

PTC India Limited
Earnings Conference Call
June 25, 2021

Moderator: Ladies and gentlemen, Good day and welcome to the PTC India Limited Investor Meet. At this moment, all participants are in the listen-only mode later we will conduct a question and answer session. At that time you may click on the Q&A tab on the left side of your panel to ask an interactive or a text question. Please note that this conference is being recorded. I now hand over the proceedings over to Mr. Deepak Amitabh – Chairman & Managing Director, PTC India Limited. Thank you and over to you, sir.

Deepak Amitabh: Thank you Moderator. Good evening ladies and gentlemen, on behalf of the management team of PTC I welcome you all to the conference call to discuss the result of Q4 2021 and annual results of the company. Before I begin my dialogue it is very important for me to introduce my team members to all of you. Many of them are known faces and there will be one unknown face also. First, I will introduce Dr. Rajib Mishra he can wave his hand, he is the Director Marketing and Business Development whom you all have been seeing for quite some time and another veteran which we have is Mr. Rajiv Malhotra – Executive Director and CRO then we also wanted to introduce Mr. Harish Saran who is Executive Director Commercial and Operations and then Mr. Pankaj Goel who has been the Chief Financial Officer for so many years. Now we have strengthen our investor relations team which is now represented by Mr. Sushant Chaturvedi who is a new face for PTC though an old veteran of the industry and Mr. Anand Kumar who has been interacting with you all. So, before I get into my own dialogue I will request Sushant Chaturvedi who is appearing for the first time on behalf of PTC to give few brief lines about himself.

Sushant Chaturvedi: Good afternoon sir. Thank you for the introduction. Good afternoon everyone all those people who have joined here today on the occasion of our web call which we have organized today to discuss our results. Thank you very much for being present here today I wish and pray that all of you stay safe in these current times of going through the pandemic and we hope that the third wave which we are talking about would be far, far more moderate than what we have encountered so far.

So, just to give you a brief background about myself. My name is Sushant Chaturvedi I have been a career investment banker for over two decades close to 24 years. Having worked with several large organizations like Alliance, IL&FS, HSBC, Avendus and Publicis. I have had very close interaction with the investor community not only in India, but globally. We have had the pleasure of going out on several road shows with the chairman as well in my capacity as a

banker. I have been involved with PTC for close to 15 years having been involved in the initial QIP of what we did for PTC and then for PFS. So, thank you for having me over sir and giving me the opportunity to interact with all the investor community. We look forward to your continued support and pilferage in helping us grew further. We have planned some very interesting initiatives going forward which you will get to know in due course of time and I hope to continue to get your support and cooperation in making this year a landmark year for us. Thank you sir over to the chairman.

Deepak Amitabh:

Thank you Sushant. So, this time we are changing the format also slightly in this interaction which we are going to have. So, after my initial short remark this time I am going to ask my director marketing and business development Dr. Mishra to elaborate on certain issues which are very relevant to understand the power sector and the power market in this country. So, just to begin with during the quarter our volume recorded an all-round growth led by short term trade. The catch up of economic activity loss during the COVID times has been the biggest driver for this increase in the short-term period in the last quarter.

The uncertainty and demand has manifested in the growth that was reported in the shorter tenure segment of the contract as COVID still poses a challenge to the life and livelihood. We have just gone through the second wave of COVID-19 lesser said it is better, but what also we saw during the last quarter Q4 of 2021 good fiscal intervention by the central government for demand creation happened. Budgetary focus was there on spending, development of industrial infrastructure, etc., which have played a substantial role in keeping the electric demand from not only in Q4, but in the going forward even it is there hit by the second wave also, but we can see a lot of things happening because of those steps taken by government of India in Q4 21 and the consistent key benchmark rates of RBI have helped drive industrial activity in this tough year also.

Now I will not talk about the figures, etc., which you all must have seen, analyzed in the time we declared the result, but just I wanted to precise that the growth in business has been due to our ability to adapt, to change and continue delivering services, exploring business opportunity and this has been the key to maintaining our business dealership position. This year we are seeing a full term almost a full year of real time market not getting into....Director (Marketing) will cover these areas, but the availability of this product for energy planning closer to the consumption window is also providing traction to our energy portfolio activities which again will be covered by Dr. Mishra and there have been many policy changes also contemplated by ministry of power during the year including MBED, market coupling, new tariff policy, etc., which could have an impact on the evolution of power market and business and we also continue to make significant progress in rendering innovative solutions to various market participant thereby strengthening our engagement and positioning with various part of the value chain or the ecosystem whatever we have said that and PTC is committed towards investment in people and system to build capabilities and right solution.

I am confident that these investments which we are doing some of which you must have seen yesterday when we reported certain things to the stock exchanges about certain acquisitions also. These are small way to drive our future prospect and position to grow and prosper in future. So, now with this opening remarks I am going to request my Director Market Dr. Rajib Mishra to take us along on business done during the last year by the company and if required I will intervene at a shorter intervals also if required. Thank you very much Dr. Mishra.

