calendar year, maybe the financial year ,we should be able to come back to you with definite announcements in one or both. Same for PFS; I should elaborate a little more.

Again we have started the process sometime around November, December last year. Then again between March and now we have really concentrated on seeing how the action which can be done offsite and in a lockdown kind of situation that keeps on. What we would have liked to start in March we are on the threshold of starting that now. That is where I would like to leave it for now. What are we going to do with the money when we realize it, Sir, would you like to answer that?

**Deepak Amitabh:** See, one thing which we can, we have been now doing our capital allocation, very intelligently which we are seeing and the impact of that on our operational income or operational margin. You can see the impact there coming into. So it is too early to say what we are going to do but as we have said that we will be not putting money into every capital intensive thing. Capital will be used for maximizing our trading business and without commencing certain moves, certain things which we have tried to do, is also to reflective of our concern of shareholder wealth. If any of my colleague wants to add anything, they can always do that.

**Moderator:** Thank you. The next question is from the line of Chenna Avinash from Spark Capital. Please go ahead.

**Chenna Avinash:** First one is on the market just trying to understand this bilateral volumes transacted between Discoms has increased substantially this year whereas if you see the decline on the volumes through traders. So could you throw some light on what exactly is the trend that is if you go forward?

**Deepak Amitabh:** Dr. Mishra?

**Dr. Rajib Mishra:** Apparently ,I mean if you ask me about the short term bilateral volumes which is getting lower each year, is because of the fact that now the prices in the exchanges are really low particularly for the last 3 quarters if we see, the prices are low and state Discoms are interested to get the benefit of the lower prices in the exchanges. So they are not taking positions which they used to take for 3 months, 6 months for our bilateral transaction.

So that is one reason. The second is the volumes what we are seeing is basically the final surplus or the deficit which states are finding. So, because of the low consumption in the

third and fourth quarter, and particularly during the Covid period, the states are not having shortages. So they are not procuring on a short term bilateral market. What you had just mentioned is states are themselves doing it. Some of the states were doing it for long, and they have continued doing it in these quarters also.

But on the face of it, if you ask, these are all dependent upon the kind of portfolio they are managing and where we get the maximum benefit out of it. So I can attribute the reasons on these grounds.

**Chenna Avinash:** So that explains the volume decline through traders but what about increased Discoms direct transactions between Discoms, why there is a surge?

**Dr. Rajib Mishra:** That is the reason why I said I mean some of the states which were doing it for last so many years. It is not that this is the phenomenon which has happened in last financial year. Some of the states were doing the direct transaction of their own. Of course it had its own pros and cons, I am not going into that area.

But some of the states were doing it and they have continued doing it last year also. But on the face of it some of the states which were generally the deficit were not deficit to the extent. They required to go to the shorter term of the bilateral market. So there was a decline in the volume.

**Chenna Avinash:** Sir, next one is on the status of this exchange license, any update on that or any timeline that you can?

**Deepak Amitabh:** Ajit Kumar Ji, you can answer this question.

**Dr. Ajit Kumar:** Sir, our application is with CERC and the observations and the comments have been received from IEX and PXIL. The hearing have been done on 11<sup>th</sup> of June, The filings by IEX and PXIL have also been completed and we hope that the final hearing will be held in next couple of weeks and we expect positive results thereafter.

**Chenna Avinash:** Okay so how much time even if the final hearing happens in couple of weeks, what could be the timeline that we can think of like Q3?

**Dr. Ajit Kumar:** After the CERC gives us the go ahead signal, we are ready to start the operations but then this has to be checked by the CERC and the Posoco and NLDC etcetera. Once they give the clearance we will start. Otherwise we are prepared to start.

**Chenna Avinash:** Sir, one last question. On these receivables one follow up question. Can you give us the state wise exposure outstanding as on March?

**Deepak Amitabh:** Yes, CFO?

**Pankaj Goel:** I will give the major breakup of the states for the open exposure. The open exposure for the whole this thing as on 31<sup>st</sup> March around Rs. 2,451 crores. Out of this, the major outstanding is from UP of Rs. 600 crores, Rajasthan Rs. 300 crores, J&K around Rs. 370 crores, Telangana is around Rs. 470 crores and then again the Bihar is Rs. 478 crores, Tamil Nadu is Rs. 146 crores, Haryana is around Rs. 111 crores and there are other small this thing around Rs. 300 crores. So that is the major break up of this. But out of this, I have already told that out of this Rs. 2,451 crores till date including the bill discounting we have already received an amount of Rs. 1,100 crores out of this. That is the take up here.

