

PTC India Limited
Q1 FY20 Earnings Conference Call
08 August, 2019

Moderator: Ladies and gentlemen, good afternoon and welcome to the PTC India Limited Q1 FY20 Earnings Conference Calls. Representing the company and to answer your queries. We have with us on the call Mr. Deepak Amitabh, Chairman and Managing Director and his Senior Management team. As a reminder, all participant lines will be in 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 telephone. Please note this conference is being recorded. I would now like to hand the conference over to Mr. Deepak Amitabh, Chairman and Managing Director 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 management of PTC I welcome you all to the analyst call for the Q1 2020 results of the company which have declared yesterday. As say the business as usual approach where the balanced business mix of short term and medium stash long-term continues to drive our performance with sound growth of business trading volume. And also I just wanted to point out that the thought processes of the regulators and ministry is to go back to the basics and to create a new market design which was talked about in the PMR regulations of 2010 that time it was more aspirational. So, now time to think back and how do we increase the depth of the market. During the quarter the volumes growth all the all the details obviously you must have seen and CFO will be covering in his presentation where increase in volumes have been there then operating trading margin also has increased by 8% to 73 crores from 67 crores last year. And if you recollect, last year there used to be in the Bangladesh transaction there is to be foreign exchange fluctuations, which now we have a straight jacket contract with a trading margin of Rs.0.05. So, if you just shave off the fluctuations from the last year's first quarter results then the operating margin has also increased by more than 20%.

One important thing is the total operational income which has increased by 13% to about 125 crores or 125.8 crores from last year 111 crores and EBITDA where if we accrued that in IndAS adjustments from both the sides contra interest expense and income and that also has shown a increase of 8% to 105 crores. In the operational analysis during the quarter, you remember like we had done 150 megawatts of that assets we have operationalized in the last quarter of previous year and this quarter we could operationalize further 750 or 950 megawatts. So, now about 1100 megawatts is operationalize now. And there are one or two which has pending where certain regulatory commission approvals were required which is almost done now. So,

the balance should get operationalize in the current quarter or the next quarter. Regarding, if you recollect, we had also done a 1000 megawatts long-term PPA of wind on the first SEC one this thing, so this quarter also have about 120 megawatts of that got operationalize. So, now total, which is operational is about 800 megawatts is already operationalized now. And in the consultancy business also where things have been slowly and slowly gearing up. This quarter we could receive order book addition has been about more than 20 crores and total order book now is at about 140 crores. So, with these preliminary remarks, I hand over the mic to our Mr. Pankaj Goel, who is Executive Vice President and CFO to run you through the various nuances of the result matrix. Thank you.

Pankaj Goel: Good evening, everybody. I will take you through the Q1 results of FY20. The volume has increased by 15% through 19.36 BU from 16.7 BU of the Q1 FY19. Total operational income increased by 13% to 125.83 crores of 111.61 crores. EBITDA excluding the contra IndAS entry has increased by 8% to 105.44 crores from 97.46 crores. PBT increased by 2% to 96.12 crores from 94.47 crores, PAT is increased by 2% to 62.77 crores from 61.44 crores. Total company asset income increased by 20% to 62.57 crores from 62.06 crores, earning per share stood at 2.12 in comparison to 2.08. Now, I will take you through the consolidated results of Q1. Volume has increased by 15% to 19.5 BU from 16.9 BU. PBT down by 28% to 139 crores from 195 crores. PAT is decreased by 27% to 93.26 crores from 127.32 crores, total company asset income down by 20% to 93.89 crores from 117.97 crores, earning per share stood at 2.97 in comparison to Rs.3.64. Thank you.

Moderator: Thank you sir. Sir, shall we begin the Q&A session?

Deepak Amitabh: Yes, we may begin that.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: My first question relates to the fact that you have taking enabling, you have recommended for shareholder resolution for the divestment the PTC Financial Service and PTC Energy, sir my question is, what should we make out of it and what is the timeline you are looking at and the fact that the Andhra Pradesh government has, there is this uncertainty on tariff overhang. Does it create an issue for you in terms of selling the state in PTC Energy?

