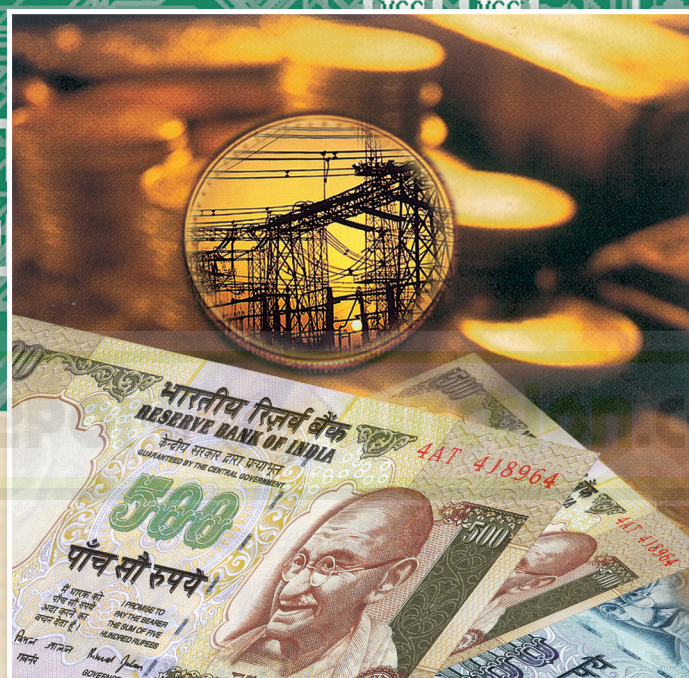


# Shaping a Power Market



Annual Report 2002-03



**Power Trading Corporation of India Ltd.**





## STATEMENT OF PURPOSE

To be a frontrunner in Power Trading by developing a vibrant Power Market and striving to correct market distortions.

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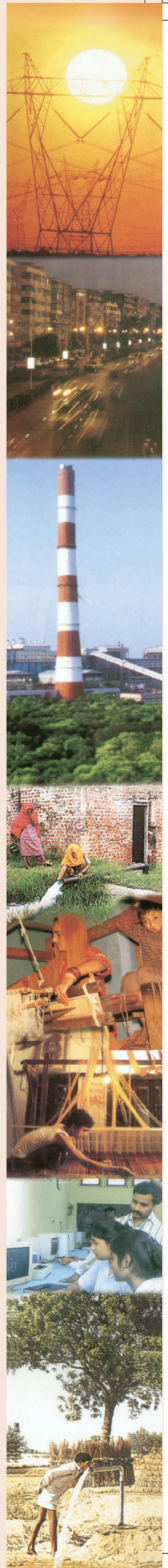
Note : Each Executive of PTC was associated in arriving at the above Statement of Purpose.

## Making a Difference...

- Shaping a Power Market by increasing the number of participants across all five electricity regions
- Nurturing a trading culture among utilities through awareness about benefits of optimization
- Endeavoring to bridge the power gap among countries by playing the role of Nodal Agency for Trading Cross-Border Power
- Pioneering the concept of economic value in pricing of power
- Supporting Power Projects for buttressing the supply situation within the country
- Bringing quality, reliability and efficiency in the power system through innovative trading products
- Setting standards in Corporate Governance
- Supporting Social causes as a responsible corporate citizen

## ...Touching Lives

*PTC views itself as an instrument of change, and with the proactive support from stakeholders aspires to set a new paradigm in the Indian Power Sector.*







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*... PTC is much more than the sum of its services; it is a product of a new thought for a whole new tomorrow...*



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As on 21/05/2003

## CHAIRMAN & MANAGING DIRECTOR

From – To

Shri T.N. Thakur 11/10/2000 – till date

## DIRECTORS

Shri H.L. Bajaj	16/04/1999	–	01/07/2002
Shri P.I.Suvrathan	16/04/1999	–	10/07/2002
Shri R.D. Kakkar	16/04/1999	–	31/10/2002
Shri Shyam Wadhera	08/07/2002	–	21/05/2003
Shri S.K. Dube*	26/08/2000	–	till date
Shri Mahendra Kumar**	02/12/2002	–	till date
Dr. K.K. Govil	09/03/2001	–	till date
Shri A.K. Kutty	28/10/2002	–	till date
Shri J. Haque	14/11/2002	–	till date
Shri A.K. Palit	29/11/2002	–	till date
Shri F.A. Vandrewala	24/02/2003	–	till date
Shri S.S. Jamwal	24/02/2003	–	till date
Shri V.K. Saxena	05/05/2003	–	till date
Shri R.D. Gupta	21/05/2003	–	till date