**Moderator:** Thank you. The next question is from the line of Krishna Kumar, who is an investor. Please go ahead.

**Krishna Kumar:** Thanks for holding the con call. This gives an opportunity for an investor who is outside Mumbai also to participate and ask questions. And this is also important especially because your investor relations generally do not answer to all the queries. So my question is firstly thank you for a very good dividend. It has been a big relief for a retail investor like me.

But when I see your cash flows, I get a bit worried because this is the third consecutive year you are having negative operating cash flows. So does this mean that this dividend is going to come from additional borrowing and what is that your limits on your borrowing? What is the cash flow management going to be in going forward?

**Deepak Amitabh:** Pankaj Goel?

**Pankaj Goel:** Sir, as regards the negative cash flow from operations, I would just like to mention that cash flow from operation is reflective of basically two, three things. One is the profit before tax then we have to pay the tax also and then there is working capital adjustments, and the collections thereof. So as far as if we compare the last two years, so our cash outflow from operations were Rs. 481 crores in '18-'19 as against in the current year, it is only cash outflow of Rs. 235 crores.

And if you see Sir, our balance sheet that we have a positive profit before tax, but the negative cash flow from operations comes from the working capital adjustment because our turnover is increasing you know that we have to trade the electricity at Rs. 3.5 or Rs. 4 and then when the Discom is not paying. So all these debtors are accumulated on our balance sheet. Then for a temporary mismatch we have to borrow.

If you see our borrowing, during the last two years it is ranging from I will say from Rs. 400 crores to only Rs. 700 crores or Rs. 800 crores on an average. So this is not so long borrowing. We are just on a temporary basis we are doing this and that I will say for the cash flow Sir. And if the Director Commercial will want to add something on that Sir regarding the working capital adjustment and collection.

**Dr. Ajit Kumar:** No, what CFO has told is absolutely correct, but we are also ensuring that whatever we bill we collect that amount and as I told you that we are able to collect 85% to 90% of our amount of every bill we do on a yearly basis. So we have absolutely no worry about the availability of cash and matching the debtors and creditors.

**Krishna Kumar:** Okay thank you. One follow up question on that, the reason I was asking you is because now you have rebates and surcharges, has become the substantial portion of your profit. So if I look at your profit before tax your rebates and surcharges forms around 65% which used to be like less than 40% two years back. So your character is becoming more like a financing company rather than a trading company because even if I look at your margins, your margins are Rs. 0.03 but your rebates and surcharges forms around Rs. 0.06 per unit. So is there any substantial change in your characteristics of the company from trading company to more of a financial company?

**Deepak Amitabh:** I appreciate your question but what we are doing as I said, we are now doing more efficient capital allocation. Our thrust, because everything comes because our trading, we are the number one trader and we have been continuously increasing our trading volume year-on-year basis. So trading is going to be the core and if you see any contract of trading, trading is done through a contract.

So any contract contains both, the trading margin, the rebate ,as well as if there is a delay in payment, surcharge. So it is not that we are not doing trading and we are trying to do financing it is the part of the same contract which is a trading contract. I hope that answers your question.

**Krishna Kumar:** My only query was it was increasing the percentage was increasing, that is why I, I understood your answer so I will **(Inaudible 53:29)**. And one more request in PTC Energy you have not given the breakup of the revenue and the profits. So I would appreciate if you could give that also?

**Deepak Amitabh:** Okay I think if it is readily available CFO please give it.

**Pankaj Goel:** Revenue is Rs. 304 crores for PTC Energy for the whole year and their profit before tax is Rs. 28 crores and PAT is around Rs. 10 crores.

**Krishna Kumar:** And then one final request. Your investor relation is also need to be bit more prompt in answering.

**Deepak Amitabh:** That is what I was slightly I mean I am going to say open meeting which we are doing but we believe that anyone reaches us to or if anyone wants to meet me also or to meet this thing, Anand and Rajiv Malhotra they are the first point of contact and most of the queries, etc., they are able to answer. But if anyone wants to talk to me, most welcome. I mean last 16

years this is the 16<sup>th</sup> year now of my 16 plus years in PTC also and 16<sup>th</sup> year we addressing the investors, we have never not responded.