Deepak Amitabh: Before I answer, it was my mistake, I forgot to introduce the other colleagues who are along with me, I have got the Head of Marketing Dr. Rajib Mishra sitting with me, then Mr. Ajit Kumar, who is a Director Commercial and Operations and Mr. Rajiv Malhotra who is the CRO and Executive Director. Now, to take your thing see, what we have done that we have, the board has recommended to the shareholders that enable the board to take a decision because if any type of things, whether from what from zero to X requires a shareholders approval. So, we

have requested the board and board has recommended to the shareholders to enable the board to take the calls in this regard. Now, to two second query of yours regarding when you are asking about PTC Energy Limited. See Andhra things which are going on these type of challenges Indian power sector we have seen many a times in our life cycle. And ultimately the boards have always held the sanctity of the contract. And as you may be aware that High Court of Andhra Pradesh has also been giving orders which are typically in the nature of strengthening that whatever contracts are there they are sacrosanct and you go by the Electricity Act and as per our understanding goes and correct me Rajiv Malhotra, that Electricity Act the tariff determination can be either done through Section 62 or Section 63 there is no other third way to do that. So, if the Andhra Pradesh tariff determination has been correctly done, I am saying if then obviously courts are going to abort that. So, these trajectory things when they happen they come and put some small spoke in the whole process, but I believe that anyone who wants to be present in Indian power sector whether be it renewable or be it thermal or hydro is fully aware about the type of challenges which he is facing, which he may face today or he may keep facing over a period of time of 25 years of the track. So, I don't see much difficulty in these types of things. These things will keep happening and we will be taking actions what we should do and we should be correct as set along. Thank you Mohit.

Mohit Kumar: Is there any time line you are looking for all these steps to be taken in terms of divestment or selling of the stake, something which we can look forward to over next six months?

Deepak Amitabh: I think you have rightly pointed out in next six months you will see a lot of things happening, lot of things should happen.

Mohit Kumar: Okay, and sir the second question pertains to be the fact that out of 1900 megawatts your 1100 megawatts has been operationalized so roughly 800 megawatts is not operationalized as of now under medium term PPA, so are we facing some issue with the coal generator who have participated in the contract and they are not able to operationalize their power plant because of their own reasons or is it the issue with the procurers?

Deepak Amitabh: No, the issue is not with the procurer. Procurer is one case is wanting to procure the power, but as we rightly have stated that these are still surface, to kick start the thing it requires working capital. Let me complete, so it requires working capital. So, in a case where it is about 500 or 550 megawatts, I don't know the exact figures there the lenders who are there and we are supposed to provide the working capital three of them have done the sanctions, but there are other banks also so it is taking time, because till the time that initial working capital to buy the goal in advance and to start the thing which others have done in 1100 megawatts they could arrange and they may not have been so stressed that the lenders were not taking. So, in one case that stress is really there, so lenders are taking time but the major lenders have now got them the sanction, we are waiting for the smaller lender which should happen and if it happens and obviously the transition of 500 plus megawatts will start. Now in the other case, the utility has wanted to take it but because it got into some regulatory things, that they have

send it to their states regulator, state regulators said that in the beginning they wanted to give that in the ARR, etc they have to approve the tariff. But they said now this is coming from an outside thing there are multiple state so you go to CRC, so the things have been rolled between the state regulator and central regulator which I think now has been the final orders have been given and I am sure my marketing people will be visiting their procurer state and hopefully by the end of this quarter by September or so or maybe earlier also the power flow should start.

Pankaj Goel: We have the approval from both Bihar electricity regulatory commission and CRC has also approved it but there are some technical issues that 100% scheduling of 55% schedule because of this technical issue it is going in between the discoms and the regulator so that need to be settled as early as possible may be in a couple of days.

Moderator: Thank you sir. We have our next question from the line of Shriram Kumar from Spark Capital. Please go ahead.

Shriram Kumar: Sir can we have approximate split up of margin spurt trade for short term, medium term and long-term contracts sir?

Deepak Amitabh: Short term volumes and the margins.

Shriram Kumar: Margin spurt trade?

Deepak Amitabh: For the bilateral trade we have for this quarter the margin is 2.4, for the exchange rate it is 1.3, so for medium trade it is 4.2%, and cross border it is 4%, long-term it is 6.2 and the overall the margin is 3.8%. If you compare it with previous quarter, it was 3.6 average and this quarter it is 3.8.

