

PTC India
Analyst Meet Q2 & H1 FY 2019-2020
November 01, 2019

Moderator: Good afternoon, ladies and gentlemen. Please take your seats. Good afternoon, Rajiv Malhotra, Chief Risk Officer of PTC. I am here to just set the ball rolling before Chairman and the rest of the management team interacts with you today.

You have an introduction to the team sitting on the dais. Left first. Dr. Rajib Mishra – Director Marketing and Business Development; next to him is Chairman – Mr. Deepak Amitabh, needs no introduction. Mr. Ajit Kumar – Director of Commercial & Operations next to him; and Mr. Pankaj Goel – CFO is next to them. Not on the dais, but the part of our team, you will see two people sitting there on the first table, Mr. Mukesh Ahuja – Vice President Finance, and Mr. Rajesh, who's the Chief Strategy Officer. Over to you, sir. You can start. Thank you.

Deepak Amitabh: Good afternoon, ladies and gentlemen. On behalf of the management team of PTC, I welcome you all to the Analyst Meet of the company for the Second Quarter and H1 First Half of Financial Year 2019-2020.

You all must have seen the results, analyzed it also. And we are there to explain our understanding what is exactly happening in the Indian power sector as we see it. This period has some important significant moments in the macroeconomic environment of power sector, and obviously PTC also. First significant one was the Ministry the Power order of 28th June, mandating LCs buy DISCOMS for power procurement starting from 1st August 2019. And looked like a small step but has significant impact in terms of doing business. I will not say in terms of ease of doing business but doing business in this power sector. At the same time, we also got this draft regulations of the honorable CERC on trading, marketing and licensing, which present a mixed bag. Importantly, which is that the stakeholders mind space is now taken up by the fundamentals of market design as against a mere focus on tactical issues. So, during this quarter this is very important thing that market design, the future power market has caught the eyes and ears of the top regulators as well as Ministry of Power.

Now, we have seen that during this quarter the response of the procuring agency, that is a state DISCOMS, have shown mixed trends. When I say mixed trends, power procurement and their power demand, and these are two separate things. We don't know the exact answer as of now, because this is the first time, we are seeing these type of things happening, and maybe over a few quarters the position will become very clear. But it's very important for you all to understand that even demand is there, but I may not procure power because I have to put an LC or cash and carry. So the differentiation became more prominent in the last quarter.

Then our trading volumes have increased in all the segments, except for one segment I will just give you the basic details. Medium term trades clocked very high, obviously, I will not realize it, because low base low base obviously looks like a 200% green, but because of low base. So, we have seen an increase in the medium-term trades, long-term trade has also showed 10% increase, and cross border trades also clocked 8% increase. And our trader member operations of the power exchanges also showed 19% increase. But a significant decrease, however, has been seen in bilateral short-term trades that are lower by almost 67%, when compared with the corresponding quarter last year. As I mentioned, this is about mixed trends in the demand and power procurement. And another fundamental that of expected seasonal surge in power demand generally witnessed in the latter part of the quarter, that July to September quarter, towards the latter part there used to be search, which has been absent this this year.

But we have seen, like we have always had a philosophy of a diversified portfolio, short-term, long-term, medium-term, and that has always kept helping us. And we could see that even if the short-term bilateral trade's shortfall about 67%, but didn't impact because contributions from medium and long-term and cross border business segments compensated for the dip in the short-term volumes and earnings also. And, as we have seen, and CFO will be explaining later on in a much better way, that average trading margin, it remaining almost 3.6, 3.7 in the quarter also and half yearly also we have seen 3.6. And when I am talking, this is pure trading margin, we are not including any rebate, surcharge etc., which is a part of operational income. And this has been possible, one of the reasons that medium-term volumes which included our managing of portfolio of stressed assets continued during this quarter also.