Rajib Mishra:

Thank you sir and good afternoon everybody. The year which has just gone by is a year which will be always remembered in history for his uncertainty. So, as the case with the power supply trading and the service to the customer, but let me tell you it is really a pleasure moment for us meeting our investors and informing you that we have created a record by trading 80 billion units this year which is almost 21% higher than the volume traded last year when we met you all during last investor conference there was question that whether we can meet even what we have supplied or traded in last year, but it is really something which is a pleasure for both you and us that we have surpassed the expectation by almost now 21%.

Now little bit of uncertainty will always bring some of the changes in the portfolio and that is the reason what you have seen, but after the completion of the year I can say that we remained at 50% supply from long term, medium term and cross border and 50% of it is on a shorter term both in terms of bilateral short term plus exchanges. Now as I mentioned that it was a year of uncertainty so was a demand and it kept on fluctuating at different quarters and to meet the near-term supply demand shortage the shorter term was opted or preferred by the customers we made ourselves customized to the solution which was required by the customer and we could meet their requirement in whatever form and format they wanted to get it supply.

Most important thing which I would like to share with you all is the real time market was introduced on 1st of June 2020 it was a new product internationally this real time market is called intraday market and we were not really customized to this kind of a market because it is a shorter version of the advance planning, but it is again a pleasure to tell you that PTC in this segment has almost completed or almost served 44% of the total volumes which is substantial keeping this as a new product and we have done almost 9.7 billion units total that is exchange has done it and we have done almost 4 billion unit of partly a real time market and we have supplied to most of the large utilities and customers this product.

So, what Chairman has just mentioned that we have adapted ourselves for this product and we were the first to supply let me proudly announce it that PTC was the first company which started the RTM products in the first day of 1st June and after the completion of almost 9 months we were the largest in doing this trading as well. Now you always asked that the long term, medium term how PTC is going to perform we could schedule more in terms of long term and medium term particularly the cross border have seen a rise with the supply commencement of month issue for the entire year and that has given lot of increase and we

have increased the cross border for the long term more than 5 billion unit in the last year. Sir if you would like to add something here before I switch to the newer products.

Deepak Amitabh:

Just to summarize two, three things I just want to reemphasize the prices on the exchange also became lucrative incentivizing these lucrative to shift their mode of procurement. Second thing about the RTM when we talked about that shows PTC preparedness market responsiveness that is a very important thing which I wanted to highlight and also we did GTM trade **(Inaudible)** 12:57 the second one which was started we did we are present there also and third thing which I just wanted to reemphasize that despite an year where the power has changed volume dominated the portfolio 50% of our trading volume is still came from medium and large term. In a portfolio of 80 billion unit 40 billion unit came from sustained profitable businesses and that shows the results, etc., that get reflected in the business.

Rajib Mishra:

Sir to continue from there one area which we have always mentioned in our annual results is the retail or the large industrial consumers we have not lost our site in this area of course 1 megawatt and above customers are always known as open access customers. We have focused more on the large industrial consumers which themselves are consuming more than 100, 200 megawatt of electricity and they themselves is good enough to be called as a utility. So, in this year we have added many number of large industrial consumers and we are keeping our focus on this not only in terms of supplying power in terms of trading but giving them advice in the area of energy management or consultancy advisory, energy efficiency because these are all linked areas and any customers who comes in our port is also looking forward to PTC for this kind of solutions as well.

So, our focus is very much here these are potential star customers who can convert into a real business in years to come and we have not lost our focus in this area. The area which was always a focus area for us was the consultancy and advisory area and we have kept you all informed about this area. In consultancy area we have mentioned about the energy efficiency solutions including audit management unit for their large project for ESL then port and the everywhere distribution areas like we have done this year Paradeep has a new portfolio which has come into our fold. MPAKVN has been given back to us for another three years than many other ports and large SEZ are coming to our fold as and when it comes to our fold we will inform you.

So, the total order value for these consultancy and advisory services has reached to very significant number that is 200 crores out of which we have clocked 29 crore plus for as a revenue for this financial year and we are also trying to go into or into some niche areas like energy portfolio management solutions, transmissions and GIS and AIS advisory services the seeders for large industrial consumers. So, these are some of the consultancy area, engineering consultancy area which we were doing, but we are getting new contract particularly we have got a new contract for this fertilizer and that is substantial micro plus order for the engineering consultancy. So, these are some of the areas which we were focusing in the past. This is still a

growth area for us and we expect that this will continue to grow each year. At this point of time we would like to inform to the investor our new acquisition what we are trying to do or should I continue.