But if some technical mistake or some communication mistake is there, I apologize on behalf of the management. And I will ensure you that, I will ,whenever you want, we can have one to one online discussion .Also on a very fundamental question to two questions which you have raised as an investor, most welcome Sir.

**Moderator:** Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.

**Abhishek Puri:** Two things. First, just wanted to understand as an observation I think your long term volumes PP volumes have first time crossed the short term for the full year. How could we look at this trend going forward given this can make your volumes very sticky in a volatile environment because short term markets keeps going up and down with the demand the way it has moved over the last couple of months?

**Deepak Amitabh:** See; we have always, right from 2004 ,what you said we have been always stating that, that do not look at quarter to quarter fluctuations either in volumes or margins,. But we believe that we will keep increasing the volumes also and margin obviously because short term we started in 2002 with 4% or 5% margin and today in the exchanges we may have to charge on a sell- side. We may be charging Rs. 0.05 also Rs. 0.1, Rs. 0.2 also. So the whole objective was to keep increasing the more than one year contract.

Basically ,I will say which we got focused and in 2012-13 onwards, we started talking about a medium term market. And earlier, it used to be just a Bangladesh transaction which was started in medium term but now you see many other transactions and this will keep increasing. The medium term transaction and anything more than one year where there is more predictability, more sustainability and more profitability ;so we are focused towards that in creating these new products.

But simultaneously, the short term the real time market these are also there and ancillary and may be real time market will kick off really from the next year when they will be making the DSM more stronger or more stricter which will take some time. Once we do that we will focus on RTM also. So our purpose was more than 50% should come from more than one year contract and now at least we have been able to achieve and we believe that our marketing will continue doing jobs so that this ratio is maintained at least. But Dr. Rajib Mishra if you want to add anything to Abhishek's question, please go ahead.

**Dr. Rajib Mishra:** No Abhishek, I mean I will just restate what Chenna asked me and as you know that we have another in the pipeline that is 2,500 megawatt pilot 2. So, certainly we expect that whatever we had in our mind when we were targeting more than 50% so this year. We are 56% from



medium and long term. We would strive to have that kind of volume in the range of 50% to 60% coming from the medium term and long term. And with the current trend we expect that this will continue for some time.

**Abhishek Puri:**

Okay sir and my second question is on the long duration contract which exchanges are talking about launching soon after the Supreme Court case is over. It may take 3 months, it may take 6 months but would that be a direct competition to us in a way in terms of bilateral trade that we do or it will be complementary to our strength and we can also participate there?

**Deepak Amitabh:**

Absolutely you are right. We always believe there is competition because we were the first who created the exchange and PTC if you recollect in 2007 I think with Jignesh Shah Ji and other people we created India Energy Exchange. So that time also people have said that are you not creating a competitor, we know there is a complementarity. So if they are platform, platform requires market makers whether it is a foreign exchange market or anything. We cannot take the SBI or this thing may not be required; all these or intermediaries they may not be required.

So they are complementary and we always believe that more and the depth of the market if it goes will keep increasing whether through exchanges, bilateral or this platform. Any such type of thing being the largest trader and we understand the international market also and how we should be going 3, 4, 5 years down the line. So we are looking it as a complementary but Dr. Mishra if you want to add anything please do.

**Dr. Rajib Mishra:**

No, you are right in saying that, that the volumes what we are expecting from the long-term bilateral contract is a contract which is non-standard and which can be customized to the requirement of the clients; buyers and sellers. Of course in the Pilot 1 and 2 Schemes it is more or less structured contracts but in the exchange contracts even if it comes on a long term it has to be a totally structured contract where there is no flexibility and the liquidity has to be upfront.

So these are some of the things which we need to understand before we say that whether the volumes will migrate from this volume to that volume or from that volume to this volume. Of course PTC on date has a 40% market in the shared market on the exchanges and that is kind of market we are having 40% plus market share in otherwise also. So we always have a substantial volume in any kind of a product even if it is traded in the exchange. So we always welcome new products to come either on exchange or otherwise and we should get the maximum benefit out of this.

**Abhishek Puri:**

Thank you, Rajib Ji. Just one more point on the exchange. Since you have filed the application and that has been five or six months since that last hearing has happened and there are various contributions from other participants. So what are some of the key objections that is holding back our exchange platform to be launched and I understand the last CERC order they

had asked for shareholding conditions to be met upfront. So has that been achieved or where are we on that? That will be my last question.

