



## “PTC India Limited's Q2 FY'24 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Investor Call of PTC India Limited Q2 FY24 Earnings Conference Call.

The Management Team at PTC India is led by Dr. Rajib Kumar Mishra – Chairman and Managing Director PTC. Dr. Mishra is accompanied by Mr. Harish Saran – Executive Director, PTC and Mr. Pankaj Goel – CFO, PTC.

At this moment, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. Please note that this conference is being recorded. I now hand the conference over to Dr. Rajib Kumar Mishra for Opening Remarks. Thank you. And over to you sir.

**Dr. Rajib Kumar Mishra:** Thank you, madam, and welcome to the Q2 FY24 Earning Conference Call of PTC India Limited. It's really my pleasure to present this result and the synopsis of things what has happened in the second quarter and the first six months of the financial year '24.

To begin with, the most important thing which I would like to share with all the investors and analysts friends is the core margin of PTC India Limited has seen a significant surge, making an impressive 18% year-on-year increase to Rs.84.38 crores. The long- and medium-term contract, which I always believe and including this cross-border transactions has demonstrated significant growth which has increased by almost 5.65% and the 11.88%.

The highlight which I would like to share and what I have consistently harping upon is the substantial increase in per unit margin for the transaction, which rose from 3.41 paisa per unit in Q2 FY23 to 3.96 paisa per unit in Q2 FY24, which is significantly a 16% increase in the core trading margin. With the surcharge and rebate added to it, it has increased by almost 41% in this period and that has increased from 5.11 paisa to 7.14 paisa per unit.

I would also like to share with you all that during this period that is in the second quarter of financial year '24, the electricity demand in the country has reached to a 240 GW, which is unprecedented and highest ever on September 1. With this continuously for four or five days in the exchanges, the prices were for all 96-time blocks was Rs.10 per kWh which is the cap for the exchange. So, you can understand, the prices during this period has gone up and which has caused some kind of issues related to trading of this. In spite of that, we have seen an increase in our trading volume as well. The market share is consistently at the same level. Without some of the nominated agencies, we are maintaining the market share and it's around 42.95% without the renewable energy.

The other important thing which I would like to bring to the knowledge of you all is, this quarter and the first six months has seen all the holding company and the two subsidiary companies performing very well and they have shown commendable profit, including the associate company, HPX, which has shown good results and profitable results in the second quarter of FY24.

All in all, this is an encouraging quarter for all. And we have already shared this information through our notices to the stock exchanges that is the highest bid what we have received for our 100% stake sale of PTC Energy Limited. There, we have got the highest bid of Rs.925 crores for the equity and the enterprise value is Rs.2021 crores. So, we are at the advanced stage of finalization of this, and this will be done shortly. I'm really happy that what we committed earlier to our investors and analysts that we will be completing within this financial year, and we are on the track in that regard.

The important thing which I would like to share at this point of time is that PTC is in the right course as far as maintaining our portfolio of mix for this financial year, and we are trying to focus more on the per unit margin rather than on the volumes what we have said earlier and we are trying to prune those volumes which are not profitable to the company.

With this opening remark, I hand it over to CFO – Shri Pankaj Goel to give you the highlights of the results, which through our presentation we have already shared, but he would like to share some of the important numbers which you would like to know.

**Pankaj Goel:**

Thank you, CMD sir. Good afternoon, everybody. Now, I'll go through the results for the quarter and half year ended September '23, first, on standalone basis and after that on a consolidated basis.

So, as far as the standalone results are concerned, the volume has increased by 1% to 21.3 billion unit from 21 billion unit vis-à-vis the last quarter. Total operational income has increased by 36% to Rs.166 crores from Rs.122 crores. The operational income has mainly increased because of the higher margin in our long-term trade and due to higher surcharge income and rebate income in this quarter. Likewise, the profit before tax has also increased by 97% to Rs.166 crores from Rs.84 crores. The main reason for PBT is the increase in the operational margin as I have already explained plus the effective working capital management because of which the treasury income has gone up and interest expenses on borrowings has gone down, and it also includes a dividend of Rs.41 crores received from our one of the subsidiaries that is PTC India Financial Services Limited.