Deepak Amitabh:

I will just like to reemphasize on the two important things which Mr. Mishra has spoken about one is retail being a new growth driver and second was consultancy in advisory. Regarding the retail being a new growth driver I just want to say that we were B2B player and we are now transitioning from B2C player portfolio and world over we have seen the value associative with B2C is quite always high and now we have started to go along this path. So, that was regarding the first point which we talked upon and about the consultancy and advisory whatever he has stated that this is a area of key focus for us. It has shown a 20% growth in the operational income and we are looking to scale this further. It is also a strategy to diversify our business model to include non regulated revenue schemes also. So, on one side we have the trading business, etc., which we have been doing and this is another stream which we had started sometime back and now what Dr. Mishra is going to say and why did he make all these acquisitions, etc., are going to add to the non-regulated revenue stream.

Rajib Mishra:

The important issue in our consultancy and advisory business is again energy portfolio management. Although we have mentioned that in new products and the new regulations are allowing new products which are nearer to the dispatch. When I say nearer to the dispatch that means you have limited time to decide which product is useful in your far procurement portfolio so that it can give you the maximum benefit from the market. So, till now most of the utility discoms they were using their gut feeling to decide what should be their procurement strategy, but with time it has been seen that you need to plan it better and to plan it better you need to forecast better and to forecast better you need to have scientific tool to support your decision making and that is what exactly we have in our mind when we feel that now onwards are trying to make it more a technology driven advisory in energy portfolio management solution and very soon we would like to inform you that we are hiring people from the industry who are specialist in this area and we are trying to create a niche or a strategic business unit within the company for the technology support to support the customers and to support the internal functions in the company. So, very important step, but at this point of time I may not be in a position to share you more details, but certainly as and when it happens we will come back to you and inform you more on this.

A very important question which you people always ask and I would like to inform you all also that we are the nodal agency for or the aggregator for the pilot 2 where the price discovery was done last year in the month of February because of the Corona period although there was a very good response initially from all the utilities, but as because there was a dip in demand the final signing of the PPA PSA could not happen last year now we have reached to a stage that we have a confirm 1,070 megawatt of PPA PSA which we are going to sign shortly with all these states and we expect much more to come maybe in couple of days more because there is now there is a rise in prices both in exchanges and RTM and there is also increase in demand

in the Pan India because of this summer. So, keeping all this we are keeping our fingers crossed that we will be getting more orders beyond 1,017 megawatt. Sir you would like to add something before I switch over to the new products.

Deepak Amitabh: We successfully did the Pilot 1 scheme and now we are well positioned for the Pilot 2 and this highlights our strength as a solution provider even naughty problems of standalone results that is what I wanted to say. Thank you.

Rajib Mishra: Now there are two very important products or I say very interesting products which ministry of power is now trying to launch and the MBED and second is the if not a product, but is the concept of market coupling both have positive bearing on PTC when we analyzed our portfolio if you allow us I can explain what is the concept of MBED it is MBED is a concept where the scheduling of all the power other than the hydro and renewable will be done at a national level through a price discovery mechanism and the least cost variable supply should be preferred or would be preferred to supply first and then subsequently the picking order will be decided.

So, this is a concept which the ministry of power is trying for long, but they have given a day from 1st April 2022 MBED will be for phase 1 they will introduce it, but we have analyzed our portfolio and it is pleasure to inform everybody that we have after considering our portfolio of long term or medium term we can easily say that MBED within PTC portfolio as it is existing today we are going to get benefit of MBED even if we are not looking the product in a larger perspective. In the current scenario also, we are going to get the benefit of it, but of course MBED will bring lot of opportunities for a trader like PTC which has a dominant position in driving the market and utilizing this product better.

So, as far as MBED is concerned this will be helpful for us and that is what we have analyzed, and we can mention it in this conference. Second is the very important aspect of market coupling right now there are two exchanges which are operating in the country IEX and PXIL and both are discovering their prices every day on a separate platform and the prices are not same. To implement the MBED and also to give a uniform prices for all the buyers and sellers in the exchange I think the market coupling will be very useful and in the PMR-21 the regulator has clearly mentioned that it is to be implemented on a day which regulator feels it should be notified. So, that is also going to help us not only in our present business, but maybe in third exchange which we have proposed and it is again a matter of pleasure for me to tell that finally the regulator CRC has given a go ahead on May 12 to create this platform and this is going to again a new platform with no legacy when I say no legacy when you are working in a platform for last 12, 13 years naturally you would like to defend some products where you are dominant, but you would not like to introduce some products where you are not dominant.

So, this Pranurja, the new exchange has no legacy, and it has a strong backing from three of the very strong promoters that is PTC India Limited, Bombay Stock Exchange and ICICI Bank and with a open and innovative mind we feel that a robust technology is going to help this

exchange also to perform very well. Most important thing is with the market coupling it will get an opportunity to be at parity with other exchanges which are working for quite some time now. There are one deal which we have concluded recently which was informed to the stock exchanges yesterday and it is again augmentation of the portfolio of our advisory and consulting services and not going into very deep details because of these reasons which you all know, but this is going to give impetus to growth of our advisory business and we will be acquiring not only the businesses such as energy solutions, but also we would be getting the capacity and capability of the tail-end resources along with this transfer. So, this is going to help us in a longer run.