**Deepak Amitabh:**

Ajit Ji and Rajiv Malhotra, if anyone of you can answer that?

**Dr. Ajit Kumar:**

I will answer. Maybe, Rajiv can add later on. The CERC has asked us to satisfy the requirement of the Regulation 2010, PMR 2010. So once we have submitted the Application we are an Applicant we are not an Exchange. The Applicant requirement we have satisfied that we should have a net worth of Rs. 25 crores but we have gone little beyond in our affidavit we have submitted that we will be meeting the requirement of 25% immediately on in-principle grant of approval.

We have given binding letters from the participants who were ready to contribute equity into this exchange. Moment that in principle requirement is given, the other requirements of being a member or what will be the requirement of the shareholding pattern that also will be satisfied that submissions have been given to CERC and whatever objections or the observations had to be given by other exchanges; they have been submitted. The arguments have been done. Maybe one or two more hearings and we will be up and running. If Rajiv, CRO if you want to add anything?

**Rajiv Malhotra:**

Abhishek, I will just add one aspect here. See the way apart from the shareholding or complying with this PMR, one of the issues that somebody has tried to insinuate and I am not saying there is substance in it, but since you have asked I think it is worth telling this on this call also. It is about the potential dominance of PTC in running the exchange platform. Now this is not a question that we are dealing with for the first time because being an early mover in the trading industry and having public sector majors from the power sector as a part of our parentage, so it is possible to try and give together something outside of this nature.

Having said that, we would say that we know that there is no substance in that particular question because what we are talking about is in any case a demutualized structure. in any case ,we are talking about the member and it is not the first time that an exchange with a trader member is being set up. Well, historically how the other exchanges have operated, and any dispensation specially given to them, have been in the interest of market development and that is what we are alluding to that Section 66 which talks about market development .Our actions and indeed our intent is really to develop the market and that is where it will go.

Another point there is that the regulatory approval process follows two step windows for objections. There is the first window and then there is the final window. Clearly the participants who are there have missed that opportunity as far as the first window goes. So really speaking, they cannot be objecting at this point in time but when it is a market development issue and the regulator chooses to hear them I think it is in the interest of all

the stakeholders. So that is the reason we are seeing an extended timeline here. That is about all that I had to add, Abhishek.

**Abhishek Puri:** That makes sense. I was also hearing the same arguments from both the exchanges earlier. So thanks for that clarification. Just wanted to as a final point we will have to abide by 25% or 5% shareholding norm here?

**Management:** 5% because at the end of the day we are a trader member. So we have to go by PMR.

**Deepak Amitabh:** See ,let me indirectly answer this question. If we do not want to trade in that market. I am just putting a hypothesis; see lot of hypothesis always. So we should think if we do not trade in that market in that exchange how much I can hold as per the PMR. And if I want to participate how much I can hold, they are all given in PMR.

**Abhishek Puri:** Right sir, it will be 5% in that case?

**Deepak Amitabh:** That is something. Whatever PMR is there, we will abide that. I mean these are the regulatory concepts. I mean we came before the regulators came. We came before the Electricity Act came in 2003. So we believe and we will fully do what we are supposed to do. There should not be any doubt about that.

**Abhishek Puri:** I am just surprised at the fact that PXIL has been given longer rope for this shareholder compliance whereas you have to abide by only one.

**Deepak Amitabh:** See we believe in the fairness of the system. We believe in the PMR and as Rajiv said that sometimes the journey can be longer, but it is not a surprise to us. Because right from the day one we have fought; we have been chasing these challenges and we continue to face challenges and we are ready for that.

**Moderator:** Thank you. The next question is from the line of Ashish Kacholia from Lucky Investment. Please go ahead.

**Ashish Kacholia:** My question is basically one is that it is very difficult to shift volumes from any exchange which has been established. So what will be our business case for kind of taking volume share from the existing power exchange? That is my first question. The second question is as PTC and if we are allowed to hold only 5% in the new exchange, is it worth the effort and the time and the management bandwidth that we will have to kind of put in to it to get this exchange up and successful?

**Deepak Amitabh:** Certainly!. One thing which is very clear; which we have made always a statement, that we will ,PTC as a trader will, always participate where I can see new products, new exchange and most efficient, we will be participating there. So whosoever is going to be most efficient, the same thing we had heard in that point of time in 2006-07 also when both these guys I mean

remember that MCX and NCDEX and backed by their respective exchanges, etc., there they approached us. So, we said whosoever will get the license first ,we will participate with them.