Shriram Kumar: Okay, sir but for the adjusted margin per unit that you had provided in the PPT, in the presentation it has actually declined year-on-year from Rs.0.04 it has come down to Rs.0.03 in spite of long-term volumes being higher?

Deepak Amitabh: Yes, I will just explain you this, you must be comparing it with the June 18 quarter. So, you see that in the June 18 as Chairman has already explained you that there was some Bangladesh transaction in which we are earning fluctuation on dollars. So, in the present contract is not there. So, if you take out the impact of that, then the margin will be more than Rs.0.04 in this quarter also, vis-à-vis the previous quarter. Earlier the 7 crores fluctuation was included in the earlier quarter that is the reason of that.

Shriram Kumar: Sure sir. So, apart from this opportunity in this remaining key wind projects and the stress asset project what is the remaining capacity that is yet to be operationalize sir?

Pankaj Goel: These are the operational actually out of 1900, 1100 has been operationalize so 800 megawatts is there and 250 megawatts for the wind. These are already in the various stages of completion,

and will be operationalize soon. But other than that also the other schemes which are coming, and we are hoping that we will be getting a substantial quantum from them.

Deepak Amitabh: And also, as we have been the Nodal agency for Bhutan, for quite some time for obviously Chhukha, Kurichhu, Tala. One more project should get commissioned during this quarter. And we are hopeful that we should we should be bagging that project also we are hopeful, but till the time we don't sign the PPPSA we cannot be making a public announcement. And as you all know, that Bhutan also over next couple of years is going to add couple of thousands of megawatts.

Shriram Kumar: Okay, thousands of megawatts. So, if you could list down approximately how much, what is the opportunity and how much is opportunity size?

Deepak Amitabh: Opportunity as I say in Bhutan also, other than the 700 megawatts in couple of years, the Mangdechhu one, two and others will come they will elect thousands of I have not done the calculation exactly, but they will run into thousands of megawatts. In two years 1800 megawatts.

Pankaj Goel: But right now, if you ask us the confirm number will be 800, plus 250, plus 700 Mangdechhu, this is confirmed which we can say and then 1800 megawatts in pipeline which they will commission the project and then it will come on pipeline and how it will be done, that will be in due course of time.

Shriram Kumar: Sir in terms of competitive intensity, how is it panning out sir? Because last time we saw one of your competitor bidding out aggressively and we didn't want to get into that medium term contract. So, how is the competitive space right now?

Deepak Amitabh: See, we can't answer on behalf of others they are also listed companies so I am sure you will be asking this question, you must ask the question where is the sale, etc., we cannot answer on their behalf. We have always said that competition is always welcome. And this we have been saying since 2004, when the license to 30 people were given and today it is 2019-20 we are running into so we welcome the competition and competition brings out more efficiency. But till the time we keep increasing our volumes which we have the last 7-8 years, I don't know how many years. But if you see the numbers, you have made a chat what was the volume increase over the last 6-7 years which you give before the audit committee. The total turnover which the PTC has done during not on turnover, about the volume I am saying it has been 31,315, 16, 17, 18, 19. Obviously, you all will be having those figures. So, I am not talking about quarter-to-quarter I am saying yearly basis we have been growing in volumes and we believe that we will continue because average is that the market designs will change and the whole effort of regulators and the ministry seems to be revisiting those market designs that how to increase the 10% short term volume, how do we make it 15-20%. So, the more competition it is more, ours is a knowledge driven company and we understand power market as much as

anyone else does and we are always competitive, and we believe that the volumes will continue increasing.

Shriram Kumar: Sure sir.

Moderator: Thank you. We have next question from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Sir just a quick couple of questions. If you can share with us the numbers on PTC Energy the revenue EBITDA, PAT and throw some light on the LC mechanisms that have started now, how have the states reacted and how has the entire experience been till now any changes you are seeing?

Ajit Kumar: As far as the PTC Energy is concerned for the last, as compared to last quarter our total income has increased from 80 crores to 88 crores and total profit has increased from 9.93 crores to 15.15 crores and EBITDA for this quarter is 83.97 crores, the generation has increased by close to 11% and so is the total income. That is the number as far as the PTC Energy is concerned and as far as the LC mechanism is concerned, we have got LC for all our contracts and similarly we have given LC to all our suppliers also. So, far it is operating on correct mode, but some of the LC are revolving on 7 days, 10 days and 15 days basis. But this has to spread out let us see how it works out. So, far we are going to supply all the powers.