Two important things which is part of the presentation which CFO will make that the provision related to heal and the provision related to the capital some registration chargers for the land. We would like to inform you that we are cautious and we try to evaluate our portfolio very carefully. So, these provisions are done just on to be cautious on our assets. The second part we have because after COVID period we do not require a large office spaces and the board decided that it has to be the current spaces what we have, and we are operating from is good enough. So, it was decided so these provisions are done cautiously, and I think CFO will be in a better position to explain when we will be explaining the deeper details of these two provisions in the account, but management has done due diligence before doing all the provisions what we have made in this financial year. I am done with the briefing sir if you want to say something before I can hand it over to CFO.

Deepak Amitabh:

Thank you very much. I think you have covered all the aspects very clearly. Now I will request Pankaj Goel our CFO to upload the presentation and talk about the financial numbers.

Pankaj Goel:

Thank you CMD Sir. Thank you Director Marketing and good evening to all. As much has already been explained by the Chairman Sir and the Director Marketing regarding our product, our services and our volumes and all other things, but just because we have already uploaded the presentation last evening, but I will go through the major highlights for this quarter and for the financial year FY21.

So, as you can see on the first slide. First I will explain the Q4 results of FY21 on a standalone basis as you can see the volume has increased from 12 billion units to 16 billion unit during this quarter that is why there is a growth of 36% and because there are various products under which the volume has increased let us say like short term bilateral the volume has increased from 464 million to 1577 million units and in the exchange the volume has increased from 4.4 Billion units to 7.6 Billion units and in the long term and medium term the trading volume more or less remains the same that is packed around that 7 billion units.

As regards to the trading margins that is a pure difference between the sale and purchase of the power. So, the trading margin has increased from 42.99 crore to 53.67 crores during the quarter. As regards to the trading income including the rebate part has increased from 73.66

crore to 79.69 crore during this quarter and as regards to the total operational income the total operational income when we say so it takes into account the trading margins, rebates, the surcharge and the consultancy income. So, on a totality basis the total operational income has increased from 124.81 crore to 202.41 crore that is why there is a growth of 62% during this quarter and as regards to the consultancy income the consultancy income during this quarter has gone up from 6 crore to 9 crore.

Now as you can see this slide on the trading margin per unit so the per unit has also gone from 9.9 paisa per unit to 11.88 paisa per unit during this quarter as regards the profit before tax profit before tax has increased from 86 crore to 108 crores that is there is an increase of 23% and the PAT has remained at the same level of around 64 crore and the total comprehensive income has also remained at the same level of around 64 crores.

Deepak Amitabh: Can you go back to the last slid previous slide?

Pankaj Goel: Yes sir.

Deepak Amitabh: When you said your PBT has changed from 86 crore to 106 crore why the PAT remained same flat please explain that just tell here?

Pankaj Goel: As you can see that PBT has increased by 23%, but in real term we will say because the PAT has remained at the same level. The reason is that, as Director Marketing has also explained, we have taken the provisions in the impairment of our carrying value of the PTC energy investment and there is a 10-crore provision for our land which we have taken. So, on this both there is a provision of 60 crore and in both the things the tax deductions are not allowed. So, accordingly the tax ratio has increased because on the 60 crore if in a normal sense if we get a tax deduction of 25% then the PAT must have increased. So, this is the reason that PAT has remained at the same level.

Sir now I will go through the standalone results for the full financial year of PTC India Limited. So, in the first slide on the top you can see the graph of the volume, the comparison between the current year and the last year volume growth. So, you remember that in the last year in the first quarter the COVID impact was there and our volume has just on a quarter-to-quarter basis has remained at the same level of around 19 billion, but after that quarter the PTC India has picked up and on a quarter-to-quarter basis you can see that the difference is there like for example in Quarter 2 our volume has increased from 21 billion to 26 billion in Quarter 3 volume has increased from 13 million to 18 million unit and on Quarter 4 basis for which we are sitting now has increased from 12 billion unit to 16 billion unit and on totality basis there is a volume growth of 21% for the full financial year that is the volume has grown from 66 billion unit to 80 billion unit and as regards to the volume mix for the full year I can explain you that the short term volume in the total portfolio has increased from 44% to 50% and long term and medium term taken together has slightly decreased from 56% to 50%.

As you can see that trading margin, as regards to the trading margin, for the full financial year has increased from 241 crore to 336 crore during this year and as regards to the trading income including the rebate part it has increased from 358 crore to 431 crore and as regards to the trading margin one thing I would like to highlight that this is the first time that our trading margin that is the pure difference between the sale and purchase we have first time crossed over 300 crores as far as the trading margin is concerned.