So we believe that because behind us there are hundreds and hundreds of customers whether they are industry, whether they are Discoms, whether they are generators, the IPPs and we have to ensure that there their business what is the best which will happen to them as an intermediary. Whether I am an exchange, whether I am a trader, we are all intermediary between a buyer and seller.

Someone is offering a platform; they are offering this I mean license (Inaudible 69:38). It is for the benefit of both the sides. So wherever we see that, we would like to participate there. I will not answer anything beyond that.

**Moderator:** Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

**Dhruv Muchhal:** Sir, on the receivable discounting, who would bear the cost of this discounting, is it on us or the Discoms?

**Management:** Yes, the Discom will pay it upfront.

**Dhruv Muchhal:** So if there were no cost to us?

**Management:** Yes, absolutely.

**Dhruv Muchhal:** And if the Discom does not clears the bill in the duration period, is it a recourse it comes to back to us and the bankers will come to us and ask us to.....

**Management:** As per the RBI guidelines presently, the bill discounting has to be with recourse only.

**Dhruv Muchhal:** Okay, so for that duration period, if the Discom does not pay, you will have to pay the interest also but you can recover it from the Discom?

**Management:** Till date, I will give you the because the till March we have discounted a bill of around Rs. 270 crores. Out of that, whatever is due in April and May, we have already received the payment on time. So ,till date, there is no default from the Discom side.

**Dhruv Muchhal:** But in a situation if the Discom does not pay the amount we have seen that happened in some of the other cases, then the interest will be paid by you but you can recover it from the Discom, right?

**Management:** Yes, absolutely! Then in that case ,up to the period of bill discounting, they are paying the interest. If ,suppose on the due date, they will not pay the amount then we will recover the

surcharge from the starting date actually. You are getting my point? Then we will recover the surcharge at the rate of 15% from them.

**Dhruv Muchhal:** Sir ,secondly, was on the balance sheet. Now we understand the situation of the Discoms, they are facing demand issues and collection issues. Now their outstandings will most probably will increase despite the PFC/REC scheme. Now two questions here. One is how comfortable are we with by increasing our debt portion? I mean what level of debt are we comfortable with in a situation that the working capital increases? What is the level of comfort that we have in terms of debt?

**Deepak Amitabh:** That is commercial if you can answer. The only thing is our volumes, etc., they keep increasing and as you said and I have always said 80%, 85% we are getting on time. So the 10%, 15%, obviously ,if the numbers keep Rs. 20,000 crores becomes Rs. 30,000 crores, then Rs. 2,000 crores will become Rs. 3,000. I mean to that extent..

**Dhruv Muchhal:** So sir, I was coming from the point that will we be focusing more on in such a situation will we focusing more on using our equity as an investment to fund that trade receivables, the net position outstanding or we will be comfortable to raise our debt?

**Deepak Amitabh:** Debt, so we are not long term debt! So, we have not raising the working capital and working capital limit in the bankers are comfortable which they have remained till now. We will be able to keep managing from working capital only.

**Dhruv Muchhal:** Okay so currently our debt is about Rs. 800 odd crores, we will be okay to increase it further if a situation arises?

**Deepak Amitabh:** Yes, situations as such or if the volumes are arising. We have been saying today Rs. 20,000 crores will become Rs. 30,000 crores so let us say 50% or 40% increase in the revenue collections also. Obviously we may have to increase that. I am not saying we will, may be Discoms, etc., over a period of time with the new amendment, etc., before the one year time it get pass through, etc., obviously structural changes will happen then.

**Dhruv Muchhal:** And sir, a connected question was now we have back-to-back arrangements with our generators and between the Discom and the generator. Now we understand how secure is that if the Discom did not make the payment, the SECI has to make a payment, it has to make the payment to the generator. Is our situation a similar situation that even if the Discom does not pay we have to make the payment to the generator. So for example if a Discom delays it by six months would the generator we will be forced to pay the generator within the due date period?

**Deepak Amitabh:** Please Director Commercial?

**Dr. Ajit Kumar:** As per the present guidelines of Ministry of Power and CERC ,there is a LC mechanism which is being enforced, payment mechanism. So we have got the LC from the states and we have provided LC to our suppliers also. So if we find any problem which is going to come that the outstanding will remain for longer time, whatever our CFO has told that outstanding for more than six months, it is prior to August of 2019 period with the J&K and there is one other states.