The profit after tax has increased by 113% to Rs.133 crores against Rs.63 crores. The PAT has increased because of the reasons I already explained. Further, in this quarter because we have received the dividend income, which is tax-free under Section 80M, so PAT has also increased by 113%. The total other comprehensive income has also increased by 113% to Rs.133 crores from Rs.62 crores. Earning per share for the quarter stood at Rs.4.5 in comparison to Rs.2.11 during the last quarter.

Now, I'll go through the half year result for September 2023. The volume has increased by 8% to 41.9 billion units from 38.7 billion units. Total operational income has increased by 21% to Rs.313 crore from Rs.258 crore. Profit before tax has increased by 55% to Rs.286 crores from Rs.184 crores. Profit after tax has increased by 64% to Rs.223 crore from Rs.136 crore. Total

other comprehensive income has increased by 63% to Rs.223 crore from Rs.137 crore. Earning per share for the half year stood at Rs.7.54 in comparison to Rs.4.61 during the last half year.

Now I'll go through the consolidated results, first on a quarter basis:

Volume has increased by 2% to 21.6 billion units from 21.2 billion units. Profit before tax has increased by 46% to Rs.272 crores from Rs.186 crores. Profit after tax has increased by 46% to Rs.202 crores from Rs.138 crores. The total other comprehensive income has increased by 46% to Rs.202 crores from Rs.138 crores. Earning per share on a consolidated basis stood at Rs. 6.13 in comparison to Rs. 4.05 during last quarter

Now I'll go through the half year results, on a consolidated basis:

Volume has increased by 8% to 42.3 billion units from 39 billion units. Profit before tax has increased by 26% to Rs.463 crores from Rs.368 crores. Profit after tax has increased by 26% to Rs.345 crores from Rs.273 crores. The total other comprehensive income has increased by 26% to Rs.344 crores from Rs.274 crores.

Earning per share on a consolidated basis for the half year stood at Rs.10.51 in comparison to Rs.8.01. Thank you, sir.

**Moderator:** We will now begin the question-and-answer session. Mr. Patel has the question regarding Sikkim-Urja, what is the capital loss? What would be covered in insurance? And third, what is the loss of volumes and profits?

**Dr. Rajib Kumar Mishra:** Yes, in Teesta Urja Limited, which is a Sikkim government company and where PTC has 5.62 percentage of the stake, the total investment at the carrying value is Rs.221 crores as on date, and this project has met with some kind of a natural calamity and there were some losses as far as the project is concerned in terms of the dam of the hydro project. The detail of the losses and the way forward for bringing this project back into the stream is already on. And at this stage, I may not be in a position to share the exact loss because of this natural calamity. But I can tell you that the company is trying to bring this project back as early as possible, and the necessary steps have been taken by them to start cleaning exercise and other exercise necessary for bringing this project back. Exact loss, we will be in a position to share once the survey is complete and the claim to the insurance company is also at a stage where we can give the final figure to you. But, at this point of time I can only share that the company is doing both the things. They have submitted their claim to the insurance company. They are trying to come out with a road map for restoration of the hydro project and it will be done as early as possible.

**Moderator:** There's a question from Mr. Rohit Natarajan from Antique. Sir, bilateral trades are growing in double digits, short-term volumes on exchanges are growing in double digits. How do you foresee long-term, medium- and short-term volume growth for 2H FY24 and FY25?

**Dr. Rajib Kumar Mishra:** Yes, you are right in saying that the growth is there in some segments, and we are seeing that because of the higher prices in the energy exchanges, the offtake by the discom in bilateral short-term contract has declined. And we are expecting the prices have come down in the month of November and we hope that it will come back, and the states have started coming out with the tenders. And whatever is the anticipated number or the estimated number we have shared with you in the past, we would be able to achieve in the third and fourth quarter, at this point of time I can say. But because of the higher prices in the month of September and October, we have seen some decline in the short-term bilateral trade.

