

**PTC India Limited**  
**Q3 FY19 Earnings Conference Call**  
February 7, 2019

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**Moderator:** Good day, ladies and gentlemen and welcome to the PTC India Q3 FY19 Earnings Conference call.

We have with us on the call, the senior management team lead by Mr. Deepak Amitabh – Chairman and Managing Director.

As a reminder, 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 call, please signal an operator by pressing '\*' and then '0'.

I now hand the conference over to Mr. Deepak Amitabh of PTC India. Please go ahead, sir.

**Deepak Amitabh:** Thank you very much. On behalf of the management team of PTC, I welcome you all to the quarterly conference call for Q3 2019 results of the company. Along with me today are Dr. Rajib Mishra – Director-Marketing & Business Development, PTC; Mr. Ajit Kumar – Director-Commercial & Operations; Mr. Pankaj Goel – Executive Vice President & CFO; Mr. Rajiv Malhotra – Executive Director & CRO; and Mr. Anand Kumar, who is a part of the Communication team.

You all must have gone through the numbers by now. The just concluded quarter and nine months period can be described by a phase which we have been always seeing that business portfolio balance. While the quarter shows a decline in the business volume the nine months period post double-digit growth in volumes.

And the growth in the nine months' number is keeping with the long-term trends in our business. The corresponding quarter of the previous year had an unusual concentration of volumes in the short-term end of the market which was not the case this year. However, this volatility in the short-term end of the market has then suitably balanced by the long and medium-term segment of our business.

And therefore, you have also witnessed a normal double-digit growth in financial metrics for the quarter. This balance in business portfolio has been underscored in our business planning aspiration and has always been shared in our regular interactions with you as we have consistently ask not to read too much in the quarter-to-quarter results. What has to be seen is

the trends and our aspirational move towards 50:50 balance between the short-term and the longer medium-term.

1. Now although the volume growth in for the nine months have been around 15% to 51.86 million units in Q3 volume has been 12.9 million down from the corresponding quarter of 2017 by 9%. And the lower volume has been largely due to realignment of some of the ongoing contracts like Bangladesh wide variation in short-term volume unavailability of the banking transaction and lesser supply of electricity from Bhutan during this quarter.
2. Next point is the long-and medium-term segment constitute around 47% of the volume traded and balance of 53% has been contributed by short-term in this quarter.
3. Third point is that total operational income during Q3 has been Rs. 115 crores vis-à-vis Rs. 102 crores of corresponding quarter for 2017-18. And in the nine months period it is at Rs. 337 crores as compared to Rs. 324 crores in FY18 which shows an increase of around 16%.
4. And the last point which I just wanted to mention that for the quarter net margin realization is 4.13 paisa without the surcharge rebate, etc., and with rebate, surcharge and fluctuations it is more 8 paisa. And for the period of nine months the same is 4.27 paisa without the surcharge and fluctuations.
5. And with surcharge and rebate it is about 7 paisa. So this was the basic things I just wanted to say to you to share the overall scenario. And I am handing over mike now my CFO to make any further points and then we will have a detailed question answer session.

**Pankaj Goel:**

As chairman has already stated that for a period of on nine months to nine months basis, there is an increase of 15% in the volume but as I start from the quarterly results the volume has decreased by 9% to 12.9 million units from 14.2 million units. The Quarter-to-Quarter figure for operational income has increased by 12% to Rs. 115 crores from Rs. 102 crores.

The EBITDA has increased by 3% if we take out the quarter entries of IND-AS to Rs. 90 crores from Rs. 87 crores. Net profit has gone down from Rs. 58.9 crores to Rs. 51 crores. Total comprehensive income increased by 40% to Rs. 51 crores from Rs. 36 crores. EPS realization is 1.74 compared to 1.99 in the last December 2017. Now I will come to the nine months results. The volume has increased by 15% to 51.8 million units from 45.2 million units. Total operational income has increased by 16% to Rs. 377 crores from Rs. 324 crores.

