

PTC India Limited
Q3 FY21 Earnings Conference Call
February 15, 2021

Moderator: Ladies and gentlemen, good day and welcome to the PTC India Q3 FY21 Earnings Conference Call. Representing the company and to answer your queries, we have with us on the call the senior management team led by Mr. Deepak Amitabh -- Chairman and Managing Director. I may draw attention to the process that all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand over the conference to Mr. Deepak Amitabh of PTC India Limited. Thank you and over to you, sir.

Deepak Amitabh: Thank you very much. Good evening ladies and gentlemen, on behalf of management team of PTC I welcome you all to the conference call for Q3 2021 Results of the company. The results were declared on Friday evening. Today, let me introduce the people who are sitting with me. Dr. Rajib Mishra, Director Marketing and Business Development is there. Dr. Ajit Kumar who is Director Commercial of Operation he is there. Mr. Rajiv Malhotra who is Executive Director and CRO is there, Mr. Pankaj Goel, who is the CFO of the company, he is there and Mr. Anand Kumar, who looks after the Investor Relationship Corporate Communication part.

So, we had declared the results and we had also sent a press release which I am sure you all must have seen where we have seen an all round volume growth led by mostly by short term trades. So, in my view overall it has been a good quarter and if we go back to March 12, 2020 end when the lockdown was announced, and when we are sitting in that March end April beginning 2020, we could not have realized that nine month is going to be like that. So, from that perspective I am saying our better nine months than what we would have expected sitting in April 2020, but still are not like to use the expression business as usual for this quarter just yet.

Now, to understand the things which are happening especially in this since the COVID impacted the demand and supply side, we have to understand that the numbers, the robust numbers which we are seeing in nine months or this quarter especially and which may continue for this quarter also. And the growth patterns which we are seeing are a result of transitional impact. When I say transition, which we have seen at various points during this last nine months due to economic activity coming practically to a standstill and then gradually reviving step up revival which we have seen. Now obviously when such type of transition happens that has led to

changes in the demand pattern itself and when the demand and **supply has to be** produced and consumed simultaneously, so all the ability of participants on the supply side also to respond to this shifting demand or a fluctuating demand pattern in the expected timeline. So, the demand supply mismatches have led to a growth in the opportunity for traders power and this transition more than a growth in absolute demand increases as pays for trading and that is what we have always been maintaining that a lot of time questions have been asked by multiple investors or at least over the last 10 years or so, that exchanges when we have created, are we creating your own competition and our answer has always been that platform and market makers like us work in complementary and especially this becomes more important. That means available for addressing this market especially in 9 months became more granular with the introduction of real time market. So, from 1st June real time market was introduced in nine months, as I understand the total volume which has gone through RTM is about this 0.6 or some odd billion unit. And PTC has been doing in the last nine months, more than 40%, 45% of this whole thing the exact figures maybe slightly more also, but 40% share of the RTM market PTC was able to capture.

So, as I said, more and more granularity, more and more market based reforms, which we are there and as I am speaking to you just now the power market regulation 2022, has also been announced just now. So, we believe is going to lead to more depth in the market and PTC being the largest trader, which we approved many times for last more than 15 years of being listed. It is going to reap the benefit of that. So, one more thing which I just wanted to say, that we have always maintained that anyone who enters into this specially in this space, either as a trader or as a investor should not be looking at quarter-to-quarter, but he has to be more longish in his approach, because these are ultimately energy, though it's a consumable but ultimately it's related to infra and infra things don't happen in a quarter-to-quarter basis, so whether the change in pattern, change in demand shift patterns, et cetera. Obviously, it takes sometime before we know that this is not only transitional, it is going to be for long also, so today very difficult for us to make such type of statement.

And other than that, we have seen that the nine month ending also that our volumes have crossed more than 60 billion unit figures. So we should be doing, we should be closing this year with a much better than performance in the volume than we had done in the last year. And then there are financial numbers which obviously will be spoken to in the presentation by my CFO. So with these opening remarks, I hand over my mic to the CFO to make the detailed presentation, and I'm sure the presentation must have been put up on our website and that has mailed to all the participants. And then we like to take all the question-and-answer. Thank you.

Pankaj Goel:

Thank you, sir. Good afternoon everybody. Now, I will take you through the financial results of PTC India Limited for the quarter ended and nine months ended December 20. First, I will go through the quarterly results. The volume has increased by 41% to 18.6 billion units from 13.2 billion units. Total operational income in line has also increased by 52% to 186 crores from 122

crore, profit before tax has increased by 93% to 152 crore from 79 crore. Profit after tax has also increased by 94% to 113 crores from 58 crore. Total comprehensive income has also increased by 94% to 113 crore from 58 crore. Earnings per share for the quarter stood at Rs.3.82 in comparison to Rs.1.97 per share.