So subsequent August, we are finding no problem, we are getting payment. In some cases we are paying on advance may be that 10% to 15% ,we are funding from our working capital requirement. The issue is not that difficult to manage as such. The states are paying after giving the LC.

**Dhruv Muchhal:** I am just understanding the situation in the future if it arises. Just to understand the mechanism how it works. So would we be forced to pay the generator upfront I mean upfront or on the due date versus the Discom can delay it for some time?

**Deepak Amitabh:** That is what we are doing. Our working capital requirement is only for that purpose and our efficiency lies in paying through the vendors on time and collecting money also from the Discoms on time so that we are able to maintain our balance and the business runs on efficiently. That is what we are doing for the last couple of years and we will keep on doing it more efficiently.

**Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Sir, on the tariff policy, is there something that making for the open access with the open access become more and more attractive? Have you heard anything on that front?

**Deepak Amitabh:** Dr. Mishra?

**Dr. Rajib Mishra:** We would not like to mention anything which we have discussed or which we know for that reason because there are lot of things before it comes as a tariff policy. So at this point of time we would like to avoid mentioning anything which we know.

**Mohit Kumar:** And second question sir, given the fact that this COVID situation and the Discom situation will get only worse in the short term or let us say three, four, five months and we had faced a huge situation in Tamil Nadu if I remember correctly in 2012. So what are we doing to make sure that we do not repeat that mistake? So that is my second question.

**Deepak Amitabh:** It is not a question of mistake or something. I think ,we after that, if you see our 2014-15 or 2015-16, the amount of surcharges at that though we are duly compensated for whatever delays are there. Now COVID is a situation which has not happened to PTC, it has happened

to the country as such. And you have seen RBI also coming out with these type of schemes and everything two months or three months etcetera. So we cannot discuss something which is much more beyond any business house also. We believe the package is not that something which we are thinking of.

We obviously were very active in the month of March when the COVID was announced. It was PTC team and we got help from some other large developers etc. We went to the Government of India, they also understood that the seriousness of this thing. So it was not born out of sudden. So, lot of background work which we all have to do and this is something which is real. So Government of India also understands, RBI and everybody is understanding that this is going to be in the short term is that if that business does not come back. Let us say another lockdown is again introduced for three months, whatever suffering will be common to everyone then. I really could not get your question.

**Mohit Kumar:** I was trying to ask the question from the point of view that what is the risk management we are doing to make sure that given the situation may deteriorate very, very drastically in these two to three months but I do not want us to suffer once again, that is it?

**Deepak Amitabh:** That is true, but we do not believe that such type of things are happening because as you said in the right in the very beginning that we are seeing that after the easing from 1st June the things are really coming back especially electricity. And you all see the demand, etc.. Delhi crossed 6,000 megawatt couple of days back 5,800 megawatt, 6,000 megawatt also. States also except where some of the places which are badly hit where the industries are not yet picked up but I am sure sooner or later they also going to pick up.

**Mohit Kumar:** My last question sir, are we from PTC Energy divestment or something what is the kind of timeline you can guide given all the uncertainty?

**Deepak Amitabh:** I think Rajiv Malhotra gave his answer but if you want then Rajiv Malhotra will repeat it. Can you repeat, Rajiv?

**Rajiv Malhotra:** Mohit, in case we missed, I can give that. It does not matter. I am happy to repeat it. As I said the processes for both the divestments are on and while there are stages in terms of reaching a definitive agreement and taking it through shareholders' approval and so on, I would say that one or both you should certainly hear from us in this calendar year slipping may be to the financial year. Because there is uncertainty which you can appreciate and the activities that we had planned for say end of March.

That is something that we are able to do now because you know everybody in the investment ecosystem was withdrawing and like hedging a bit. So we see a sense of moving forward now at this point in time plus there is a free movement to do activities like site visits etc. So it is on and you should hear from us in the near future.

**Mohit Kumar:** Sir, is it contingent on the resolution of the AP tariff or it can happen without the tariff also with some conditionality attached in the agreement itself?

**Deepak Amitabh:** We are getting into very specific details. But it all depends up on the what is that is what Rajiv has said ultimately we have to clear those buyer. Whosoever is going to buy out whether a majority, full, partly we do not know. So only when the buyers generally come forward then only terms and condition, etc., that will come at that point of time.