And as we have been always explaining and discussing with you all that the company is actively working on its capital allocation strategy. And is looking for efficiently utilizing capital towards its core business and the new initiatives. To this end, during the quarter, our board enabled action towards dilution/slash divestment of our stakes in our subsidiaries. We would, however, going back to the shareholder at the appropriate stage, with the configuration of any definite proposal which we may get, then only we will go back to the board and then go back to the shareholders. And we also understand the importance of technology, so company is actively taking care of the needs of the technology and the future environment in which we are going to work, and especially the future market design, which my Director Marketing will be explaining in brief, either during his presentation or during the question and answers.

In summary, the company continues healthy growth in power trading volumes, in spite of a challenging environment. And, as I had already stated that the strength of balanced business portfolio is increasingly becoming more evident. And during this quarter, we could do more than 55% from long and medium-term and cross border, and about 43% which was contributed by the short-term segments, mainly exchanges and then bilateral contracts.

One good thing in the in the H1 for this financial year, the total operational income was Rs. 295 crores, which is an increase of 13% over last year. And also net margin realization was 3.6

without surcharge and rebate, and with surcharge and rebate it continues to be more than 7 paise. Now, I have given a basic, general description of the sector and the career the company's plays into. And I will request my CFO to present the results numbers, and later, the key developments during the quarter will be explained by Director Marketing. And after that we will take questions one by one. Once again, I thank you all for joining this afternoon. Thank you.

Pankaj Goel:

Thank you sir. Now, I will take you through the financial highlights of PTC India Limited for the quarter and a half year ended September 2019. For the quarter, the total volume has decreased by 1.5%. Total operational income, however, has increased by 12.7%. PAT has increased by 40%. Total comprehensive income has increased by 56%. For the half year, total volume has increased by around 6%, total operational income has increased by 13%, PAT has increased by 25.8%, and total comprehensive income has increased by 42%.

As regards the volume mix for this quarter, short-term trades is at 44% as against 55% for the last quarter, and for medium-term it is 9% as against 3% for the last quarter, for long-term trade it is 47% as against 42% for the last quarter. For the half year business mix, the short-term trades at 47% as against 57% for the last half year, medium-term it is 10% as against 3% last half year, long-term trades at 43% as against 40% for the last half year.

As regards to the quarter financial highlights, the revenue from operations has increased by 5%. The other operating revenue has decreased by 11%. Other income has decreased by 44%. Purchases has increased by 5.4%. Operating Income in expense has decreased by 75%. Employee benefit expenses has increased by 16%. Finance cost has decreased by 73%. Depreciation is almost same; it has increased by 2.8%. Other expenses have increased by 78%. The profit before tax has increased by 15% and net profit for the period has increased by 14.98%. And comprehensive income has also increased 56%.

For the half year, revenue from operation has increased by 23.95%. Other operating revenue has decreased by 37%. Other income has decreased by 58%. Purchases has increased by 24.56%. Operating expenses has decreased by 86%. Employee Benefit expenses has increased by even 13%. Finance cost has decrease by 72%. Other expenses is increased by 74%. The profit before tax has increased by 9.75%. Net profit for the half year period has increased by 25.8%. And total comprehensive income has also increased by 42.69%.

As regards the rebate and surcharges, for this quarter the net rebate received was Rs. 28.68 crores as against Rs. 27.41 crores for the last quarter. Net surcharge received was Rs. 55 crores for this quarter as against Rs. 28 crores for the last quarter. Margin per unit was 7.43 paise for this quarter as against 6.63 paise for the last quarter. Margin per unit without rebate and surcharge, it's a pure trading margin, it is 3.56 paise for this quarter as against 4.11 paise for last quarter. For the half year, net rebate received was Rs. 61 crores as against Rs. 49 crores for the last half year. Net surcharge was Rs. 71 crores as against Rs. 48 crores last half year. Margin per

unit is 6.86 paisa for this year as against 6.58 paisa for the last half year. Margin per unit is 3.65 paisa for this half, and 4.06 paisa for the last half year.

Now, I will request Director Marketing to present the key highlights for this quarter.