**Moderator:** We have a question from Narendra Khuthia from RoboCapital. What was the revenue and volume of HPX in Q2 FY24? How are we planning to utilize the cash in books going ahead? Now that PEL disinvestment is done, are we planning on stake sale in PTC Financial Services?

**Dr. Rajib Kumar Mishra:** So, the first part I'll request CFO to please reply on the HPX volume, the revenue and the profitability in the quarter. The second part, I'd like to answer.

**Pankaj Goel:** As regards the HPX total revenue from operation and profitability is concerned, so for the quarter ended September '23, their total revenue from operation is around Rs. 13 crores and the profit before tax was around Rs.7.35 crores, out of which PTC share being 22.62% holder, so PTC share was Rs.1.66 crores for the quarter.

**Dr. Rajib Kumar Mishra:** You must recall that this is a new exchange and started only in July 2022. So, in the first year of its operation, this has become profitable, and in some of the segments in the market they have almost 1/3 of the volume and 35% to 40% of the market share. And a lot of changes are happening in the regulation. So, we expect this exchange will gain because of the changes in the regulation in this space. As far as the second part of your question is concerned, that is the stake sale of our PTC Financial Services, let me tell you that we have shared with you that we will go one-by-one and we are consistent saying that this is on pause for some time. But the important thing is during the last so many months, the performance of this company has improved, the profitability has improved, even the share prices have improved during last so many months. So, at the appropriate time, we will start this process when we feel that the time is right, and we will let you know once we will start the process. As far as the PTC Energy Limited, we expect that the entire process of transferring the asset can be complete in the next two to three months.

**Moderator:** We have a question from Karthik Babu from Capstocks and Securities. What is volume growth expected in FY24? Is Q2 margin sustainable in the coming quarters?

**Dr. Rajib Kumar Mishra:** As far as the volume growth is concerned, we have given our estimate earlier and energy trade or power trade is a seasonal business, and it depends upon so many socioeconomic factors and the demand which comes from the discoms. So, we will still go by whatever we have shared with you and the kind of growth what we expect here. The second part what you are asking is on the profitability what we have achieved in Q2. So, margins are based on the portfolio mix. So, we have always maintained that ideal portfolio mix is 50%-50% that is medium term and

long term should be 50% and 50% from short term bilateral and the exchanges. So, keeping that in mind the profitability or the margin what we have achieved this quarter is something which is desirable, but it all will depend upon the circumstances and the situation what we will be seeing in third and fourth quarter.

**Moderator:** We have a next question from the line of Danesh Mistry from Investor First Advisors. What is the approximate timeline to successful closure of the PTC Energy sale to ONGC -- three months, six months or more than that?

**Dr. Rajib Kumar Mishra:** I have already answered. Within three months, we expect it to be completed.

**Moderator:** The next question is from Vipulkumar Shah from Sumangal Investment. What will be a use of funds raised from sale of PTC Energy Limited?

**Dr. Rajib Kumar Mishra:** Shah ji, what we do is that we have a capital allocation plan which we will be submitting to the board shortly based on the long-term strategy and the medium-term strategy. And we have identified some areas where we would like to utilize this one as well as the plans what we will be submitting to the board. Once it is cleared from the board, I'll be in a position to share with you what exactly we have decided to utilize this money.

**Moderator:** The next question is from Sunil Shah from SRE PMS. Sir, as per disclosure from both PTC and ONGC, there are some terms and conditions that needs to be fulfilled for transaction to go through. Sir, can you please let us know those terms and how critical are they for the smooth passage of the transaction?

**Dr. Rajib Kumar Mishra:** There are some of the things which I would like to share with my analysts friends and the investors, and I can tell you that there is nothing so critical that we cannot fulfill at this point of time and we are pretty sure that we will be completing this transaction in the timeline what I have already mentioned.