EBITDA has decreased by 5% to Rs. 331 crores from Rs. 350 crores. This decrease is mainly on account of low dividend received from our subsidiaries actually. But if we take out that impact the increase in EBITDA is around 12%. Net profit is down by 18% to Rs. 208 crores from Rs. 254 crores. Total comprehensive is almost same Rs. 189 crores. Earnings per share stood at Rs. 7 as compared to Rs. 8.6 in December 2017.

**Deepak Amitabh:** Thank you. Now we are open for question-and-answers.

**Moderator:** Thank you very much, sir.

Our first question is from Gaurav Gupta. Please go ahead.

**Gaurav Gupta:** My first question is to understand that if we compare 31<sup>st</sup> March 2018 versus 31 December 2018 can you just give me the number that what was the gross debt as on that date and what is the gross debt as on 31<sup>st</sup> December 2018?

**Pankaj Goel:** Presently I do not have this 31<sup>st</sup> March '18 number but I will give you the 31<sup>st</sup> December debtors. Because the debtor has to be seen in relative figure it has to be seen with September '18 figure actually. So I will give you both figures. As on 31<sup>st</sup> December our debtors if you take out the debtors in net creditors our total working capital deployed was around Rs. 1,697 crores and as on September '18 our net working capital deployed was around Rs. 1,870 crores, so it has come down actually.

**Gaurav Gupta:** It has come down, okay.

**Pankaj Goel:** From Rs. 1,870 crores to Rs. 1,697 crores.

**Gaurav Gupta:** Okay. What is the reason behind this decrease in working capital, have we realized the receivables faster or payable reduced?

**Pankaj Goel:** No, this is in both sides the debtor side have also reduced and creditor side has also reduced. Mainly we have received because in September we have some outstandings from Bihar and J&K so we have realized some of the exchange payback. So that is the only reason.

**Gaurav Gupta:** Okay. And out of the receivables if you can just give me the figure that how much receivables will be there which are due beyond let us say 180 days or 365 days?

**Pankaj Goel:** If you take out the let us say if you are asking the debtors the more than 180 days actually our net exposure is only Rs. 25 crores in these debtors because we are holding back to back payments for the other debts. So this is the net exposure which we are taking on more than 180 days.

**Gaurav Gupta:** So Rs. 25 crores?

**Pankaj Goel:** Yeah net exposure, otherwise we are holding back to back that payments.

**Gaurav Gupta:** Okay. Another question is that for the nine months ended December 31<sup>st</sup> 2018 we have reported total comprehensive income of Rs. 189 crores. So if you can just give me that, how

much is the cash flow from operations we have able to generate out of these nine months. Instead of net profit if I want to talk about the cash flow?

**Pankaj Goel:** Yeah, if you take out the EBITDA I have already informed you the EBITDA out of that is you are asking about December quarter?

**Gaurav Gupta:** No, I am not talking about the EBITDA, I am talking about cash flow, cash flow from operations?

**Pankaj Goel:** So net profit is around Rs. 208 crores.

**Gaurav Gupta:** Rs. 208 crore is your cash flow from operations, this is not EBITDA or related to PAT, I am talking in terms of cash flow from operations?

**Pankaj Goel:** So the net profit and cash flow is almost same because depreciation figure is very low.

**Gaurav Gupta:** Right because why I was asking because working capital changes will get reflected in your cash flow from operations so that was my question?

**Pankaj Goel:** Yes agreed.

**Gaurav Gupta:** Right so do you have any investment or any out-flow inflow from cash flow from investing in this particular quarter or during these nine months?

**Pankaj Goel:** No.

**Gaurav Gupta:** Any debt you have repaid that means cash flow in financing is positive or negative during this quarter?

**Pankaj Goel:** We do not have any debt, only we have only working capital actually.

**Gaurav Gupta:** Okay so these Rs. 208 crores if I just want to understand how this amount has been utilized during these nine months your cash has increased or how this has been looks like?