Rajib Mishra:

Just a couple of four points which I have earmarked for today's presentation. One is something which we feel that in the PTC's journey towards consolidation of long-term and hydro portfolio, it is a very prestigious addition to our portfolio. Mangdechhu which is a very prestigious project inaugurated by Prime Minister of India and Prime Minister of Bhutan on 15th of August, has come to our portfolio. And this is a 35 year tenure long-term PPA which we have signed. This will result in yearly transaction of 3 billion units each year. And we have a margin of 7 paisa per unit. As Chairman has just mentioned that slowly we are trying to shift our volume towards long-term and medium-term, we achieved almost 55% plus this half year and quarter. And with this addition, certainly we are moving towards that side. Four beneficiaries have been identified for this: Bihar, Assam, Orissa and West Bental. All the PPA and PSA has already been signed and the power flow is already taking place. So, something very important to share with you all. And we are all really happy that this Mangdechhu has come to our portfolio for 35 years.

The second significant thing which Chairman has just mentioned, the technology is going to play a major role in the new market which we are trying to design and the policymakers and regulators are also trying to create a market where more scientific way of procurement will be done and the demand will not be unmet, but it will be met through more scientific ways. So the first in that step PTC has signed power portfolio management through software, which we signed on 1st of June 2019, and this is operational and we have done very significant work there in trying to create a portfolio and managing the portfolio through some software too. This is what we thought we will share. Although, this is a consultancy income, not a part of our trading income, but this is a very important thing which has happened in this last quarter and half year.

The last but not the least, the fee based income, that is a professional consultancy services, what PTC is doing for the last three years now. We have already received three orders before this for the power distribution and management work. We started with AKV in indoor, then we have done it for two more ports, including Mumbai Port Trust. And the last but not the least, the Jawaharlal Nehru Port Trust also have awarded this work to PTC for managing their distribution network.

So, this is a very important step towards our consolidating the fee based income, which is the professional consultancy services. There are a few other developments, but we will share it subsequently as and when it all happens. Thank you very much.

Management:

We will keep the floor open for one-by-one question. My request will be that you just kindly introduce yourself and which company you represent, and then you can shoot up the question.

Mohit Kumar:

Mohit Kumar from IDFC Securities. Sir, my first question pertains to the new CERC tariff regulation. Given the fact that the regulator has spoken about reducing the trading margin to 1 paisa back-to-back deal, how does it affect our long-term contract and the short-term contract there, where there might be a back-to-back deal?

Secondly of PTC Energy, given the fact that there is so much issue in Andhra Pradesh, what is the receivables cycles as of now, and are we supporting the company from our own balance sheet? Have you supported any loan to payback to pay their repayment in the last H1?

Thirdly on the RKM Power, has the supply started? And do you expect the supply to start in the next H2?

Ajit Kumar:

We have our projects in three states, Madhya Pradesh, Karnataka and Andhra. Madhya Pradesh and Karnataka, we have a three month payment cycle, and there is no problem. But Andhra, as we all know, that there are issues going on the PPA and the tariff renegotiations, the payment has not been made for the last 12, 13 months. Lot of petitions have been filed in the High Court. And there was a specific petition by PTC Energy to the AP High Court for payments of its outstanding. The High Court has passed an order in case of PL to pay the outstanding at interim tariff of 2.43, which becomes due on 1st, that is today. Our team is there, we are hopeful that we will be able to realize this payment as per High Court order. But as far as the servicing of debtor is concerned, we have not defaulted, we have been paying based on the payments whatever we have been receiving and the working capital limits what we have taken. So far we have not taken any support from PTC. It is only working capital limit taken by PEL and we hope that we will be able to get our payments from Andhra and we will be able to continue serving our debtors as well.