**Moderator:** We have a question from Mohit Kumar from ICICI Securities. Can you please update us on market coupling and market-based economic dispatch? By what time do you expect the decision on market coupling?

**Dr. Rajib Kumar Mishra:** Mohit ji, you are well aware of the fact that the staff paper was circulated by CERC, and they have received more than 125 comments from different stakeholders. The only thing is market coupling is a must. As you know, I had just mentioned that four days in the month of September there were continuously no market, or the price was at Rs.10. So, we can understand the depth of the market is very much required and that is the genesis of coupling the market, increasing the depth, increasing the transparency for price discovery. But there are contra views also, which CERC has received. After hearing everything, CERC may decide. They have already this in the PMR 21 that the market coupling is required. Only thing is the date and time when this has to be implemented, that need to be notified. So, keeping that in mind, I understand they will give

more hearing and then they will decide when this will be implemented and through which agency.

**Moderator:** We have a next question from Vaibhav Gupta from Bowhead India Fund. Given Teesta Urja is a run of the river project, will we still be able to do 50% to 60% volumes even after damage to the Teesta dam?

**Dr. Rajib Kumar Mishra:** You are rightly asking a question because the damage in the plant house is bare minimal, although there is some silt in in the plant house and the equipment need to be cleaned thoroughly before we can start the machines. But, yes, it's a run of the river scheme and if the flow of the water is there in the river with a small barrage, I think the generation can be started. But, once there is a damage, it may take a couple of months before this can be done and the management of the company, they are seriously doing this, and they are trying to give a revival plan so that the generation can be started as early as possible.

**Moderator:** We have a question from Raju Hirani. Any guidance on the core trading margins?

**Dr. Rajib Kumar Mishra:** Hirani, we have just mentioned that what was the trading margin we have achieved in this quarter and the portfolio mix what we expect to be there in the third and fourth quarter. So, without any guidance I can tell you that this is the desirable thing which we would like to do.

**Moderator:** We have a question from Vipulkumar Shah. What are rebates and surcharge charges?

**Pankaj Goel:** So net rebate for this quarter was Rs.33.36 crores and net surcharge income for this quarter was Rs.34.54 crores.

**Moderator:** There's a question from Mr. Pradeep Aggarwal. What will be the net income from sale of PTC Energy?

**Dr. Rajib Kumar Mishra:** We have already intimated through our press release and intimation to the BSE and NSE that the bid we have received is of Rs.925 crores against the equity investment and the enterprise value as on 31st March was Rs.2,021 crores which included the debt taken by that company.

**Moderator:** There's a question from Mr. Vaibhav Gupta from Bowhead India Fund. Receivables outstanding beyond six months at the end Q2 FY24?

**Pankaj Goel:** After netting of the back-to-back creditors, the exposure for more than six months was around Rs.205 crores, that is on account of Bihar, around Rs.166 crores in the cross-border trade.

**Moderator:** We have a question from Sunil Shah from SRE PMS. Sir, as the proceeds are received of Rs.925 crores, would we attempt to retire debt or go in further new projects?

**Dr. Rajib Kumar Mishra:** As I have just mentioned that the debt on PTC Energy Limited is passthrough, that means it covers under the enterprise value, so retiring debt in PEL doesn't arise. The question of Rs.925

crores would be for as per the capital allocation plan given by PTC India Limited and that exactly what we will do once we will receive this, we will come with an allocation plan and the deployment in the new projects or new ventures what we will have. We will come out with that very openly when we will be meeting next.

**Moderator:** There's a question from Raju Hirani. Sir, there have been murmurs that the proceeds from the PEL sale would be used to clear the debt on the books of PTC. Can we get a confirmation on that and the outlook for shareholder returns?

**Dr. Rajib Kumar Mishra:** Let me clarify on PTC holding company, there is no debt, CFO is also confirming the same thing. We as on date is also not taking a working capital because we have liquidity -

**Pankaj Goel:** The working capital we are taking only for day-to-day mismatch. So, you can say that average borrowing for half year was around Rs.200 crores, but after the borrowing we have a net cash balance of around Rs.1,000 crores at the end of this quarter actually. So, you can say we are a debt-free company. Only for a day-to-day mismatch, we are taking the borrowing, but otherwise we have a surplus cash.