Now, I'll go through the nine months ended results. Volume has increased by 17% to 63.8 billion units from 54.3 billion units. Total operational income has increased by 26% to 526 crore from 418 crore. Profit before tax has increased by 37%, 459 crores from 336 crore, profit after tax has also increased by 36% to 347 crore from 266 crore. Total other comprehensive income has also increased by 36% to 347 crore from 256 crore. Earnings per share for the nine months stood at Rs.11.72 in comparison to Rs.8.65 per share.

Now I'll go through the consolidated results for first of the quarter and then for the nine months, for the quarter volume has increased by 41% to 18.7 million units from 13.2 billion units. Profit before tax has increased by 41% to 158 crore from 110 crore, profit after tax has increased by 80% to 114 crore from 63 crore. Total other comprehensive income has increased by 33% to 115 crore, of 63 crore. Earnings per share for the quarter stood at Rs.3.61 in comparison to Rs.1.64 per share for the nine months ended December 20. Volume has increased by 17% to 64.2 billion units from 54.8 billion. Profit before tax has increased by 11% to 566 crore from 509 crore. Profit after tax has increased by 14% to 408 crore from 358 crore, total other comprehensive income has also increased by 14% to 407 crore from 357 crores. Earning per share for the nine months stood at Rs.12.84 in comparison to 10.88 per share. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Two questions. First, is it possible to comment on the new power market company regulations, I am not sure whether you have gone through it, is it possible something which you can comment or is it too yearly?

Moderator: We have the management reconnected; we would request Mohit to please repeat the question.

Mohit Kumar: My first question sir, on your initial comments on the power market regulations and how does it impact us in case you have gone through the document otherwise I will look at that?

Management: It has just come, it's fresh so we have to go through the document and then only we will able to comment.

Mohit Kumar: Sure, sir. And sir what is the impact of Bangladesh, Meenakshi volume on our EBITDA can please quantify that, in the current quarter?

Management: Yes, Mohit Bangladesh quantum 200 megawatts was being supplied for the entire financial year. Initial for nine months, it was from alternate source, and from 1st of January, it is now supplied from Meenakshi Energy.

Mohit Kumar: And it is possible to quantify the impact on the quarter, on a EBITDA rough, don't know the exact number in percentage terms otherwise?

Management: The volume of energy changes will remain same. But of course from the alternative source we have to do analysis and we'll come back to you.

Mohit Kumar: Okay. Sir on the long term volume, I think we are done with all the contract right, there's nothing pending as of now. Which has started contributing incrementally?

Management: Started contributing incrementally but as you are also aware that there was a medium term three year contract. The bid have been called for and after the COVID had happened, so we can see the revival happening now and how much expect out of this 2500 in couple of months we will come back to you. There is another dimension of the trading volume.

Mohit Kumar: Right. And just something comment on the divestment where are we right now is a time line which you can provide us some kind of a tentative timelines?

Management: See, the divestment processes, I will not say divestment, dilution process which can be from 0 to 100% whatever it is there, we have two subsidiary companies which is PTC Energy Limited and PTC Financial Services. And both the processes are going on and they are taking some time for it especially, if you see in spite of the good investor interest, there is a lag due to uncertainty in the business environment, which that this budget was a very bold budget and it has really clarified a lot of things especially relating to infrastructure, which will give a good traction and other ones PTC Energy Limited, there also a lot of interest are there. But the majority of AP renewable tariff issues had an overhang on investor views on a portfolio of assets that otherwise had really good value. So, both are going on and I hope that in the next financial year, both should get certified.

Moderator: Thank you. The next question is from the line of Shailendra Mundra from Veba Financial LLP. Please go ahead.

Shailendra Mundra: I would like to know your main growth for this quarter has come from short term trading. So, what is your strategy for building up volume on the long and medium term side?

Management: As I stated earlier, that short term, the volumes, et cetera where we have seen this quarter increasing going up to 57%, normally 50, 50 was a short term and this thing because when I talked about the mismatches, which I explained in the beginning obviously, that has led to a high short term volumes also coming to our portfolio and will continue to come in this quarter

also. On the long term and medium term, because long term, medium term is there anything more than short term is considered to be a long term. So, there as I said, we are already looking at a portfolio building up PPNPSA up to 2500 megawatts, as I said there was no demand for quite a couple of months. But now, with the demand not picking up in this post this January peak of 30th January one 185000, 189,000 megawatts that we saw. The demand, we are really seeing picking up and estate and prices are also firming up now. So, next couple of months, we should be able to tie up as much as possible, which will give us a next search in the volume rather than cost of volume which will continue to be coming to our portfolio as and when the market deepens.

Shailendra Mundra: So, I wanted to understand your vision from more longer term 5 to 10 years timeframe. So, do you see relevance of our company during that timeframe and how you can grow during that timeframe. Can you, do you see long term and medium term trading volume to go up by three, four or five times, let's say over decade?