As regards to the consultancy income it has also gone up from 24.5 crore to 29.3 crore during this year and the total operational income I mean to say that taking together all the trading margin, the rebate income, the surcharge income the total operational income has gone up from 542 crore to 728 crore that is why there is a growth of 34% and there is another one landmark which PTC has achieved in this year that is first time we have crossed over 700 crore of total operational income. As regards to the total margins per unit the margin per unit has increased from 7.8 paisa to 8.73 paisa during this year and the profit before tax has increased from 422.53 crore to 565.57 crore that is there is a growth of 34% and again there is one milestone that first time PTC has crossed over 500 crore of PBT in this year and likewise the PAT has also increased from 320 crore to 410 crore and there is a growth of 28% in the PAT and again this is the first time that PTC has crossed 400 crore of PAT.

So, likewise the total comprehensive income has also gone in the same direction that is it has increased from 320 crore to 410 crore and balance you can go through, as we have uploaded already the presentation so that is from my side. I have presented the major highlights of this financial year. Thank you very much.

Deepak Amitabh: Thank you very much. Now I think we have met our points and discussions, etc., and it is always an interacting session. So, I will request now for the Q&A to start.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jay Mehta from KSA Shares and Securities.

Jay Mehta: Which states are showing good recovery in demand and participation in short market?

Rajib Mishra: The states where the COVID cases are less are the states were recovering faster particularly if you see the second wave it has started from the Western India, it came to Northern India and then it went to Eastern part of the country. So, the Western states are now recovering well and Maharashtra, Gujarat and the Northern part of the country also is having a good demand particularly Punjab, Haryana where the paddy season has started the demand is coming well. Now UP is also recovering and recovering well. So, all the Northern states and Western states are doing well. South before the COVID was drawing a lot it is the summer started a little bit earlier there. So, South was doing well and it was not affected too much by COVID this time, but particularly the West was affected and it recovered first.

Moderator: Thank you. The next question is from the line of Mohit Kumar from Dam Capital. Please go ahead.

Mohit Kumar: Sir two questions first on the if you can throw some light on where are we in terms of stake sales in PTC Energy or PTC Financial Services and secondly you just spoke about this B2C business and consultancy, I just want to get the sense of where are we in terms of B2C and what you were trying to achieve?

Deepak Amitabh: If you can repeat your second question.

Mohit Kumar: My second question is from B2C market what are we trying to do exactly and in consultancy what is a big vision what are the kind of numbers we are looking at three to four years down the line and what kind of capabilities we acquire from acquiring these IL&FS energy solutions which was not there earlier with us?

Deepak Amitabh: Just to give a summary about this IL&FS deal. This is a small bolt-on acquisition that is funded through internal accruals and second it is EPC accretive. Besides giving them a small amount which we are going to pay. So, obviously our biggest gain is the increase in competencies through the acquisition of the skilled human resources credentials and the knowledge of acquiring and executing consulting contract so which Dr. Mishra also elaborated I am just rephrasing the word and we believe that this year we did 30 crores obviously we cannot talk about future projections in this thing, but the market is very large and to get into three digits also should not take many much more time that is what I can say. Second thing which you have asked for that regarding PTC Energy Limited the process is on, however, it is taking slightly more time than anticipated because given the uncertainty in the business environment created by the state discoms position and renewable. So, Andhra Pradesh which we thought that in two years or three years it should be sorted out has still not been sorted out and other changes and not in at least cycle of pandemic outbreaks abetments in various geographies, but one thing which I wanted to make it clear that it is not only we are confident along with the rest of the developers who are present in that state that the sanctity of the contract will be honored and we have the our taking a provision is a proactive and prudent step to account for the current business context that is all. It is more of a just a prudence and we believe along with all the developers who are present in Andhra Pradesh that the long term contract which we have entered totally after the due process of law and regulatory confirmations will stand, but because of that some delays which have been happening and so I have answered to both the questions, but if anyone wants and from my team wants to add please go ahead and regarding your B2B and B2C Dr. Mishra itself said that open access customer he has been catering for quite some time and with all the other things which are happening he sees a much more traction coming in future change in the market design, the concept which we have already talked about PTC business model or virtual reality, etc., all those things we can see are now the gap is decreasing so that is what I wanted to say.

Mohit Kumar: Last question where are we in terms of launching of exchange, what is the timeline we are looking at?

Deepak Amitabh: What steps we have taken see timelines is one thing which we should not give a futuristic statement or such, but then what are the steps which you have taken and how do you see the things are going to turn now.

Rajib Mishra: Three very critical steps which are required for the operationalization of the exchange couple of the milestones the company has already achieved they have already appointed the head of the business, they have already identified the new office complex where they are going to start their operation, they have already appointed an international consultants to do the due diligence for technology and they have also identified the labs on which the platforms will be tested. So, these are couple of things which are very critical and already some of the test they have started. So, after achieving or getting the norm from the regulator these steps are in the direction to operationalize it as early as possible and then there will be a major progress in this area we will come back to you and will inform you.

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

Dhruv Muchhal: But sir if I look at the co-margins which is basically if I reduce the surcharge income from your Q4 numbers reducing the surcharge income also in the rebate I get a number which is lower than the run rate and we have a very strong run rate in terms of margin extra surcharge income for the first 9 months, but it seems to have dip significantly in the fourth quarter, so just wanted to understand and the mix of sales is similar, the mix of volumes are similar, so just wanted to understand what is striving of was this one off in the previous quarter or something?