**Pankaj Goel:** If you take our opening balance of cash as on 31<sup>st</sup> March '18 it was Rs. 422 crores. Then we have added around Rs. 208 crores which I have told out so out of that Rs. 658 crores I have gone for financing debtors right and there is other than the debt financing for open access and advances, etc., Rs. 88 crores, then we have paid dividend out of it that is Rs. 141 crores as on 31<sup>st</sup> December '18 we are having a working capital of Rs. 257 crores.

**Gaurav Gupta:** Okay, one next question. How we are going ahead in terms of our investment in two of our subsidiary one is wholly owned subsidiary, PTC Energy and another one is PTC Financial. From an investor point of view, if I want to take comfort of let us say three years, five years down the line how do I see that, we will be able to realize substantial gain on this investment because

as on date I do not think so that we are making any such kind of a return on equity that we have invested in these two entities?

**Management:** I think we have already shared this in our last so many communications that we are not making any further equity investments into our subsidiary companies. So the position remains the same.

**Gaurav Gupta:** So money has been invested so I am talking about that how we are expecting that the return on investment will be there, though you have clarified?

**Pankaj Goel:** Kindly wait for some more time before you see how our returns, etc., we are able to make on these investments.

**Gaurav Gupta:** One last question from my side that I have you observed that we are not publishing con call transcript on our website, so can we request that like most of the other companies which are considered good in terms of corporate governance, they used to publish their transcript on their website. PTC India also publish the con call transcript so that it is being available for each and everyone as and when required?

**Pankaj Goel:** We will do that we will do.

**Moderator:** Thank you very much. Our next question is from Apoorva Bahadur from ICICI Securities. Please go ahead.

**Apoorva Bahadur:** Sir, couple of basic question so could you please share the consultancy income in the quarter?

**Pankaj Goel:** The consultancy income during the quarter was Rs. 2.41 crores?

**Apoorva Bahadur:** Okay and about this wind generation that we have these CTO bids so that has commenced if I am not wrong the supply from power of power from those assets?

**Management:** Yeah that is true. Out of 4 assets, 3 assets has been commissioned and they have started supplying almost 700 megawatt to the utility.

**Apoorva Bahadur:** Okay so that volume will be a part of the wind break up or will it be the long-term trait?

**Management:** No it will be a part of long-term trade it is the normal long-term energy trade which we do for earlier it used to be thermal assets now I t will be thermal plus wind.

**Apoorva Bahadur:** Okay and about how has been the performance the plant performance for our wind investments in PTC Energy the PLF, etc.?

**Management:** In the last nine months till December '18 we have achieved 26% ELF as compared to 30% because of some changes in wind pattern and we have built around Rs. 253 crores of wind generated in this period.

**Apoorva Bahadur:** Okay sir lastly in the discussions for result of other companies in the sector there has been a constant theme that actually the working capital cycle is sort of deteriorating for the discoms for a couple of reasons I mean so are we also seeing that stress increasingly I mean in this quarter going ahead or should we see it easing out now?

**Pankaj Goel:** Actually as far as PTC is concerned our working capital cycle is very good as I have already explained that our working capital has gone down from Rs. 1,870 crores to around Rs. 1,700 crores so as far as our main debtors are concerned that is only in the exchange part for which we have the debtors from Bihar and J&K mainly. So around Rs. 500 crores is with the J&K and there is some outstanding with the UP also so that is the thing otherwise our payments are very good.

**Apoorva Bahadur:** Sir, just one more thing. This is regarding the stressed asset scheme which was there I mean the second part of it is coming out I believe for another 2.5 Gigawatts so any update on that?

**Management:** The scheme has been published or been notified by Government of India and it is expected to be tendered soon maybe in a couple of weeks.

**Moderator:** Thank you very much. Our next question is from Mohit Kumar of IDFC Securities. Please go ahead.

**Mohit Kumar:** Sir, this two 500 megawatt upcoming bids are we the agency for the same or?

**Pankaj Goel:** The scheme has been notified and the aggregator has to be notified and we are expected to be notified it as early as possible.