Management: There is no doubt about two things that we recollection. One is if you recollect, I don't know what is the age profile which you belong to because I belong to that age profile when I have seen 1990, when Bombay Stock Exchange was only exchange and physical things were being done, and the moment it was shifted to electronic post Harshad Mehta and Ketan Parekh, et cetera a lot of people may have thought what will now the intermediaries do, but today it is 2021, there is always a need for intermediary and PTC need as an intermediary, as I said because once you're the master of the mismatches. And the timeframe will become more and more granular, more and more granular and technology is going to aid anyone whether you are a direct participant or through a market participant. Now, short term long term, as I say, this happens in a developing nation, which we are still not developed nation, which will as you said, 10 years down the line when the supply is also let's say, 400 gigawatts and first and no further incremental supply is not much as we've seen Europe, et cetera and the US, the trading market offers you such opportunities, which we can't think of today. So, I can't quantify whether it will 5 times or 10 times that I can't quantify but looking at the international experiences, now it has to multiple or whatever we are doing or anyone else who is the master of the trading. If you keep adopting the technology, and keep ensuring that the policies are also going in the right direction. There doesn't seem to be any does of work till 2030 at least I can say.

Shailendra Mundra: Okay, thank you sir. So, I have a follow up question, so looking at our business, it's basically a trading business with low margins and my main concern is the receivables management, the DSOs have been going up recently. So how do you, how are you managing the receivables and the risk of defaults, et cetera?

Management: See, in our 20 years of the trading, which we have done there has been zero default, because if the defaults are done, then obviously much before PTC is a very small company PFC, REC, and the larger central generating stations which are there, I'm sure you must be getting the views

from them also. Other than that, our volume has increased by nine months which has increased by 17% or so. And 2400 crore was a working capital requirement as on 31st March 2020. And it remains of the similar types, so volume if they keep increasing, obviously some incremental working capital they will require. Now, with the Atmanirbhar the times one came and we hope that in a couple of month's time two should also be given. In the meantime, the Government of India has introduced these introducing the bills, et cetera, the Amendment Bill and through the policy intervention, et cetera. They are also ensuring that the utilities keep improving their balance sheet. Obviously, it will not happen in a six month or one year time, but it will take couple of years there is no doubt about that, but think we keep improving and we believe that receivable management coupled with the prudent management which we do, or play margin, you use the word short term, low margin but low margin is also associated with same contrast, our rebates is also part of the same contract. So we are always continuously evaluating each and every deal every day whatever payments we are doing, and see how the benefits can be maximized for the shareholders of PTC. And default risk, at least still today we have no concerns such as our default risk, delays, et cetera. And that's the reason you have seen the working capital requirement, et cetera. But go to an ideal scenario when there is no delays, obviously the whole model, et cetera will keep undergoing changes, the requirements of money on the balance sheet of PTC and equity to give help of these working capital because you asked a very long 5 to 10 year period you're asking will always be more whatever we can do to return the money also to shareholders as and when the scenario completely changes, the calls will be taken at that point of time.

Shailendra Mundra: Okay, sir. Sir what is the aging profile of receivables as of now?

Management: Yes, I'll tell you. You know that we always say that we always state that, as Chairman sir has explained that we measure ourselves in terms of the net working capital, net working capital means the debtor minus the creditor means that how much exposure we have taken on the time of party. So we go by this analogy so we have a net exposure of 2500 crores as on December and out of that, if you see more than six months exposure is around 368 crore and out of this 368 crore there are two parties for which we have more than 180 days outstanding, that is UP around 100 crore and the Bihar is around 138 crore and out of this 100 crore also of UP we have get a discounted and so, there is very low outstanding as far as the UP is concerned for more than 180 days also.

Management: And see Bihar we have seen for last 20 years pattern which we have seen, that they always continue making payment along with the compensatory payment which they have to do on the account of delays, et cetera. So, we have a very good track record of these states.

Shailendra Mundra: Okay. So, how much is your exposure to the private party?

Management: Almost zero, you can say almost zero as on today. Because from the private parties generally we take advance for trading or exchange. So, they give us advance then we trade on their behalf.

Shailendra Mundra: And how do you introduced the system of selling with an LC?

Management: Whatever the regulations we have asked, we are compliant with the regulations.

Moderator: Thank you. The next question is from the line of Krishnakumar an Individual Investor. Please go ahead.

Krishnakumar: What is your net margin excluding rebates and surcharges?

Management: 4.4.

Krishnakumar: 4.4, so if you see around the 3 points last quarter?

Management: Yes, it's 3.68 in the last quarter, last December.

Krishnakumar: Okay. And on this divestment targets is there anything progressing now or is it come to a standstill?

Management: Sorry?