Deepak Amitabh: Yes, I think it is too early to make a comment on the overall impact which is going to have so let's go through one month or three months or so, but we believe that is a very good mechanism and if the states also over the period of time like I remember couple of years back when Coal India moved from the days to get the payment later on and once they moved to the cash basis, cash and carry basis so there was a disruption for some time, but over a period of time people have forgotten also and everyone gives Coal India money in advance now to take the coal. So, such type of things when it happens it's very early to judge therefore I say in three to six months time we will analyze it, but our intentions are very good, states have also work around the clock to ensure that they are able to comply with this obviously someone could give a month LC, someone could give a 15 days LC and someone could give a 7 days LC also, but the very fact that if it works off the way ministry is trying to visualize it, that will help everyone in the sector. The biggest hit in the sectors are the lenders basically. So, it will bring the biggest relief to lenders and once lenders will start looking at the sector positively that will have its own spiraling effect to the market profession.

Rahul Modi: Sir just very last question. Sir, how has been the demand on the deep portal for the near term bilateral contracts if we can throw some light on that in terms of with monsoons coming in?

Deepak Amitabh: Actually, if you see this is the period when there is the least demand and all that what has come was in the previous quarter for supply during this quarter. Now, the next requirement will come

from September onwards which is the bulk requirement and if you remember every this is the time when the exchange prices peaks. So, most of the demand will come from September after monsoon. So, we are expecting some good responses during that time.

Moderator: Thank you. Sir we have next question from the line of Vishal Periwal from Maybank Securities. Please go ahead.

Vishal Periwal: I have one question on the balance sheet, is it possible to give a color on the cash receivables or any working debt that we have as on first quarter?

Pankaj Goel: In this quarter our total debtors were around 6500 crores and we have maintained our creditors of also 4350 crores. So, if you take the difference between the debtors' days and the creditors days it was around 27 days in comparison to in March 19, it was 29 days. So, as you can see, that we have reduced the networking capital days by two days and so, but you see on the other side the debtors' days have decreased, but we are able to increase the turnover. So, that means and on the other side also you must have seen our results the debtors has increased. So, in nutshell you can say that, on one side we have decreased the turnover, we are able to earn more rebate and on the other side we are able to control our creditors and all that and we are able to maintain our cash efficiently.

Vishal Periwal: On the cash front?

Pankaj Goel: As on 30th June we have a net borrowing of 461 crores from the bank, in the opening we were having a working capital of 218 crores on the bank, the 364 crores has gone towards the funding of debtors, the 13 crores we have invested equity for creating an SPV with the other BSC and ICICI for exchange. And the as on date our cash bank borrowing is around Rs.277 crores.

Vishal Periwal: You said 460 is the net borrowing or it's the gross?

Pankaj Goel: 461 is the net borrowing from the bank.

Vishal Periwal: Okay. And on PEL though you have clarified being this thing has happened before also, but in the interim it impacts business for people who are in this industry. So, of PL is there anything that you are saying that is going to increase in the receivables or probably thought the generation has increased. but are they paying you on time or anything that you can share on this?

Deepak Amitabh: What I understand that Andhra is the person who has not being paying for quite some time to any of the wind developers. So, PL is also part of that set of people who are not getting paid by Andhra. In Madhya Pradesh and Karnataka, the payments keep coming as usual delays which are there but the payments are always coming.

Vishal Periwal: So, for Andhra thing for an industry as a whole the dues may be for last full quarter they have not paid or it's more than three months?

Deepak Amitabh: Yes.

Vishal Periwal: Last one quarter?

Deepak Amitabh: Yes.

Moderator: Thank you sir. We have next question from the line of Subhankar Ojha from SKS Capital & Research. Please go ahead.

Subhankar Ojha: So, two things, one this probation for the expected credit loss which was a very large number. Can you give some color on that and what is the expected number for a FY20 in terms of this and give you some guidance on this?

Deepak Amitabh: No, are you talking about console or you are talking about.

Subhankar Ojha: I am referring to the console?