**Mohit Kumar:** And what is the status of 1,900 megawatt PPA which just signed, how has been the off take till date?

**Pankaj Goel:** Actually it is on a medium-term so medium-term generally starts after five months from the date of sharing of the PPA asset because there has been open access issues and related many formalities to be completed before it can be operationalized. So the first PPA assigned for West Bengal is expected to be operationalized next week and others are also in pipeline because they have to get the coal related open access. So we expect that within next 45 days we will expect majority of it to be operationalized.

**Mohit Kumar:** My last question regarding the Bangladesh sir we have seen there is a drop in the Bangladesh volume from November onwards. Is there any particular reason for it and when do you see the volume to come to a more normalized level?

**Pankaj Goel:** Bangladesh actually 200 megawatts medium-term has started from 1<sup>st</sup> of November so we expect that this will pick up with the traditional increase in off take during summer months or when the temperature goes up right now in Bangladesh the demand is subdued. So they are off taking less than the quantum they had contracted. We are expecting it to be normal from March onwards.

**Mohit Kumar:** When do you expect the entire 1050 megawatts of wind PPA to get operational?

**Pankaj Goel:** As per the contract it is by 31<sup>st</sup> of March so we are expecting it to be commissioned but there are couple of things which need to be sorted out and last leg of commissioning is underway for one project.

**Moderator:** Thank you. The next question is from Rishab Bothra of ShareKhan. Please go ahead.

**Rishab Bothra:** Just wanted to understand the volume mix. We have reported a decline in volume both on YoY and QoQ basis in all the three-segment barring the long-term for YoY. So when we say long-term if Q2 number was 9,200 units how come this has come to 5,600 units in Q3 I mean is the pattern changing or how is it? You explained for short-term that there was a one off event last year but short-term also in Q2 there was 12,000 unit and in Q3 it is 6,800 only so just wanted to understand how things works on in the volume mix?

**Pankaj Goel:** If you can just see the two quarters last year 2017 and 2018 the volume was 4.6 million unit last financial year this quarter and this year it is 5.19 million units as far as the long-term is concerned which is 13% higher. And cross border of course which comes mostly from Bhutan is less this time this is 451 million rate compared to 842 million units previous year because of the less supply from Bhutan.

So this is a normal thing which has nothing to do with the market and whatever is the surplus in Bhutan to come to India. So there is a decline in this cross border but the long-term we have a 13% growth from the previous year. Overall there is a growth of 3% which is basically this year it is 5.6 million unit compared to 5.4 million unit previous year.

**Rishab Bothra:** This is about the long-term?

**Pankaj Goel:** Yeah that is true.

**Rishab Bothra:** So the difference of Q2 and Q3 are about 4 million units is on account of Bangladesh on account of Bhutan?

**Pankaj Goel:** Q2 and Q3 is always it is a seasonal requirement so in summer and wet months you will always find the volumes will be much higher compared to Q3 when the temperature generally it goes down because of the seasonal requirement of the load there will be less load. So you cannot

compare as far as the Q2 and Q3 volumes are concerned. If you compare previous year's Q3 with this year's Q3 you will get a better reflection of the thing.

**Rishab Bothra:** Got it sir and on short-term, how is it?

**Pankaj Goel:** Short-term more or less it depends upon the seasonal requirement everything but one or two back end transactions which we did last year this year it has not there on in the market so that is the only thing which is affecting short-term volume. There is some reduction of almost 1.7 million units on account of these two transactions.

**Moderator:** Thank you. Our next question is from Sachit Khera of Smart Equity. Please go ahead.

**Sachit Khera:** Could you talk a little bit about PTC's volumes on ITX and whether PTC is still considering seriously the plans to set up an independent exchange?