Krishnakumar: On the divestment and the valuation PFS is anything progressing or everything has come to a standstill now, other development?

Management: No, recollect as I said, the divestment process is taking sometime yet. We would like to see more progress and a definite outcome by now, however despite a good investor interest, there is a lag due to uncertainties in the business environment. And infrastructure finance in particular has seen a lot of uncertainty during the last past last one year, but we are optimistic that the budget and its directional guidance BFI, et cetera is changing that, and that we will see visible outcome coming by the middle of this calendar year.

Krishnakumar: Okay, and as regarding the future going forward the new power exchanges are coming. So, could you be a contributor to the volume to the power exchanges or could you be competitor to the power exchanges?

Management: As I said in my statement earlier, that we are the market makers and we never have seen and this is not a statement today, it has been there since two because we were the first promoters also in India, first power exchange also, co-promoted by us, because we have seen that there is a complementarity between a trading platform and the intermediaries or market makers, as you see Energy BSE is never a competitor to Edelweiss Finance or to any such type of, I am

taking a name not for the sake of it, but they are all complementing each other. So the same thing happens in this market also these are electronic platform, more efficient platform more granular, more time wise you keep reducing the time cycle, more debt will come into the system.

Moderator: Thank you. The next question is from the line of Sandeep Rai from Oculus Capital. Please go ahead.

Sandeep Rai: I just have one question. Can you give any update on power trading exchange and what would be the restrictions on you being the largest trader and what is the rationale for the same, thank you.

Management: Just now it is still under regulatory approval. So they have given the notices, et cetera. The brand area where PTC, BFC and ICICI Bank have created the same. So, we are still once we get the final approval then only the activity will start and our strategy will unfold only then.

Sandeep Rai: And regarding the restrictions sir anything?

Management: The Chairman has explained the registration process is on with CERC, they have given a notification in the newspaper yesterday. And as per their timeline, we'll get the registration very soon.

Moderator: Thank you. The next question is from the line of Vikas Kumar from Creative Ideas. Please go ahead.

Vikas Kumar: I have few queries to the CFO, if they can elaborate, I've seen that as explained number of units or the volume has increased consistently and in the last quarter also there was a tremendous increase. So, firstly that the revenue from operations are down by 28.7 crores if I am not wrong?

Management: Revenue is unit multiplied by the value of that unit. So, suppose I do 100 units and if it cost Rs.3, same 100 unit will cost me 300 and if it cost Rs.5 the same revenue from that will be 500. So, revenue is something which we should look at it in a very agnostic way, we should look is the gross operating margin or total operating margin sale minus purchase and plus anything to do with the contract, whether it be rebate and surcharge. So, till the time that thing is in comfort zone, because revenue will be on price at that point of time, because suppose this time we have done 57% in short term. Earlier we were doing 50% in the short term and the value let's say was Rs.5 per unit and this time it was Rs.4 per unit, obviously the top line will be different. For the generation of **(Inaudible) 32:35** top line becomes very important.

Vikas Kumar: No, sir my point of view was that if the operations revenues are down. Sir it is operation revenues are down, it is only the other operating revenues which is surcharge income has gone

up by Rs.48 crore. So, overall revenues are down from last year by 28 to 7 crores. It is because of the surcharge income tax which is above 48 crore is surcharge income?

Management:

In the meantime, let me find out the figures, et cetera. But please understand, see, there are types of, I don't want to get into like you can have one-to-one discussion with me or with my marketing team later on, that is we are with PTCS expertise, we create the structure, the structure may have a higher margin or a very small margin along with the surcharges and whatever is more beneficial to us, we structure the product accordingly, which is accepted in the market. So, there are multiple variations which go in every structure, long term surcharge is different, short term exchanges surcharge maybe different it may be linked to this thing or it may be delinked. So, every transaction is so different so we cannot make a general statement that surcharge is not a part of this thing. So, this is what I understand, but CFO you can complement.

Pankaj Goel:

Actually if you will analyse the result. As Chairman was saying, that if you see purchase and into that you add other income which is generated out of the contract like rebate and surcharges and we have a small consultancy income also. So, the total operational income has increased from 122 crore to 185 crores for the quarter ended and for nine months, it has increased from 417 to 525 crore. This is the extract from the publicly available result actually.

Vikas Kumar:

Sir I agree with you. The only point I am referring to is that the regular revenue is from the operations, surcharge is always a separate part. So, if somebody has delayed the payment, it is not a regular income. So that cannot be consistency, consistency can be either in terms of increase in volume or it can be increase of margin and both the things volume increases there but margin is down that is what I am asking?

Management:

No, as regard the operating margin, if you will this the same man has purchased the total operating margin from the sale other than rebate and surcharge as you are rightly saying for the quarter it has increased from 48 crore to 82 crore for the quarter and for nine months ending it has increased from 198 crore to 282 crore sir.