Rajiv Malhotra:

So your specific question is one that 1 paisa proposal, is it? The regulation is predicated on the idea of a back-to-back transaction, which is a terminology used in the context of long-term transactions. Now, the context of that is a settlement over jurisdiction. And that is what is part of our submissions. Having said that, were that to be applied, question is, does such a thing come into operation in the future? Which is the most logical thing to do, it impacts long-term transactions, which are not happening anymore. So, I think that should answer your question. But just to give you a flavor that understanding of back-to-back means that there is no risk on the trader in the transaction, which is like, that doesn't happen. It is something it is a feasibility and that's the whole point in that which has been the flavor of the public hearing and we were part of that.

Mohit Kumar:

Can you update the short-term back-to-back contract by any chance?

Rajiv Malhotra:

Let me again say, there is no such thing as a back-to-back. Second, short-term there is a trading margin cap which is in operation. The regulator got interested in seeing that were we doing long-term contracts and where we were taking no risk, were that possible. If that were possible

then are we, or for that matter any trader, are we internalizing an unfair margin. So, that's is whole concern.

Mohit Kumar: Have all the states opened LC in favor of the long-term contract?

Rajiv Malhita: According to the GOI order of 28 June, short answer yes. But I think also our Director...

Ajit Kumar: Yes. All our long-term discounts have opened, and we have also opened back-to-back with all these suppliers.

Rajib Mishra: And RKM Power Gen, the issue is only related to the working capital requirement of the generator, for which they have gone to the lenders, PFC and Punjab National Bank. And PFC Board has cleared it. And once they get the working capital, I think within a month or so they will start it. We expect that in the next cycle, in a month or so they will be getting their working capital and it can be started.

Arun Kejriwal: Sir, Arun Kejriwal from Kejriwal Research. If we look at your margins, which is without the surcharge or the incentive that you get, it seems to be on a downward trajectory. Any idea where it could stabilize without the margins and commissions?

Deepak Amitabh: It's like crystal gazing. But what I will say is that our portfolio mix, that's the reason that at a given point of time we used to do 80% short-term, 20% is to be long-term and medium-term. And the last quarter we have done 55% long-term, medium-term where the margins are stable, whether you get 4 paisa, 5 paisa, 7 paisa, whatever the margins are there, they are going to be there. And short-term has become 45%. Short-term, since 2004 when he got listed, every time every quarter we have always stated the same thing, that short-term volumes as well as margins are always going to be voluntary. And that's what we have been seeing for last 14, 15 years, things have been changing in the short-term more than we were guarantying. Now one can say anything, because it's like asking that if in a brokerage also, I remember in 90s people used to charge Rs. 1, the gap that used to be on both the sides, and where does it is no one new, so no one can say. And therefore I said, we are investing now in technology also, because technology is going to be the key driver, what is the value, whether it is commodity exchanges or whether it be the stock exchanges, better technology, faster the clearing, etc., obviously, then you can charge more and more. So, that's the answer for short-term.

Arun Kejriwal: Sir, if you could share, what kind of revenue would this contract with the JNPT get you in a full year? Or this is a one-time sort of a contract?

Rajib Mishra: All this consultancy assignment, roughly it all depends upon the number of consumers we are managing in that distribution area. But on a yearly basis, it is Rs. 2 crores to Rs. 2.5 crores for each contract.

Arun Kejriwal: Sir, could you give us a sense of how the subsidiaries have fared for us?

Deepak Amitabh: See, PTC Financial Services is a listed company, and results were published. So I am sure you can pick up from there. And as far as our understanding goes, the ratios have slightly shown a better ratios which are very relevant, that NIM and other things, return on net worth, etc., have shown a positive trend this quarter, but it's too early to comment. And PTC Energy Limited, which is unlisted company, obviously, we will give you the details.

Ajit Kumar: I will just tell you. PTC Energy, in this quarter our profit after tax has been Rs. 55.59 crores as compared to Rs. 16.87 crores in the last year, this is a quarter comparison. But this this is due to the heavy curtailment imposed by Andhra Pradesh in this quarter because of the High Court order. Had that not been the case, our performance would have been maybe slightly better than that.