Deepak Amitabh: Console is mainly on account of PTC Financial services that Anand can explain. What I understand that they did a lot of provisioning last year also and in this year the things were in NCLT. So, when you are in NCLT you have taken let say you have given a loan of 100 crores, I am just giving you an example, so 70% you had taken a provision already so you thought that 30 crores is something so 70% you had taken a provision because expected was 100 crores as per the RB, RB he thought 100 crores is going to value. But for some reason there could be any buyer found by NCLT so now it has gone to liquidation. Now once it goes to liquidation there is an official liquidator appointed. Now in the liquidator official say that the thing which is going to be there the realizable value is not going to be more than 20 crores. So, that 70 crores you have made a provision so you thought 30 crores you will get based on 100 crores whatever was done, but because of these 20 crores another 10 crores had to be provided so this is the thing which happened in more than two to three cases. And that's the reason because NCLT reached that liquidation stage, liquidator obviously picks up much whatever the value they determine, and that is the reason we put such an upward figure of more than 60 crores of provision in the PTC financial services. But Anand we want to add anything this is the overall thing I have given but.

Anand Kumar: Continuing the same, this quarter the BFS has made a 62 crores provisions to take care of the different stressed asset and some NPAs which were supposed to be accordingly provided for as per the regulatory norms, and to that extent only the impact has come on the PTC account.

Subhankar Ojha: But this is like a bulky, this is like one and all it has happened right there is?

Anand Kumar: Definitely the assets which are under stress and NPAs are in our higher numbers. But as the process are going on IVCs or the different resolution forums, we expect that some accounts some unwinding will happen there and to that extent, we don't expect provision of more than 100 crores coming in the entire year henceforth. So, it will be premature for us to take any guess on the numbers.

Deepak Amitabh: And the management is separate so the best reason they can give but this is the ballpark he is talking about because 62 crores have come so maximum 90 to 100 crores should come.

Anand Kumar: Further we do expect but we will not be able to crystallize those numbers.

Subhankar Ojha: And also this other incomes. So, did you have some bulky other income last year in terms of, is this that run rate that is going to happen 3.5 crores?

Pankaj Goel: In the last June 18 quarter, you must be talking about that stage that in the public we have already given a note that the new accounting standard IndAS A1116 was applicable to PTC. So, as per that accounting standard our financial leads, which we have recognized earlier is derecognized in this quarter. So, because of that the earlier which the lease income was accounted for were not account in this quarter, so the lease amount was 44 crores. So, that is why the other income was higher than last quarter.

Subhankar Ojha: Understood and this is going to be the?

Pankaj Goel: Contract readjustments

Subhankar Ojha: Current quarter number is the normal run rate that is going to happen right?

Pankaj Goel: 3.55, yes.

Moderator: Thank you. We have next question from the line of Chandrasekhar Sridhar from Fidelity Investments. Please go ahead.

Chandrasekhar Sridhar: I just need the debtors and creditors just the working capital could you just help me out with those number of MP?

Pankaj Goel: Yes, the working capital number as I already explained you. The debtors as on June 19 was 6577 crores, creditors was 4350 crores, the net debtor and creditor days was 27.76 days. In comparison to 29 days at March 19.

Chandrasekhar Sridhar: Sir correct me if I am wrong, you had about the working capital of about 1800 crores and this number has going up even?