Vikas Kumar:

Now, I am coming to the last, I am coming to know the fact now. I see in your fingers that quarter-on-quarter basis purchase is down by Rs.69 crore while your revenues are down by Rs.28.7 crore that means what you are paying is far less of them for what you're getting. So, there is some mismatch here. So, that means you are paying less for the purchases, purchase has gone down by 69 crores?

Management:

There is a remaining term also which is included in the sales and purchase because on the reverse side, if you will see that on the last quarter we have earned 24 crore. But in this quarter we have earned 30 crore and in the December 19, we have 85 crore and in this quarter we have earned 70 crore that depends on the payment pattern of PTC. So, we will explain you

offline every figure is reconciled and will satisfy you to your satisfaction, no problem at all. So we'll contact you offline.

Vikas Kumar: Sir my next question is, finance cost for the current quarter for PTC India has gone down by half that's very encouraging from 14 core it has gone down to 7 crores. But that same is not reflecting in the subsidiaries, especially PFS. There, the deduction is very marginal.

Management: See, that's what I am saying that's a separate company, listed company and their conference step to clear last quarter. So, the MD of PFS will be the most suitable person to answer these specific finance related question. PTC we can answer anything whatever you are saying.

Vikas Kumar: Right sir. Regarding PTC now, your MNC exchange that you're saying is still not operational and notifications are still being done. Now, this is a scenario from quarter one June quarters then we had our concall the investor meet. They're also the same thing was there that energy exchange is being done. And it was supposed to start in two months and you were supposed to reduce your stake from 25% in that to 5% as per the mandatory process of the regulator. As per the Amitabh you have told that it will be done within two months now. Please clarify.

Management: Yes, as you are aware that Supreme Court closed the CERC from September till January end, number one. Number two, I have never said that I will be reducing to 5%, what happened when we filed, initially there are three promoters. So that took time before the CRC. There was a long discussion over a period of time and we said that once you give approval in principle, then only the other investor will come in. And people will get diluted to whatever the regulatory compliances are there, the 25% maximum one can go, as per the regulations. Now, we were advised by our advocate that this line of argument will work, but somehow this did not appeal to the CERC. And CERC gave, in July end it said that within eight week, that within two months you come back to us, we understand whatever you are fit to be given but all the objections of other exchanges, PXIL, IEX and other people they consider and still they give us a very clear cut standing order in July, that in 8 weeks' time you come back with the regularity, no one should hold more than 25% which we give before the close of eight week, from 24th or 25th September, we went and filed the petition giving the new shareholders who have joined and how the reduction and PTC has got diluted from whatever 40, or something we're there to the regulatory compliances and that point of time, the Supreme Court for whatever reason put a hold on the earlier appointment of two of the members which took four months with government of India also could not do anything. Now, after a lot of persuasion, certain issues if you to talk to me offline, that you can talk to me offline I can give you the figures and facts, et cetera. So, obviously the moment CERC has opened they gave this order, whatever first order which they have given is that issue public notice which my Director explained to you sometime back that 45 days, there is a 50 days' notice is there. So, nowhere we have misstated anything. We work and regulators and Supreme Court, if I say then I stand corrected. And I can also say then I stand corrected and in my dreams also if I say I know Supreme Court will listen to me

and the regulators will listen to me then I will withdraw my statement if I have given that. Thank you sir.

Vikas Kumar: That is not the point sir, I never wanted to make you understand, that's not the point I wanted just the clarification. Thanks for that. Now coming to another point in energy exchange, kindly elaborate what since five years is already function, we already have 97% stake in energy exchanges and all the energy and now they are also coming up with gas exchange also as a subsidiary, what is the rationale for having another exchange and competing? And what is PTC going to gain out of it?

Management: Let me just clarify one thing. Please study Electricity Act 2003, if you want a monopoly of anyone like we were also the single trader in 2002 and had there been no competition, nothing could have been done in the trading market. So we have always welcome competition when 30 people or 40 people were issued licenses, we never said, we were never bothered. So, you mean to say that with a 97% let a monopoly business in this private world continue that is what you are trying to say?

Vikas Kumar: No, sir I am asking rationally what is PTC going to give that's all. I am not defending IEX, I am actually motivating as an investor of PTC I am just trying to assure that.

Management: Yes, as I said you will have to be patient investor. You are investor with us, be patient for sometime, and you will see that as I said sometime back we will unfold that strategy after sometime, let the minor thing come and then we will be unfolding our strategy.

Vikas Kumar: We have been patient investors and from last one year we have been disinvested, PFS is getting disinvested now your statements are saying in the same way situation today also you have told that you are going to dilute this stake that can be from 0 to 100% whatever. **(Inaudible) 43:06** which was always disinvestment and bids were called and July was the deadline and you were to take a call in one month, now it's been almost eight months nothing has happened and we are patient enough sir but patient is running over.