Arun Kejriwal: Sir, one last housekeeping question. Our interest costs have come down significantly, is there any one off in this?

Pankaj Goel: As regards the finance cost you are saying in the publishers, because in the last half year you remember that there was IndAS applicable to us, and in the current year we have de-recognized that leases from our balance sheet. So, if you take out the lease expenses in the last half year, so the expenses are in line actually. And that IndAS entry was in that year also. So it is just an IndAS adjustment, nothing much.

Mrs. Patel: I am Mrs. Patel here. Sir, I would like to ask two questions. Sir, what are the new ventures you are venturing into new projects or new initiatives you are going to, as just mentioned by one of you that you are going to enter into various new projects, could you please throw some light on that, some more light?

And I would like to know who are your competitors in this private sector, especially private sector who are your competitors? If you can let us know. And as just mentioned, there is an overall increase in your expenses, if you can throw some light for the reasons for that.

Deepak Amitabh: About expenses, CFO can explain then I will answer.

Mrs. Patel: Overall expense.

Pankaj Goel: Yes. As regards to the overall expenses for the half year, there is an increase of around Rs. 14 crores. Out of that Rs. 2 crores is towards the consultancy expenses, and Rs. 7 crores actually we have taken the impairment in our debtors, so that is charged to the other expenses only. And 1 crores is towards the general other expenses. So, this is the major breakup of that expenses.

Deepak Amitabh: See, when he is talking about consultancy we are engaged, because the new market design is being looked up by the regulators and policymakers. So, we engaged one of the multinational consulting firms and obviously the expenditure looks large in a quarter, but this is one thing which will sustain you for so many years to come.

And secondly, about the impairment etc., what he's saying, see what happens, we also supply through the exchanges through our retail clients which are there. So, once they go to NCLT, so in those cases we have started providing for the doubtful debts. And if in case we are able to get back, we will reverse those entries if I understand.

And the third question was new initiative. See, we have said new initiative as and when we will come up, we cannot be talking in advance what we are doing, as I said the new market design is being done, we are investing in new technology. So, new initiatives will be outcome of these things. But today the only new thing which we have done which we have already explained to the wall also that we are, along with Bombay Stock Exchange and ICICI Bank, we are trying to create a new power exchange. So, as on today that is one thing which is on the records.

Shekhar: Shekhar from Fidelity. A few questions were...

Mrs. Patel: Sir, I requested you for the competitors.

Deepak Amitabh: See, 2004 trading licenses, since the bunch of time more than 60 licenses have been issued. Out of which many were active, many have gone down. So today there are two types of large players, one is those people who have large generating assets, whether it is Tata Power having his own trading company, the GMR having its own generation of having its own trading company. And then there are smaller ones who are very strong in one region basically, a lot of industrial clients, small clients they have aggregated, likes of Manikaran, Mittal, Arunachal, so there are two different type of distinct entities who are there and they are all our competitors.

Shekhar: Sir, a couple of questions. One is, just the receivables greater than 180 days, what is that number? Then broadly, I mean, the working capital and stuff, so just by state if you have some level of exposure by state, if you could provide? Third was, do you believe that the lower tax rates will eventually fade and tend to lower margins in the trading business? I mean, do you think you could retain it or basically the market is competitive enough that it flows through to lower margins? And just on the consultancy order book and income in the first half of the quarter.

Pankaj Goel: First I would like to reply regarding debtors more than 180 days. So it's around Rs. 456 crores more than 180 days debtor. And out of this, major is basically Rs. 218 crores from the J&K which we have to receive. So, that is because of the disturbance in J&K and all that, because the parliament will cheer from Kashmir to Jammu in the first week of November, so we are planning

to book. And this is the payment cycle which Jammu pays actually after eight to 10 months, so we are hopeful of recovering the payments from J&K along with surcharge.

Shekhar: Right. And just on the tax rates, do you think it will actually slowdown at a low margin or do you think you can actually...