- Pankaj Goel:** Actually, I am saying in number of days that have reduced but because we have done a high turnover, we have done a high turnover so because of that naturally the working capital is going to be high but because every time the working capital is to be measured in terms of net number of days so in terms of net number of days it has decreased from 29 days to 27 days. Naturally when you are increasing the turnover so working capital has to be more in to that account but in comparison to net number of days it has got down.
- Deepak Amitabh:** More borrowing was done and he has as he has rightly said sometime back that as on 31-3-19 the borrowing from the bank was how much? 218 crores and as on 30th June it is 416 crores so more cash has been deployed and your average collection period has improved slightly I will say some was similar type of thing, but the very fact see. These were the reasons that it was not only affecting us or anyone else, it was affecting everyone who was supplying power to the utility and therefore the Government of India has to come out with a very-very strong, in the past giving them only a month or so time to start working on an LC basis, at least the future purchases. So, we are also a part of ecosystem and whatever happens in the ecosystem obviously impacts us also.
- Chandrasekhar Sridhar:** Right. And just fundamentally I am just trying to understand the extent to which you will go to just on the borrowing and sort of how are you managing internally this if you can just spend some time on that please.
- Deepak Amitabh:** See, at any given point of time we will, our borrowings etc will have to be within the norm. So, we have a working capital limit on around 1500 crores because we are sitting also on a cash almost equivalent 1500-1600 crores, or 1700 crores, whatever it is there. So, we can borrow only within these limits.
- Chandrasekhar Sridhar:** No, sir those are the limits but I am just trying to understand the extent to which you will borrow from a prudent perspective.
- Deepak Amitabh:** I will ask the CRO to answer this question, he just walked in he has gone out for some call. So, CRO, he just wants to understand what are the ways by which the risk of the borrowing you are taking care off, have you fixed up certain criteria for state wise or whatever you have done, please explain to them.
- Rajiv Malhotra:** Just for my benefit if you could repeat your precise question?
- Chandrasekhar Sridhar:** While I understand you will have working capital limits of up to 1500 crores just from a prudent perspective how should we think of how large the working capital can go just in terms of days, which you will look at or in terms of exposures, any single state exposures, how should we think of that?

Rajiv Malhotra: Okay. See we have detailed exposure limits in terms of number of days outstanding for each state. Now, this is not predicated on any credit rating of the ministry of power or whatever you may have been familiar with, it's got to do with the state's track record and our understanding of where they are going, what a new exposure to that state discom means, and so on, so forth. So, that's pretty much our internal model. Second, 1500 crores of working capital limit does not mean 1500 crores utilized at any point in time. So, just making that very clear to you. See the model by which we have worked is that you don't deploy capital, which is completely funded, because then at the end of the day, you guys will hold us to the ground saying what's happening to the ROE? So, whenever there is a default, there should be callable capital on our books. Now, technically, when, and we all know where the discoms are today in terms of liquidity. Technically, any delay classifies to be a situation or default, where we resort to callable capital, now that's why working capital limits come into play, apart from what is the cash on our books. So, I would say this is the way to look at it we have an overall limit and we have state wise limits. Some of those things are not predicated on rating agencies or say the MOP ratings, it has got to do with the track record. And repeating like the stress assets exposures that is a different kettle of fish from a normal exposure from say, a short term contract for a deep platform. So, that's the way we would encourage you to think of it any more details, happy to take that offline.

Chandrasekhar Sridhar: Sure sir. So, maybe you could just help me with just in term any, top two states just in terms of maximum number of days, you could help. And then correspondingly, what's your assessment of the reliability of surcharge from these? You will obviously going to end up negotiating but how the reliability of surcharge commensurate with the expense which you have on the balance sheet?

Rajiv Malhotra: Yes, I will give you a detail of the, because you know that total treasury is the component of four factors as far as our business is concerned, in the other income we have a treasury income, then there is a rebill in the operating income, then there is a surcharge in the operating income, then there is interest costs and the finance cost, so if you take all these four components together, then you can say that how treasury is functioning or is operating. So, I will give you a brief of this June 19. In June 19 taking all things together, we have earned 40 crores mean to say, that we have earned the treasury income of 50 lakhs, then we have earned a rebate of 32 crores, we have received a surcharge of 16 crores and then we have paid an interest of 8 crores that is not this, surcharge is on accrued basis. So, in taking altogether, we have earned and that 14 crores is surcharge on the other states also, so we have earned around 55 crores on accrual basis taking all things together. In comparison to 48 crores in the last quarter.

Chandrasekhar Sridhar: Right. Maybe I'll just take this offline sometime but my second.

Deepak Amitabh: Yes, offline you can discuss offline with Anand and Rajiv.

Chandrasekhar Sridhar: Sure. So, just on, when does this RKM Powergen 550 megawatts get operational because that is the one which is still now operational with 1900?

Anand Kumar: As Chairman just mentioned answering the previous questions. The plant is ready for generation but the issue of working capital for one of the generator which is RKM, they are already got the approval from three of the lenders for the working capital some of the smaller lenders, they have to give the approval and once that is done with the working capital availability, they can procure call and then they can start and supply. The cycle will start, the discoms are ready to for off take in the next cycle which will start from September, but we have to find out whether all this working capital tie ups is being done. We are facilitating to get them from the main lenders.