Management: COVID was not done by us.

Vikas Kumar: Sir July there was COVID, COVID was there in July also, and it was at the peak of that time when you announced that it is being disinvested. Sir, we are not talking about January, we are talking about July.

Management: July also when the investors' interest was there because till June the India were in completely lockdown we have an investment advisor which was IDFC Security now DAM Capital they advised us after this Jio, Jio deal was done in June, July. That again that traction is coming back to India, so therefore as per the advice given by investment advisor we have because this is one area we have to rely on the investment advisor who are giving us advice. That's all I can

say, going on and as I said to you, infrastructure science you have seen, PFS also you have seen or any infrastructure finance last year was a very bad time for all the infrastructure finance company. And now some are retail, so therefore it is taking time.

Vikas Kumar: Sir Jio is an infrastructure, they have got billions of dollars in it and we have still not been able to finalize for the finance committee?

Management: I am talking about infrastructure NBFC.

Vikas Kumar: Sir infrastructure NBFC on a role, all the NBFC are on the roll on stock exchanges and while all the interest are there, may be in one month we have the bids and we are still not been able to finalize despite having two of the renowned security analysts and advisors with us, we are still not been able to scrutinize or finalize and give the main people who are the bidders. No, this is not done sir, I'm sorry to say we are disappointed as investors that every year, every concall we take place, there is only one thing that we listen to, that these things are going on going on, we will get back to, we will get back, nothing has happened from last three concalls. And while the bids were already there, names are with you, you have still not announced the names.

Management: Thank you very much for giving us the advice and we will take, we have noted all your advices and let me assure you that we are taking sufficient steps. Everything cannot be discussed at this forum. If you really want to know what is going on, you can always contact our investor team please.

Moderator: Thank you. The next question is from the line of Chanamallu Halagudi from Mora Academic. Please go ahead.

Chanamallu Halagudi: Sir, since two con-calls I am listening that divestment will take place before the end of the March 30 this financial year, but nowadays you are giving answer in a diplomatic way that time will take, this will take time, this will take time. So, what is the real reason behind this delay. So, we are invested the hard earned money and that was stuck in this disinvestment manner. So because of this disinvestment delay, so if you cancel this disinvestment automatically our entire effect will come to 50% reduction. Because of this disinvestment news only that share price is around in between Rs.18 to Rs.20. Any investors purchase their share in between Rs.18 Rs.20, but you people are given only diplomatic answer, at what time we will complete the divestment process, please give us the exact truth sir.

Management: I cannot comment about someone picking up share or somewhere else. I cannot comment as a Chairman of PTC. Thank you.

Moderator: Thank you. The next question is from the line of Shailendra Mundra from Veba Financials LLP. Please go ahead.

Shailendra Mundra: And, my follow up question on the issue of receivables I just wanted to understand because you are measuring your outstanding in terms of net working capital. So, wanted to know, what is the nature of your contract with your supplier. So, they get paid only when you get paid Is it the way the contracts are worked?

Management: No, this is the other way around, because if we pay when we received it means that our total debtor should be equal to total creditor, but this is not the case, because as Chairman has explained earlier, that because as per the terms of the contract, depending on the financial health of the DISCOM, if paid to the generator before the due date, for which the company earns the rebate, that you must be showing in our results on the last two, three years about our rebate income. So, when we pay before the due date we get rebate on that, so this is the difference between the debtors and creditors is reflective of our financial strategy. That's how we are paying for creditor and earning the rebate income. So, even if you can that our rebate income and surcharge income is going ahead and even though our net working capital is not increasing so that is the sufficient justifications that we are applying the right financial strategies and without increasing the gap of working capital we are earning more this sort of other operating revenue as per our contracts.

Shailendra Mundra: So, what my concern is that while your financial requirement is only the net working capital, but as per contract, if you are supposed to pay the suppliers irrespective of whether you receive the money from your customers or not, your liability is much larger right?

Management: So, because as the CMD sir has already explained, that we are saying and receiving as per the regulation. So, we are receiving LCs and we are giving LCs also. So, that is a secured payment as per the regulations.

Shailendra Mundra: So, how much of your supplies, your sales is governed by LCs in terms of percentage?

Management: This is as per the regulation or long term growth.

Management: All long term and medium term. All long term, medium terms contracts were covered by the LCs.

Shailendra Mundra: And what about short term sales?

Management: Short term sales also people pay as the advance then only we buy for them, otherwise we don't buy for them.

Shailendra Mundra: So just curious to know like in the equity stock exchanges there is, the payment settlement is guaranteed by the stock exchanges themselves. Does that kind of system work in the power trading exchanges also?

Management: No, power trading exchange it happens, in exchange it happens.

Shailendra Mundra: If you are doing through the exchange it happens?