Deepak Amitabh: I mean Dr. Mishra while he was giving his comments he said that Q4 when the market after the first wave and the market they started opening up suddenly and the prices were low. So, lot of buying, etc., were done at the exchanges where the margins are much lesser than what is there in the bilateral market segment or the medium term and long term. So, that may have been the reason this is what I understand, but Dr. Mishra and Pankaj Goel can add value to the proposition.

Rajib Mishra: Sir you are very right in saying that if you see the mix there are slightly in Quarter 4 there is a jump in the shorter term trade which is almost 88% compared to the previous year because that is again because of the uncertainty the demand coming back again on the market. So, COVID has created uncertainty in the fall of the demand, and it has created uncertainty when it was picking up. So, most of the discoms have not tied up power for the fourth quarter and they are trying to get the demand met through the exchanges and you have rightly pointed out in the exchanges the margin is lesser compared to the bilateral trade and that is the reason

why there is some aberrations here, but overall for the year if you see this aberrations were evened out and there was no impact of this aberrations in the Quarter 4.

Deepak Amitabh: If you ask the preceding part of it what was the reason for the surcharge in the fourth quarter. As you all aware that as in the first quarter this last financial year 2021 there was a COVID period and utilities are not coming forward for reconciliation because as per the accounting policies surcharge has to be recognized only on the certainty basis when you confirmed such as a reconciliation. So, actually first half of the year has gone, but the managing the reconciliation part and all that so that is why when we completed the reconciliation in the later part of the year, so surcharge become certain, and this was booked a surcharge on receipt basis in our books and plus the government of India has also announced the Atmanirbhar and all that so that the money gained for achieving the last quarter only. So, that is why the effort I will say of the first half, or the 9 month has shown the result in the Q4. So, that is the reason for increase in surcharge income last quarter.

Dhruv Muchhal: Sir just referring to the comments that you made so if I look at the full year volumes almost 50% of volumes have come from short term versus last year it was about 44% so there is an increase in your short term volume and I believe this would largely be due to exchanges, in that context your full year co-margins has also improved despite the increase in short term volumes, so just wanted to understand then what is driving the full year trading margins I am excluding for the surcharge income?

Deepak Amitabh: See what happens that is what I said in my remarks I mean when Dr. Mishra was giving and when I was summing up even short term is 50%, but because of increase of volume from 66 billion to 80 billion 50% still came from medium term and long term where margins are much better. Therefore, overall if you see we are 4 plus even if you just remove the surcharges, etc., they are still 4 paisa plus margin for the whole year.

Dhruv Muchhal: That is true so that is what I was trying to understand so on a blended basis it should considering that the short term has increased which is relatively lower than your medium term and long term your overall margins just on a trend basis should have been lower than the FY20 number, so what I am trying to understand is see for last many years what is happening core margins were declining on a per paisa basis were declining if I exclude the surcharge income. This is the first year that trend has changed and this is despite an increase in the short term market share which is against the trend typically against the trend, so that is what I was trying to understand what is striving this?

Deepak Amitabh: See maybe we do not want to get into the details, etc., which you can do on a one-on-one discussion at any point of time, but there may be some opportunities where you could make some more margins than normally we are able to do. So, opportunities as and when rises for a short term also PTC team must be geared up to keep using our opportunity that is what I can say.

Dhruv Muchhal:

Actually wanted to understand some trend and probably I will take that later on one-on-one basis, so just one more question was if I look at the way you are managing the balance sheet now it seems interesting that you have started to look at borrowing as a route to fund the business say for example last three years back it was about zero now it was about 900 odd crores at the same time your working capital is broadly be same, so the borrowing as a share of working capital net working capital which is trade receivables minus payables have increased which seems a decent way to run the business given the nature of your business, so in that context I wanted to understand how do you see at the payout or the use of cash going forward because example this year you have paid 50%, but given that you are using borrowing as a decent route to fund your working capital now, how do you see the use of cash and the way you probably increase dividends or any thoughts that you can share on the use of this cash?

Deepak Amitabh:

As on today it will be very difficult to talk about the cash flow how the cash flow turns out this year, but normally we have seen that we have been rewarding the shareholders and whatever basic minimum we have stated we never had a policy for so many years last year we came out with a dividend policy of at least 50% PAT to be given and I remember the moment we had announced the January or February and then after that the COVID has impacted us and there was so much of uncertainty, but having committed we believe that capital allocation is going to be playing a very, very important role which you have seen in last couple of years we have started doing and this trend will continue going forward also I cannot talk about. See the money which is there one is managing the working capital, but also managing the larger volumes and the revenue is also which is also increasing like this time I think I leave the question to Pankaj Goel who can explain in a much better way that what was the total rupees wise sales which he did and with the same capital, etc., he has to manage these things also. So, volumes are increasing, the revenue has also increased so Pankaj can you help me out because these are financial figures you can help me in explanation the question.