**Moderator:** Thank you. The next question is from the line of Keshav Garg from **(Inaudible 81:38)**. Please go ahead.

**Keshav Garg:** Sir, my question is very simple. Sir, can you tell me that in your history one investment that you have made which has paid off? Sir, just one?

**Deepak Amitabh:** I could not get your question?

**Keshav Garg:** Sir, let me explain. Sir, you have invested Rs. 754 crores in PTC India Financial, Rs. 654 crores in your wind power. Sir, together it is Rs. 1,400 crores which is more than your market capitalization. Plus all the associates have been written off. Rs. 150 crores investment in Athena Energy, written off. Sir, Teesta Urja so I can go on and on?

**Deepak Amitabh:** You have already mentioned all the investments which we have made by PTC. I am talking of PTC balance sheet. So when these were made, they were not just blind financial investment as Rajiv Malhotra had said at that point of time, there was a strategy. Because I have been a part since 2003, you would not believe when we went to market 2004; we had gone to the market 2003 when we started the IPO, etc., process, no one knew what is power sector.

The only listed company was Tata Power and that was listed in 1980. it was a black box for the investors. The amount of efforts we had to explain to India especially to India. Internationally, they knew because they had there in 90s, trading had started, so understood.

So, I am talking about that point of time. So, the investments we have made which not only just for the sake of investment. The bankers at that point of time, they were new. They said that PTC, you understand the trading business because in 2002 we started doing trading and I am talking about 2004-05. They said that if you also take a sweetener equity, then your skin is also on the game meaning thereby we are taking pre-construction risk.

You put some small money in to the table and then we will also know okay you are going to be a trader for 25 years. So when we put the money, other financier who have putting their money, we also were going to get the majority of the trading volumes as and when the financier get commission.



Now Teesta Urja you have rightly pointed out, Rs. 200 crores which we have invested we will see the benefit post PTC and as you said Rs. 1,400 crores in PFS and PEL. In Teesta Urja also the monetization will take place. May be after one year, may be after two years. So there is a series of monetizations especially of these three companies. Yes, Athena Energy which we have put money we have taken that provision because it is not that they did not invest into the right thing.

The Supreme Court in 2010-11 when it comes and cancels that contract which we were entered for 10, 15 years, I am not going to prejudge or something. But I cannot comment about that. But you all are financial investors. Does it happen in any nation? So that was the starting of the turbulence of power sector.

When highest Court, with all due respect, and I know I am on record but that created anyone who is invested in 2006 or 2007 and including the Blackstone, including the Goldman Sachs. So saying about PTC when we had the double benefit, not only financial but also getting the volumes etcetera. So that was there and that is the reason Teesta Urja when it has got commissioned now we are able to sell on a long term also, we are able to whatever surplus power is there we are able to sell in the short term, the exchanges also.

So it has given multiple benefits. In some case yes, Athena Energy as I said, because when the cancellation of the coal block takes place? State Bank of India put 80% or 75% money as the debt also there. So you cannot go to State Bank of India and say why did not you put that money at that point of time. I hope I have answered your question?

**Keshav Garg:**

Okay sir, point taken. Sir, you have answered. Secondly sir, I want to ask you, sir, I think the standalone entity sir, you are a NBFC, you are just financing the State Electricity Board. You have approximately \$1 Billion worth of receivables from State Electricity Boards which are basically bankrupt.

And sir, last three years you are Rs. 1,000 crores basically negative operating cash flow and basically you are taking debt and paying dividend. So sir, one fine year in future, there will be a huge write down all these receivables will get written off and so that will be the end.

**Rajiv Malhotra:**

Could I come in, sir? I would like to. I am Rajiv Malhotra here.

**Keshav Garg:**

Yes, please tell me sir.

**Rajiv Malhotra:**

See, if we are predicting a doomsday scenario for the sector as a whole, still I can assure you my friend that we would survive. I just have a couple of points to kind of clarify to you. One, you started your question with talking about the investments vis-à-vis the market capitalization that we have today. I would urge you; for the best my understanding, that let us not mix market capitalization with investments which are made and as part of the strategy.

The power sector itself has gone through some waves and changes, part of it elaborated to you.

Now when we are talking about two subsidiaries, we believe we have valuable businesses running there. PTC Energy, we built some very good plants operating to very good operating parameters at this point in time. There are cash flow issues but then we also believe that enough has been done at the macro level to sort out those cash flow issues which we know. I mean we do not think distribution companies one and all are going to blow up one day because that is the scenario which seemed to be getting from you. Second, again let us talk of PTC Financial Services. From a point where it had a concentration in thermal power related exposures, it has moved to renewables and went to other infrastructure.