Chandrasekhar Sridhar: Sure and then lastly on Teesta Urja, how much should we take in terms of long-term volumes this year?

Deepak Amitabh: Today how much is coming?

Ajit Kumar: 300, 100 in Rajasthan, 200 in UP and that will continue for the year because rest of the off takers they have not shown interest. So, we will continue with the same kind of volumes what we have seen in the previous year. As far as long-term is concerned. Rest of the entire 1300-1200 megawatts plant is generating right now at 1300 megawatts the entire volume is going through us to exchange but the long-term off take is still in CRC for disputes. Let's see when it will get resolved

Moderator: Thank you sir. We have a next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir in notes to account number 8 you have said that you invested 12.5 crores in Pranurja Solution Limited so what is the timeline we are looking for in terms of all this putting up this power exchange in terms of operations and has there been any development of the CRC giving the approvals?

Anand Kumar: As you know that this company has been promoted on a joint venture basis between PTC, BSC and ICICI and we have filed an application with CRC for grant of license and this company we have capitalized to the extent of 25 crores also which is the network requirement. But the CRC during the last hearing has advised us to satisfy the shareholding pattern as per par market regulations. And we have approached the potential investors who have shown interest in joining this company and we will be submitting these details to CRC in next couple of weeks. After that CRC will have another hearing and it will take time, the process will be followed.

Mohit Kumar: The 12.5 crores is our share right?

Anand Kumar: As on today yes. We have to, over a period of time suppose 50 crores is the final capitalization we cannot be more than 5%, so obviously.

Mohit Kumar: And sir secondly on the RCR dating margin draft which I don't know I would have understood it correctly, but they have one pass margin for long-term for new long of prospective is everything correct that whenever there is a back to back deal you cannot charge more than Rs.0.01?

Deepak Amitabh: The is just a draft for discussion. We all are discussing on a continuous basis and we believe that regulators will all of us are going to make presentations over a period of time including the independent bodies also and then they will understand it in a much better perspective. See regulators are always there and regulators will always realize this is, if any business which you do when you are into a regulated business. But we believe that in India regulators and if we are not able to understand I appreciate then there is a proper mechanism is there which mainly sometimes that's the only thing which we were but companies are going.....

Ajit Kumar: And one thing which we just wanted to clarify other than whatever you can read between the lines of the regulations there are many good things, the net worth is going up including the trading margin what we discussed on the long-term, on the face of it, it appears that it is back to back contract but it is not and there are many other issues which need to be deliberated that contract is back to back, which is how, what are the risk which we are carrying when we are doing such kind of a long-term traction. So, on the face of it you may read so many things but when you go deeper do the deep diving then you will understand that it has a different connotation.

Mohit Kumar: Sir last question. Sir the draft regulation which speaks about get closer so how does it impact us as and when it gets implemented?

Ajit Kumar: You are talking about the exchange gate closure?

Mohit Kumar: Yes, gate closure.

Ajit Kumar: As far as today, 99% of the volumes are on the day head market as far as exchange is concerned and only 1% is on the intraday market less than a percent and there the gate closure issues are getting closer to the dispatch right now, this volume is too insignificant, but yes the gate closure is nearer to the dispatch, maybe there are so many balancing power which will may be shifted to the market. We are looking where you are having a very close watch on all these developments right now. It's not a significant one.

Moderator: Thank you. We have next question from the line of Rajesh Nagare, Individual Investor. Please go ahead.

Rajesh Nagare: I have only two questions. One is that other operating revenue it has significantly reduced, is it because of PFS or any other reason is there?

Deepak Amitabh: Yes, as I have already replied that there are two leases which has been derecognized because of the implementation of the new accounting standards. So, because of that, the contra entry has to be taken out of around 44 crores from this quarter. So, if you take out that the other operating income will be in line with the last quarter.

Rajesh Nagare: And the other is expected credit loss that has edit the first page because everything seems to be everything is consolidated, if its first stage, second stage or third stage as generally as I understand. Is it combined for this entire three stages where one is performing then there is significant risk increase and the third is not performing at all. So, all this is combined in these figures are combined in this?