Pankaj Goel:

That is a very interesting question which has been asked and I think the very deep analysis of balance sheet has been done and we are delighted to answer this and as regards the volume you have already seen sir, we have done 80 billion . So, in rupee term it converts into last year we have done a turnover for around 23,000 crore and this year we have done a turnover of around 26,500 crore. So, there is around increase of 3,000 crore of turnover in value terms only. So, let us say if we take a working capital debtor minus creditor if we take the total working capital let us say 40 days so it means that much of working capital is also required for managing the additional 3000 crores. So, by managing this and second thing which I wanted to highlight on the capital side in perspective of that question it depends on the payment of utility. Let us say this year we are able to get good amount of money from the utilities and out of the total borrowing it has been rightly said that we are managing on a 500 crore on a basis of three years on an average, but it depends the cash utilization is much dependent on the payment which we receive from the utilities and on the payment to the generator also. So, you are rightly so depending upon the volume increase that how much volume will be increased from 80

billion in the years to come, what will the paying capacity of the customer and we will pay to the generators also. So, considering all these cases scenario naturally the company will decide the amount of the dividend and as per the dividend policy we have already defined that 50% of the profit which we have to distribute as the dividend.

Dhruv Muchhal:

Sir can I ask one more question this was on the RTC volume, is it possible to share firstly what is the volume of RTC that you did this year and how much is that contributing to growth, sir I also wanted to understand on the sustainability of this volumes just a conceptual point was RTC the last resort market where discoms I thought will not rely largely because the prices can fluctuate significantly and if they continue to rely on this it can probably hurt them at future point given it is a last resort market and the prices can speculate anything. This year probably was a good year because there was a lot of oversupply, but do you think this on a structural basis this can continue this RTC trend because RTC earlier was thought as a replacement to the BSM market, but when we look at the trend the BSM is not replaced, but the RTC has increased so it seems an additional volume on the BSM market, but probably this is driven by the oversupply in the market so just wanted to understand how do you look at this RTC?

Rajib Mishra:

The real time market particularly in uncertain year it is very difficult to tell you a trend internationally we have seen this intraday market in a very different perspective and you are very right in saying that this is the last resort for any of the utilities to buy power from the exchanges now in last year what has happened after June there was a null in the market particularly in the prices and both the day ahead market and RTM prices were much lower compared to the variable cost of most of the generators. If I can give you an example of Punjab they have not utilized any of the generation for quite some time and they resorted to buying from both the day ahead market and the RTM market. This may not be the trend, but at the end of the day the requirement of power is what you are driving for getting the benefit from whether it is from RTM or day ahead market for a trader supplying the quantum is more important we are always ready to adapt ourselves for the requirement which comes from the utility both buyers and sellers. So, that we have done last year, and we would be retaining the similar kind of percentage or volume either in day ahead market or RTM market or any other products GTM market or any other products keeping our customization possibility for the utility.

Deepak Amitabh:

Let me add on a slightly humorous mode comparing us to the international market the only problem is the Indian utility the government of India is trying to do that one is that is to switch off the power. So, that is till the time that thing is not sorted out that you have to supply and if you do not supply you will penalize. So, it is in concept, but it has not been on paper it may be in concept, but once that is demonstrated that no guy who is connected can be denied power. So, Indian utilities have been using this last mile resort quite frequently switch it off for half an hour, do this what is going to happen. Like Bombay is different because high rise building etcetera, but in other places so they keep doing all these types of things also. One is on technological problems, but perfectly all the rights, but not on commercial issues. So,

comparing to international is going to take some time, but I think government of India is really focus so I think it is a very cautious approach, it is a to and fro, but things are improving, things are changing, but India takes a time that is what I can say.

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

Rahul Modi: Just had two very broad questions again on macros, so we have seen demand fluctuations due to COVID we say very high demand base coming back in the fourth quarter and again then we saw COVID coming, so how do we see FY22 seeing post slight relaxations have happened then the impact of that on short term prices and how the discoms will behave going forward in terms of which products would be preferred in the broader market for us?

Rajib Mishra: Rahul if we see this year last three months I mean we are at the fag end of the third month. Our volume has gone up and we are almost 20% up compared to the previous year of course we have to this quarter has to be over and then we can tell you with certainty the demand is coming back to normal. Yes there was a dip in the demand in the month of April and May, but since 15th of June the demand is back to normal in most of the states and particularly the prices both in terms of the day ahead market prices and the RTM prices are also back to more than normal. So, we can say that from now onwards no third wave comes there can be a normal year from here, but of course again we cannot predict keeping what has all happened in last one and half years, but we can surely say that the volumes are till date has not been impacted because of the second wave for the company. As far as the mix is concerned of course the bilateral long term, medium term contracts are fully dispatched and there is no call in those volumes particularly the cross border also has started supplying to the maximum quantum. So, on these fronts we are comfortable short-term volume will always be meeting the last mile or the electricity of power which is required as a discom and at this point of time they are also less compared to what we have supplied previously so that is what I can tell you at this point of time.