**Moderator:** There's a question from Lipika Kundu. This time both standalone and consolidated results were excellent. Then what was the compulsion for not declaring any interim dividend this time?

**Dr. Rajib Kumar Mishra:** Lipika, thank you very much for giving us some compliment on our results. But we go by the dividend declaration policy, and we are going to propose whatever as per the dividend declaration policy is made to the board again when we are meeting for the discussion in the third quarter and accordingly, we'll let you know where we stand.

**Moderator:** Lipika Kundu ask, during last con call CMD said that if there will be a value unlocking the shareholders will adequately rewarded as per the company policy. Now that PEL is being divested, what are your plans now to reward the shareholders?

**Dr. Rajib Kumar Mishra:** Shareholders are always at the top in our mind whenever we are doing any business activity. I'm repeating what I said earlier also, at the appropriate time, we'll let you know what the board has decided on this. We have a dividend declaration policy, and we will go by that. But the final decision will be by the board and once the sale procedure is complete.

**Moderator:** There's a question from Mr. Vipulkumar Shah. What is margin for long-term and how it compares with margin for short-term and medium-term?

**Pankaj Goel:** So, the margin under the long-term including the cross-border trades was around 6.65 per unit for the quarter and under the short-term trade including the domestic bilateral trade and the exchange it was around 0.6 paisa per unit.



**Moderator:** We have a question from Mr. Nikhil Abhyankar from ICICI Securities. After the implementation of new GNA regulations, volumes from DAC segment have shifted to DAAM and already its impact is seen in HPX October '23 volumes. Do you expect this trend to continue? Also, what were the long-term volumes on HPX in Q2 and October '23 if you can share?

**Dr. Rajib Kumar Mishra:** Actually, the shift we are discussing right now, GNA regime, something which was expected, but we have not seen much of changes here. and HPX is also trying to venture out into new products, and they have also started some of the new products in the market. So, it is very difficult to predict whether with introduction of GNA, there will be impact in one segment of the market. With each changing regulation, there will be some impact on the market, but these are all just at the beginning. From 1st of October, this has been implemented and we are yet to see the major changes because of this. The information which I shared with you all was that in the term ahead market, they have a market share from 35% to 40%. In other areas also, they have a substantial market share in the day ahead market because of obvious legacy issues, they are yet to have a substantial market, but the company is confident that they will be having very good enrolled in due course of time.

**Moderator:** There's a question from Mr. Vaibhav Gupta from Bowhead India fund. Sir, can you please share absolute number of receivables outstanding beyond more than six months and not on a back-to-back basis? And top two to three states from whom these receivables are to be received and by when can it be resolved?

**Pankaj Goel:** More than six months debtors on a gross basis is 1,854 crores, out of which the top four, one is the Tamil Nadu Electricity Board, around Rs.550 crores, which is on a back-to-back basis. We have to pay to our generator also. And the next one is Bihar, that is around Rs.205 crores, out of which Rs.39 crores is back-to-back. And the other one is UP, that is around Rs.247 crores which is also on a back-to-back basis to be payable to our generator. And the next one is around Rs.225 crores from Punjab which is also on a back-to-back basis to our generator.

**Moderator:** There are no more questions, sir.

**Dr. Rajib Kumar Mishra:** Let me thank all the analysts' friends who have attended today's conference and the investors who have participated. We respect your time and attention to the company, and we look forward for such insightful questions to the management so that we can improve upon what we have done in the past. And we are continuously improving not only our business performance but also on other aspects such as governance and the issues related to it. So, we would be looking forward to the insightful questions what you asked during the conference. Thank you very much for being with us today.

**Moderator:** Ladies and gentlemen, on behalf of PTC India, that concludes today's session. Thank you for your participation. You may now exit the meeting.