Deepak Amitabh: There is a standalone also. Standalone results are there also on the left-hand side and right hand side is the console. So, expected credit loss, so it is only vis-à-vis PFS basically it is not at all because in the left-hand side the standalone it's nil.

Rajesh Nagare: No, I am talking about so whatever is there but in the PFS also since you are the majority shareholder so is it so is it because of combined of all the assets or the loans which are in the first stage, second stage and third stage or is it the last stage only?

Pankaj Goel: All the NPAs whether it is SME 4, SME 1,2,3 or NPA they have made provisions and stages depending upon the requirement it is by NCLT or various places where it is found. So, almost 44% of the total NPA has already been provisioned considering the fact that this will be the total number which is required to be provisioned. Now if there will be some plus, minus in due course of time after the final order that will be need to be provisioned in the next couple of quarters.

Rajesh Nagare: But finally, this is a model correct. So, they will be provisioning as per the model. Now whatever order will come that will come at a later stage but provisioning will be done every quarter is that correct assumption?

Pankaj Goel: That they are maintaining for the last almost two years now, and this quarter also they have done as per the provisions which are required to be done for the MPAs. So, they are taking care everyday but if the final order comes and there is a some kind of plus or minus that need to be provisioned in subsequent quarter.

Rajesh Nagare: But it is not assuring frankly, that it is increased very significantly. So, maybe you should pay or maybe direct the management more on this.

Pankaj Goel: Yes, thank you, sir.

Moderator: Thank you sir. We have next question from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri: Sir two questions, one in terms of you spoke about some of the hydro projects which are expected, since none of the private sector is putting up power plants in the near future? What are the growth options that we have? One and secondly, in terms of new products you were, where is your application in terms of setting up of the exchanges and how about the intraday market, which is the new regulations are trying to push through. So, how would our role be in that market?

Rajiv Malhotra: PTC in past we have always come up with innovative products and we are very sure that any product in terms of gas aggregation, gas with power generation aggregation or some kind of hybrid kind of renewable and thermal, we are all having some product or the other which we are at various stages of development and at various stages of dialogue with government. Maybe those can be introduced as and when it will be introduced, we will let you know. But more important is all the innovative solutions which we discussed in the past has come to a stage that it will be launched soon, one product or the other in each quarter. And we are hopeful that many opportunities are there, it's although there is some kind of a lull in the market, but there is an opportunity in this market as well. So, we will let you know once those matches.

Abhishek Puri: Rajiv could you please, elaborate on what is the product pipeline that you are talking about?

Rajiv Malhotra: We answered this question, I am repeating for you again out of the 1900, 1100 we have already commissioned the operationalize. So, 800 out of.

Abhishek Puri: That we know, I am sorry to bother you in terms of the new products.

Rajiv Malhotra: New products actually we have always allocated upon a size of around 2000 to 2500 megawatts for the gas segregation and also and maybe hybrid also we will go for 1000 to 1500. So, this is what we have proposed and this is being considered at different stages, maybe once it is considered and it is notified, we will come to you and tell you the details.

Abhishek Puri: Okay, that's great. And in terms of the exchange?

Rajiv Malhotra: Exchange, we have already informed you that the licensing process is on and it may take two to three more months to given them all the details about the shareholding pattern and bringing the new investor which is as per PMR.

Abhishek Puri: Understood and on the intraday market do you expect with this new draft regulations that have come in and the gate closure getting lower? Would that spur the growth in that intraday segment and PTCs role there?

Rajiv Malhotra: PTC will play a major role once it will be for balancing power and we expect that market has to grow. Now as far as the preparedness is concerned, the preparedness has to come from discom. The preparedness has to come from intermediary, and then the system operator as well. All the three areas need to be augmented before we commit ourselves that yes, this is the growth will be in this line. Right now, everybody is trying to shift some of the volumes to this intraday market. But still, because of the preparedness time or you say the litharge on part of discoms to adopt this kind of scenario. It may take a couple of more months. But we see a strong growth there.

Moderator: Thank you very much. So, ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Sir over to you.

Deepak Amitabh: On behalf of PTC management, we thank all the analyst and investors who were patiently hearing us for last 58 minutes and we hope to see you soon when we come out with the 30th September quarterly results. Thank you very much.

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.