Management: Yes.

Shailendra Mundra: And sir I wanted to know, have you studied or evaluated doing a buyback in our company?

Management: I will not like to make a comment just now. We are continuously evaluating many things. And that is also, we have declared a dividend policy also in last year, January. Where we so, whatever is there accordingly, we'll do that.

Shailendra Mundra: I just wanted to request you to consider doing buyback. In lieu of there's no need to pay all the money in form of dividends only. There is merit in doing buybacks because you can reduce the floating stock, you can improve the earning per share as well as return ratios by doing buybacks and buybacks are more tax friendly also for the investors.

Management: We are noting it.

Shailendra Mundra: Please note that down and thank you for giving handsome dividend law in the past few months. So, I really appreciate it and the problem is that most investors they look at charts and historical data and the share prices don't get adjusted for the dividends, if you do buybacks, the EPS will go up and the company will show better performance, floating stock will go down in the market and the earning per share improves, the price of shares will also improve which will make investors happy. So, please evaluate that. Thank you very much sir.

Moderator: Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss Securities. Please go ahead.

Swarnim Maheshwari: Sir two, set of questions. First one and please correct me if I'm wrong, but for the first 10 months data as per CERC we were looking at the short term market data and there was one emerging trend where in what we have seen is that the traders market was kind of declining, it declined by almost about 25% to 30% in the first 10 months and at the same time, the DSM/RTM market. So, first of all why is that happening and what is the reasons and if it is sustainable, that's my first question sir.

Management: The trend if you see there are two things which we would like to give you some kind of indication on this, that the prices in the exchange market was extraordinarily low, because of the low demand in the first two quarters, the first there was a lockdown in the first quarter, and the second quarter also there was partial lockdown. So, the demand was less and so was the pricing. So, exchange was lucrative to all the buyers who were operating to the exchange. So, compared to the bilateral market, the exchange was operating better. Another reason why you are seeing a trend where you are seeing that the exchange volumes are increasing in the last three quarter, whereas the bilateral contract where the prices are slightly dearer is less

attractive in these funds. But again, if you see in the month of December in January, we have already reached a peak of 189 kilowatt. So, here on the depth in the exchange markets are low possibility of the volatile market picking up from now on maybe there. So, these are all some of the forecasts, but of course the real thing will happen as and when it comes.

Management: On a day of transition what doctor Mishra has already answered the question, that why there is a between the direct exchange and bilateral trading, bilateral OTC market there is a this thing, but as a trader whether it is being done through a OTC market or whether it be going down from exchange market we have to be there and we are there.

Management: So, this is Rajiv Malhotra. I am not exactly qualified to add to my colleague, Dr. Mishra's view on the markets, but just an additional point here, in one line anybody including investors love arbitrage. So, there is some arbitrage play happening in these six or nine months. Second, correctly pointed out earlier that, exchange and you call it a trader market will we like to say the OTC or the bilateral market and the exchange traded market because we are active in both. But, the best part of the exchange liquidity is thanks to our operations. Now, that's the complementarity directly which you are seeing and the breakups that you find on a three month or a nine month basis. We would allude not to draw long term from these basis. That's the only additional point I would say.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Asset Management. Please go ahead.

Dhruv Muchhal: So, one thing I noticed is for the last two quarters your volume are very strong and at the same time we are also seeing a rise in the coal trading margin, a descent increase in the coal trading margin. And this is even if I consider that, despite the fact that the short term volumes have increased where I believe the margins are relatively lower, typically versus your historical trend. So, I just wanted to understand is this a one off here or this is a sustainable trend, the margins on the gross trading margin?

Management: The margin what you are seeing is because of so much of dynamics in the market it's not that you are very right in saying that if we are trading through the exchange margin naturally the margins are less, because we are not taking any risk and directly we are getting all the advantage and then we are making the purchase on behalf of the buyers but in the other market what we have explained just a couple of minutes back, there are a lot of dynamics, there is some of the long term market can be switched over to short term market and vice versa, if required as it is there in the PPA so these dynamics we have operated efficiently and we could earn more margin.

Dhruv Muchhal: Got it. So, I believe this is linked to, my next question was also linked to this is, I believe you're referring to the RT market where you're seen descent volume because RT volumes have increased and you have 50% so that means your volumes are driven by that. So, sir my point

was, if the margins are linked o that and RT market continues, is there any reason to think that the margins will not remain at the levels they are now?

Management: Again I'll repeat what I said earlier, margins are mostly other than some of the exchange volumes, most of the other margins will be more dynamic. And the kind of market we are seeing in the last nine months it is very volatile. So we understand that if we are more agile, certainly the margins will be as per how we operate in the market.