**Pankaj Goel:** As far as the exchange volume what we have transacted for our client members we have achieved 5 million units in this quarter that is December quarter compared to 4.8 what we did last financial year. The second question you are asking about PTC exchange. Of course we have given it in the public notice and as well as that we along with two of our Bombay Stock Exchange and ICICI we have filed a petition for a license. Once the license is issued, we will be in a position to give you more details.

**Sachit Khera:** Okay fair enough. And just to scrape a little bit on the IX. So basically PTC the volume on the IX the percentage that it maintains is it trying to reduce that gradually or there is no such thing?

**Pankaj Goel:** Actually we always believe that whosoever will operate best where it should be are given the full quantum of exchange volume from us and the efficiency is the only factor which we consider. And there is no other factor which we consider. We are not trying to reduce or increase the volume on this account.

**Moderator:** Thank you. The next question is from Mohit Kumar of ICICI Securities.

**Mohit Kumar:** The last meetings in the last analyst meet you said that we are working on the strategy updating of business plan. Have we finalized it or is it still some time away or is it which you share with the analyst community?

**Pankaj Goel:** Which one you are talking about?

**Mohit Kumar:** Sir, in the last analyst meeting?

**Pankaj Goel:** No, not in PTC. You may be referring to our subsidiary company that is different but in PTC we have been doing what we have been doing and we have been always telling and we have also

told you that we are not going to fund anything and that company requires a growth PTC Energy Limited so we are looking at various option that is all.

**Mohit Kumar:** There was a news item that we are looking for a strategic investor, we have floated a UI are we any close to close that transaction by April-May?

**Pankaj Goel:** You have to have some patience it is better to have some patience.

**Moderator:** Thank you. The next question is a follow up from Gaurav Gupta. Please go ahead.

**Gaurav Gupta:** My question is with respect to PTC Energy. Can you just tell me that what is the sales that we have booked in during the nine months EBITDA, PAT number and the debt as on 31<sup>st</sup> of December 2018?

**Pankaj Goel:** We are not having the up to nine months but we have done a bill of Rs. 253 crores for this but half year I have the number just give me two minutes of time I will just tell you.

**Gaurav Gupta:** Meanwhile if you can just answer that what were the number of units those are getting generated from PTC Energy? Are we the aggregator and the seller of those units to the buyers or PTC Energy directly sells those units to the buyers?

**Pankaj Goel:** Actually all this wind assets are basically on within tariffs to the states and we have a PPA and this is sold directly to the states by PTC Energy Limited.

**Management:** As far as the numbers are concerned for half year we got done the audit for half year actually. So PBT was Rs. 103 crores for September '18 in comparison to Rs. 72 crores in September '17 and Feb-March.

**Gaurav Gupta:** Which number are you talking about?

**Pankaj Goel:** PTC Energy Limited.

**Gaurav Gupta:** Nom this is the sales number Rs. 103 crores you are talking about?

**Pankaj Goel:** No, this is the PBT number.

**Gaurav Gupta:** Okay what is the sale?

**Pankaj Goel:** Sales was Rs. 233 crores.

**Gaurav Gupta:** And PAT number?

**Pankaj Goel:** PAT number was Rs. 70 crores.

**Gaurav Gupta:** And debt number?

**Pankaj Goel:** Debt is around Rs. 1,400 crores.

**Gaurav Gupta:** Have we repaid any debt as compared to 31<sup>st</sup> March versus 30<sup>th</sup> of September?

**Pankaj Goel:** As per the agreement with them we are paying monthly and quarterly as per the agreement with the lenders.

**Gaurav Gupta:** No, I just want to understand if the debt has been increased or decreased during those six months I just want to understand that part?

**Pankaj Goel:** Debt is reducing. Since we are paying it is reducing we have not taken any fresh debt in this year.

**Moderator:** Thank you very much. Sir, we have no further questions from the queue. Sir, I will now hand the conference back to Mr. Amitabh for closing comments.

**Deepak Amitabh:** Thank you very much. It has been the year we believe that whatever we have been saying we are continuously driving towards that and we keep seeing the increase in volumes and profitability and the trend should continue. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of PTC India Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.