They are into some cycles of value but then if you were to look back at our previous financials you will also perhaps be able to appreciate the track record of financial returns that this particular investment has given us. Now at this point in time if we are only talking about; I think we are oversimplifying the business model which is basically the core of this is trading. And once we are doing electricity trades, you have to understand that there is a complete ecosystem and fundamentally no distribution company receivable not even a rupee has ever been written off by PTC and we do not expect to do that.

So I guess that we need to understand this and understand the nuances of an ecosystem. If yes it has cash constraints; I would be foolish to deny that. The receivables book will be a bit of a reflection in the short run on what is going on. But there is enough value which is coming in to our books to be able to return money to our shareholders. We do not need to borrow.

So, I just want to clarify these three points which I heard you saying my friend. Sir, please if you want to take over from here.

**Keshav Garg:** So sir, out of our total receivables how much is more than one year due?

**Deepak Amitabh:** CFO had already given the figures of more than six months also but if you want to repeat we can do?

**Keshav Garg:** No sir, more than one year I just want to know?

**Management:** More than one year is Rs. 393 crores. Out of this, the major amount is the outstanding from J&K only. That is around Rs. 300 crores.

**Deepak Amitabh:** And J&K, you all know what happened in J&K in October of 2019. And therefore, when their whole structure changes it takes some time. But to say that J&K which is a Union Territory will not give us the money, I mean I will not be able to accept it having been in the part of the trading business and in the sector for last 16 years. And to answer your question, do you

know that the Constitution of India when it was written, it is a very good discussion you are doing.

They have talked about certain emergencies. What we have seen is general emergencies in couple of years in that sense once in 1970s also at the all India level and in the states also some emergencies are declared for some time when the governor takes over. And that is the general administrative emergency. There is a clause of financial emergency also. Because to say that India itself will collapse in one year will not happen, which never happened till the time we become something, I mean I do not know what that is, I mean I cannot say beyond that.

So at that point of time in 1947-48 people had visualized in that 200 years for some time, one of the state may go really up, one may go. And therefore there is a clause especially in the Constitution of India which talked about financial emergency. If something like that happens also ,then that there is a financial emergency which has not been used for 25 years. I hope it is not used for next 100 years. But in case it happens then that state's finances will merge with the central finances.

So a problem of Rs. 800 crores or Rs. 300 crores which may look very big when a Rs. 1,000 crores turnover, Rs. 500 crores looks very big. But when it is Rs. 10,000 crores or Rs. 1 lakhs crores, that same Rs. 500 crores does not look very big. So if that happens, the central government finances get merged, they will sort out the financial issues, etc., and then again the elections, etc., gets take place.

So our constitution has visualized all these things what you are talking about. But if you say that if all 28 states or 32 states whatever states are there all do go belly up one time, then I cannot give any comment.

**Keshav Garg:**

Sir, the point is that sir, if the money comes after two years then basically the transaction goes into loss even if we get the money after two years then sir, what is the point of making a margin, I mean the interest that we will be end up paying will be more than the money?

**Deepak Amitabh:**

Let me say this thing. I will request you to get in touch 16, 17, 18 years of our balance sheet, you please go through them surcharges, etc., the paper we have got please go through them and then let us talk about the loss etc. My CFO will open up; I mean he will either one-to-one with you, you can see that this thing and live every transaction of 15 years, 16 years and then really guide us.

I mean if you think that we have been making losses and borrowing money to pay dividend, then I mean I like you to have a solid discussion one-through-one with my CFO and then we are there to really understand the problem if we have missed it.

**Moderator:** Thank you. I would now like to hand the conference over to the management for closing comments.

**Deepak Amitabh:** Thank you very much. Because tomorrow I have my whole day board meeting of PTC Financial Services also; so in any case before I said that it is good that people have been and thank you very much. The questions were very open questions and we really appreciate that. And we have tried to give as much honest answers as far as possible. But if anyone is not satisfied, please ensure the addresses are given Anand Kumar whose address is given in the presentation copy, please send all your queries to them and we will certainly answer and if require do a con call also.

With that thank you very much and best wishes to you all and be safe.

**Moderator:** Thank you. On behalf of PTC India, that concludes this conference. Thank you for joining us and you may now disconnect your lines.