Deepak Amitabh: Rahul I just wanted to add here what Dr. Mishra just to supplement him that other than the first quarter whatever he has talked about he also said in the beginning when he was discussing a detail presentation about 1,000 megawatt was from the further that medium term that it is known as pilot 2 scheme that is what is there and more and more once the prices are increasing and the demand is increasing he sees better traction so that also will add other than the volumes that is going to be a profitable proposition also. So, depending upon the third wave see we cannot predict anything when and how it may come it may not come it may come for a longer period subject to those things not happening we see a good traction and we can see a normal growth in the overall business.

Rahul Modi: So, side of the business which have been talked about sir what is your views when do you see that coming in and how can it be beneficial for company like PTC?

Rajib Mishra: The derivative market is yet to come as you know because it is still in the supreme court and the decision is yet to come and once it is there we have kept ourselves ready for any kind of a new product such as derivative for future and as and when it comes it will take some time to get operationalize because these are legal hurdles at which it is designing right now and after that there is business rules and introduction of the product. So, it may take some more time, but we are keeping ourselves ready for any kind of a new product whenever it comes.

Deepak Amitabh: One more thing I just wanted to add what Dr. Mishra said that the new exchange which is coming up it has no legacies. So, new product it is going to lap it up if it is permissible within the law and the regulation that is what I can say.

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

Vivek Paldiwal: Why does volumes is very high in Q2 only?

Rajib Mishra: Actually power is a seasonal commodity and it is being consumed at different point of time depending upon demand and supply. So, in the month of winter months your demand comes down and so if we supply because of the obvious reasons during the summer and Q2 period summer and because of the high supply to hydro you have both the demand and the supply also on a higher side and this is a traditional trend rather this is a trend which we have seen in last so many years that we supply maximum during Quarter 2 and start receding in Quarter 3 and Quarter 4 is the lowest as far as the volume is concerned, but last year there was I said it is an aberration little bit so that is the reason why you may not find it comparable with the previous year, but still in Quarter 2 was high compared to the other quarters.

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

Danish Mistry: We have seen a good reduction in receivables Rs. 924 crores approx 150 days to 125 days outstanding reduction in debtors, can we expect this to continue if so any sense on how much more?

Pankaj Goel: I have already explained in the earlier question the debtor for the March is rightly analyzed that it has reduced from 6,788 crore in the last March 20 and in this year the close of the year at March 21 it has come down to 5,836 crore. So, there is a reduction in the debtor, but as far as the trend or making some projections that what will be reduction to the debtors I have only explained that this depends on the capability of the discoms that how much collections they are able to do, how much they will pay to us and that is all, but I can assure that we are managing our working capital it is not only dependent on the debtor per say it is dependent on the payment which we pay to our generators also. So, we always make a match of it that in the ratio which we are receiving from the utilities in that ratio only we are making to our generators. So, we always as always been pointed out in the earlier conversion that for the last

two years we are maintaining our working capital borrowing of around 500 crore only. So, from the point you can very well gauge that it always debtor and creditor we have to see simultaneously so that the working capital should be in control and our effort always is to control that working capital in that fashion.

Moderator: Thank you. The next question is from the line of Piyush Sood Private Investor. Please go ahead.

Piyush Sood: Query one can you please elaborate on the provisions created for PEL and other capital advances in the books of accounts?

Deepak Amitabh: As I have stated earlier also that our taking provision is a proactive and prudent step to account for the current business context. However, we are confident along with the rest of the developers in Andhra Pradesh especially that the sanctity of the contract will be honored. So, it is more of a prudent business practice which we have tried to follow that is all.

Moderator: Thank you. The next question is a text only question from the line of AG, Individual Investor. Please go ahead

AG: PTC India need to dilute its shareholding in Pranjurja prior to the exchange getting operational or can that be done subsequently?

Deepak Amitabh: We believe we will do anything as per the regulatory norms, but Dr. Mishra you want to add anything.

Rajib Mishra: No, you are right in saying sir that PMR 21 or PMR 2010 whichever is applicable on the new exchange will decide what we have to do.

Moderator: Thank you. Ladies and gentlemen due to time constraint we will take that as the last question. I now hand the conference over to Mr. Deepak Amitabh for closing comments.

Deepak Amitabh: I really thank every time we comeback and the investor questions always energizes also and many times they have led into looking at the things in a much sharper and focus way. So, I am always thankful to all the analyst and the investors who joined us for this conference and for this analyst conference which we do on a quarterly basis and we are looking forward to the year when there is no COVID so that we can travel to Mumbai and meet each one of you physically. Now, it looks like a real long-term dream, but we believe that till the time we do not dream we do not achieve the things. So, we will keep dreaming of physically meeting and sitting with you all. Thank you very much. Bye-bye.

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