Pankaj Goel: Look, as regards the tax rate, you know that we are not taking any deductions for tax planning and all that. So, whatever tax benefit is there we are availing it. So our effective tax rate has reduced from 35% to 25%.

Shekhar: The question was, while your tax rate stays at 25%, will it eventually start showing up in lower trading margins?

Pankaj Goel: I am not able to understand.

Shekhar: The business is fairly competitive, which should eventually start reflecting in lower trading margins.

Pankaj Goel: No, it will not be related with the lower trading margin and all that. So, the trading margin will be able to continue as usual as in the competitive environment. So, this is the benefit which PTC is getting.

Deepak Amitabh: If your question is that benefit will be passed on to the customers? The gentleman next to us had asked falling margins, etc. So, I don't think that we will be in a position that customers are, because both are our customers, the buyers and sellers both are. And margins are in the long-term medium-term they are all decided upon. And the short-term bearing whatever we are having on the margin etc., gets suitably compensated by this.

Shekhar: And just the consultancy order book and income?

Pankaj Goel: The consultancy order, it is around Rs. 140 crores, which we have to execute in the years to come, let's say within five to seven years. But as regards the consistency income for this half year...

Deepak Amitabh: What I will suggest, see this Rs. 140 crores whatever it is there, it is right from the day one we have won contracts up to Rs. 140 crores. So this is a cumulative thing, many of them may have been executed also, and lot of incomes have also come.

Pankaj Goel: Income is around Rs. 12.93 crores in this half year from the consultancy.

Abhishek Puri: Sir, that's Abhishek Puri from Axis Capital. One question on the balance sheet. So, the other financial assets have reduced from Rs. 690 crores to zero in this current quarter. What is that related to?

Pankaj Goel: Yes. It is just IndAS adjustment. So the last year other financial assets includes the least receivable and that we have de-recognized in this year. So that is nil because of that.

Abhishek Puri: And secondly, the total addition to your net worth is not equivalent to the first half of profitability.

Pankaj Goel: Yes, we have paid dividend out of the profits.

Abhishek Puri: Rs. 130-odd crores?

Pankaj Goel: Yes.

Abhishek Puri: Right. And lastly, in terms of the exchange and the new technology that you are talking about, there is already a second exchange, as a market participant you can't hold more than 5% as per the CERC regulation. So, what is the value that you think you will bring to the table versus the two exchanges that are already existing?

Deepak Amitabh: See, there are a lot of futuristic strategies which we will not like to just not discuss, till the time it is not, let's first get the license first and then we will come back with the details there of.

Abhishek Puri: I want to know as you talked about, the Bihar one, the portfolio that you won. So what is the technology that you are bringing to the table? If you can discuss a little bit about it, we will be able to understand the future better for the company.

Rajib Mishra: I will make it very simple, because two simple things which I would like to share with you. One is the predictability of load and the price related to that, which can bring you to better optimization of resources and procurement is what the technology will bring. And that we are working seriously within the company and with our partners. The second technology what we are trying to do is, bring some kind of artificial intelligence for price forecasting, which we are trying to do collaborative within the company. So, these are very important thing which happens very frequently in the international market, which we are trying to bring in Indian context.

Abhishek Puri: This is from a buyer perspective or seller perspective, or both?

Rajib Mishra: When it has to be a predictive tool for the forecasting, it will be used from both the side. But right now what we deployed in Bihar is from procurement side.

Abhishek Puri: And some of the renewable companies are they coming to you with the software being available or is there a possibility of a large consultancy income that you can earn from this with the outsourcing of it?

Rajib Mishra: I will not give too optimistic an answer to this, but certainly if this is a useful tool, any utility can use it, whether it is renewable, any other source of generation or a DISCOM. But of course, this is a need of the hour and we are trying hard on this.

Vinod: Vinod from Floirentree. My first question is on the Rs. 7 crores wrote-off which you have taken during the quarter. This is included in the other expenses, right, the Rs. 10 crores which became Rs. 19 crores?

Pankaj Goel: Yes.