Dhruv Muchhal: Okay. One last question was, one of his earlier comments, that the volumes in the, your volumes and even the short term volumes are higher, also, because of some of the mismatches between how supply is working and how demand is responding to that supply. If you can elaborate a bit more and I did not understand it that well. What are you particularly referring to?

Management: What is the question if you can just repeat?

Dhruv Muchhal: Yes, so I was saying that in one of your earlier comments, you mentioned that the volumes are higher for short term volumes and the overall volumes are higher because of the mismatch in the market, the supply has not responded as well to the demand. So that created opportunity, then that led to the volume. So, I just wanted to understand more on this, if you can highlight a bit more?

Management: So, I'll try to explain it as simply as I can and if I fail we'll repeat it. We are not saying that because the supply failed to respond, the opportunity was set up what we are saying is transient, the kind of pattern you saw in a build up over the nine months it's not a business as usual nine months. Now, therefore that mismatch is instead of mistaking us for having a strong correlation only with the increase in overall demand, look at us as creating opportunity when there is a demand supply mismatch. The overall demand does help our recall, for trading based is expanded when there are demand supply mismatches. That's the first part. On the second part of your question, if I've heard you correctly you are saying volume such state or have come at the shorter end and this is a trend is it.

Dhruv Muchhal: No, I understand the point it was relating to my earlier question only so I get the point. I got clarified, thanks a lot. And sir one last quick one was, so when is the first medium terms PTC, the 1900-megawatt contract ending, the time whenever expiring the three, I believe it's three years when is it expiring?

Management: It's not in this financial year, mainly from next financial year we will have thoughts because it was signed at a different point of time so it will continue this financial year whereas in the next financial year.

Dhruv Muchhal: Okay, FY22, part of FY22. Got it.

Moderator: Thank you. The next question is from the line of Danish Mistry: from Investor First Advisors. Please go ahead.

Danish Mistry: I just had one question on debtors, you did mention that you do look at networking capital kinds of status. But just to understand, versus last quarter when your receivables were about 8000 crores on a standalone basis, do you think that has come out or remained the same or increased?

Management: No, you are right to the extent that in September our debtors were 8000 but in every quarter in the conference we also explained that our debtors are related to because of our cyclic sort of a business seasonal business, because in September there is hydro season, and always the debtors are in the September seasons.

Management: So, let me give the figures whatever had been made by you all, that if I understand that we have progressively decreased outstanding debtors from 9143 crore which was there on 30 June 2020 of 8049 crore as on 30th, September 2020 to 7455 crore as on 31-12-2020. And we strive to keep it vigil on our collection.

Danish Mistry: Got it understood sir, that's very helpful. And just one broader question, this time round the budget has turn as kind of focused on including the health of the SEBs, so do you think that at some point of time these receivables would come down as a percent of sales, or you think it would continue with increased business.

Management: See, frankly speaking our business model has been such that in both the things we are comfortable. In both the scenario, that is what PTC history if you are selling from this 2002-3 that we are comfortable in both the type of scenario, if it improves also as I said then then we can do a lot of capital relocation which can be done and if the health remains the similar then we'll keep making money at multiple points, that's it.

Danish Mistry: Got it sir. And if I can just squeeze in one more question and only if you have been sharing these numbers in the past what would be the nine months profitability of PTC energy versus last year nine months. if you can share it that's it?

Management: Yes, I'll tell you, in the company asset they must have taken that. Profit after tax for the December 19 some crore. 102 crore for the nine month ended during last year. now this year it is 80 lakhs.

Management: Yes, there has been because as told to us by PTC Energy Limited.

Management: Just a minute, profit after tax is 32 crore for the last nine months and 70 lakhs for this.

Danish Mistry: I am sorry so 32 crores is nine months of this year versus 72 lakhs.

Management: What you are saying is just a reverse, 72 lakhs for 30th September, nine months 2020, and 22 crore of 2019 nine months.

Danish Mistry: Okay. And what was the reason for this impact on our profit?

Management: Dr. Rajib Mishra who is also MD-PEL he will explain this.

Rajib Mishra: Yes, particularly in the months, that is the month of April, May, June and July. This year, the monsoon was excellent but the wind was really very cold and there was a fall in generation not only in PTC, Energy but all the wind generators in these states where we have assets to the extent of 35% to 40%. And these two quarters accounted for a major fall in the energy generation. And that is the major reason why we are seeing some differences. Of course, the third quarter we have slight increase compared to previous year. But that is not so windy as compared to the first and second quarter. So we are getting some kind of hits, because of the less generation during the peak months for wind.

Moderator: Thank you. Due to time constraints that was the last question. I would now like to hand the conference over to the management for closing comments.

Management: Thank you very much for a patient hearing. And we believe that going-forward, PTC standalone business should continue to do well. And hope to catch you up in three months time, three to four months because normally annual accounts we do by May, May 2021. So once we do that, we will be speaking to you all again. Thank you and very much for the patience.

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