Vinod: So, can you quantify how many such receivables still pending which has gone to the NCLT and still...?

Pankaj Goel: Yes, this is a very good question you have asked. Actually in the last to last audit committee which we have decided that whatever cases for which debtors, that debtors has gone into NCLT, so we have to take on 100% provision. But the provisioning we are doing it for the last one and two years, that's in the first year we have taken a provision of 25%, 25%. But the 100% provision is been made in the last quarter actually. So that Rs. 8 crores, by taking a provision of Rs. 8 crores, so we have taken a 100% provision for all debtors which have gone to NCLT.

Vinod: Okay. The second thing is, can you explain this LOI which you have signed with JNPT. I guess this is third contract, one was with MP and then there was some similar contract with Cochin. I would like to know the market potential of this opportunity and also what kind of margins you can make from this kind of a business?

Rajib Mishra: Consultancy contract has a better margin compared to our traditional trading business. But if you ask exactly what is the potential for the distribution management and the supply kind of a franchisee model, which we think we can do, is a huge potential. But how much we will give and how much is the bandwidth, we will work it out. And we will come out with each small steps what we are taking and will share with you each quarter, rather than giving us something very optimistic at this point of time, because there's no point saying this it is the entire country, you need some kind of a revamping in the distribution system. And then 100 Smart Cities, lot of opportunities there, but we had to work it out very slowly, and we are moving towards that.

Vinod: Who is the competitors, any other guys also working on similar projects?

Rajib Mishra: I will not say competitor, but of course the distribution companies which are doing well, of course, they have the credibility, they can always do this. But what we are trying to do is in a niche market.

Vinod: Just last question on the Teesta Urja I understand that the partial power has been supplied to the already signed PPAs. So, what of the rest of the PPAs which are not been supplied, any update on that?

Rajib Mishra: We are trying with the states and the case is in line with the CERC, because they have said that because of the delay in the execution of the project, they are not really too often at this point of time, but the case is pending at CERC. Once it will be decided, the off-take of the remaining two states will be decided.

Vinod: Out of 840 how much is right now supplied in long-term?

Rajib Mishra: 300 megawatt we have already tied up and we are supplying.

Ramesh Bhojwani: Ramesh Bhojwani from Mehta and Vakil. Your surcharge and rebate virtually doubles of your margin from what you receive from pure trade. Going forward, will the surcharge and rebate continue in this proportion and these levels despite the volumes increasing? How do you see this playing out?

Deepak Amitabh: Surcharge is something which comes when there is a delayed payment. So none of us will like delayed payments basically. So it's better to hope, we had learnt in our childhoods that a bird in hand is better than two in the bush. So we always believe in that, that let the payments come in the due time, 30 days or so. And if that comes then surcharge is going to be a function of that. So depending upon the health of the treaty, etc., which the government is trying to work it out, it has taken a couple of years and it may take some more time. But rebate is something which is in your hand, so it's an instrument which you can keep playing around with that. So rebate is something which is in our hand and we will like to use it to the maximum. But surcharge as a prudent conservative business to this thing, we wish that every payment comes in 30 days or 60 days.

Ramesh Bhojwani: That can't be the objective.

Pankaj Goel: I would like to add, let's say if the money comes before 30th day, if the money comes after 30 days, well fine, it's a surcharge. But if it comes within 30 days then we are able to rotate the money very fast. So it means that we can avail the rebate on that. So surcharge is 15%. But if the money comes within 30 days, because on the seventh day you can earn the rebate Then we will earn 2% per month basically, it converts into 24%. So that is a very, very good scenario for us that if we receive the payment within 30 days.

Ramesh Bhojwani: Absolutely. And, sir, you mentioned in the presentation that you had a lot of issues in the state of Andhra, which has been resolved by the High Court order. Going forward, I mean, you also mentioned that your people are in the state of Andhra to collect your dues. Is the High Court

order resolution of all the issues going forward or we will face this kind of music from this state in times to come?

Ajit Kumar: Andhra High Court order is an interim order. They have given a order to pay the outstanding at interim tariff of 2.43 instead of 4.84. And there was a petition filed by the DISCOM in APRC, which was also challenged by all the generators in High Court to stay that hearing of that petition, because there is no jurisdiction. So that petition has been remanded back to APRC with a timeframe of six months. So, APRC will now start hearing that petition whether the tariff needs to be revised in the contract period or not, which we are sure as a generator that they will have not be able to do that, because that control period is already over. So, if something happens then the legal cases will go on.

Ramesh Bhojwani: And the last thing, today's Business Standard is carrying a write-up that Renew Power is now the 8th largest company in the world.

Ajit Kumar: 11 largest.

Ramesh Bhojwani: Sorry, 11th. Generating 5,000 megawatts. And they are in a position to deliver the power at 2.72 per unit.

Ajit Kumar: See, the new plants which are coming up they are coming at a cheaper rates because of the reverse bidding, the sites available with the higher CUF. The earlier plants which have been built, they were built at a location like in Andhra and MP where the wind is not very high. But the new projects are coming in Rajasthan, Gujarat, in Tamil Nadu where the CUF is quite high, they are able to give the power at a lower tariff. So, that depends where you are building the project, what kind of technologies you are using.

Ramesh Bhojwani: Sir, and in light of this situation where do we stand? Because we have 950 megawatt virtually out of the 1,050 megawatts of wind power. Your fourth point in your key highlight.

Deepak Amitabh: See that is a different, here we are basically trading that power. Let me explain, this has been for last 10 years or so these things have been tested. I mean, when Gujarat also started their solar purchase also, they bought at Rs. 12, Rs. 13 and Rs. 14, and they have all been accepted. So it is something which is not new. I mean, that that also was done through a competitive bidding process, the 346 rate of 1,050. And 950 has been operationalized states are buying it. If let's say after 10 years the price of power becomes 0.5 paise, does it mean that the old the old contract die down, it never dies down in a civilized nation. So, it has to then run through the cycle of 25 year cycle or a 15 year cycle or whatever they say here. And that's the reason in future, when I am talking about market design, then the things what happens internationally, those things start, the start capacity market, energy market, so many things will happen, which has happened in Europe over a period of time.

Participant: Sir on the Bhutan hydro project, did you get some power in this season or not yet?

Rajib Mishra: Yes, it was signed and we have accounted for that period only. So that was the last leg of the wet months. So we expect that the major portion we will receive next year in the wet month. But during the dry months also Bhutan, it's a run of the river and the hydrology is better, we will continue getting some power during the winter months also.

Participant: Sir, this is how many megawatt, this project?

Rajib Mishra: 720 megawatts.

Sahil Shah: Sahil Shah. My question is based on PTC Financial Services, so basically we had improved performance for this quarter as compared to the last quarter, so do you think this trend, I mean, would remain the same good forward?

Deepak Amitabh: See, it's a listed company and obviously they have their analysts' conference and MD, a full-fledged separate management is there, so it will be very difficult for us to comment. But as we are saying that we are closely monitoring the things, and we could see the signs of good ratio during this quarter, but it is too early so let it continue for a quarter or more, then it will get more visible.

Pankaj Goel: Just one clarification I want to give. As regards the consultancy order book you were asking. So I have told Rs. 140 crores, total was right. Rs. 88 crores is the only unexecuted order book.

Aman: This is Aman. My question was regarding the divestment of two subsidiaries. Have you short-listed any investment bankers per say?

Deepak Amitabh: As he had stated, I mean, in my speech also when I gave, see that company requires equity for which the company has also been looking at, and ultimately, we are the largest shareholder so we will get either diluted marginally substantially or completely. It all depends upon the guys with whom the discussions are going to be. So I cannot say anything further than that as on now. But as and when the things happen, we will certainly come back.

And I really thank you all, on behalf of the management of PTC. And let's join for a cup of tea.