## COMPANY SECRETARY

Shri Rajiv Maheshwari

## STATUTORY AUDITORS

M/s D.C.G. & Co.,  
Chartered Accountants

## BANKERS

State Bank of India,  
Indian Overseas Bank,  
Corporation Bank,  
IDBI Bank,  
American Express Bank.

## REGISTERED OFFICE

2<sup>nd</sup> Floor, NBCC Towers, 15 Bhikaji Cama Place,  
New Delhi – 110066.

\* Shri S.K. Dube has been appointed as Director (Operations) w.e.f. 02/12/2002, earlier he was a part-time Director.

\*\* Shri Mahendra Kumar has been appointed as Director (Business Development).

## Board of Directors



T.N. Thakur



Anil K. Kutty



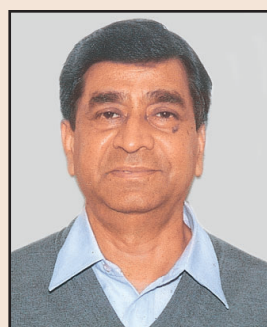
S.K. Dube



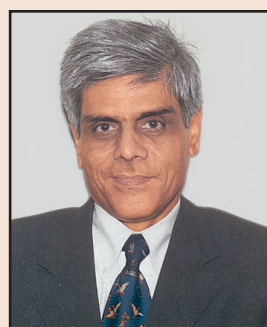
Mahendra Kumar



K.K. Govil



J. Haque



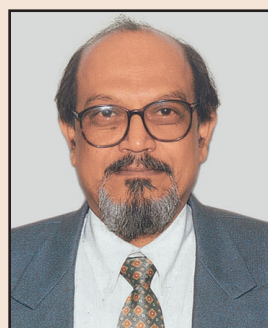
S.S. Jamwal



R.D. Gupta



F.A. Vandrewala



Arun Kumar Palit



V.K. Saxena







## Chairman's Statement



Ladies and Gentlemen,

It indeed gives me immense pleasure to welcome you all to the fourth Annual General Meeting of the Power Trading Corporation of India Ltd. (PTC).

### Overall Performance

During the financial year 2002-2003, which is virtually the second year of its operations, your company exceeded every target by a substantial degree and introduced many innovations. Its turnover during the year reached Rs.927.37 Crores as against a target of Rs.850 Crores. The trading volumes jumped to 4178 MUs, which is a major leap when compared to 1617 MUs traded last year. Your Company earned a profit before tax of Rs.19.53 Crores as against Rs. 7.66 Crores last year. The Board of Directors of your Company declared an interim dividend @ 7% on the paid-up capital, which is proposed to be treated as the final dividend. PTC's mode of realization through weekly billing and a simple back up payment security has been working well. Consequently, PTC has maintained its unblemished record of 'no defaults' to its suppliers. Our customers have not only continued to do business through us but have given us an opportunity to serve them better through identifying latent opportunities for enhancing the sale or purchase of power.

### Trading

The trading transactions of PTC now cover all the five electricity Regions of the country. PTC's major trading partners include

West Bengal, Damodar Valley Corporation, Uttaranchal, Delhi, Haryana, Malana Power Company, Gujarat, Maharashtra, Goa and Andhra Pradesh.

PTC has entered into deals with timeframes varying from 3 years to 3 days, thus progressively putting into shape the concept of a spot market in the Indian Power Sector. Your Company has also been able to put into effect a variety of concepts like 'time-of-day' trading involving power flows for specific time bands each day during the contract period. Due to this, the same customer can sell and buy power in the course of the same day i.e. one can buy power when in deficit and can sell power when in surplus. Thus the vision of developing a vibrant power market is gradually taking shape. The concept of differential pricing of power, introduced by your Company, gives a significant impetus to the achievement of this vision, as it meaningfully assigns a market value to power traded at different times of the day.

### Projects

Owing to market conditions, PTC has shifted its focus from very large power projects to small and medium sized projects that are being promoted by IPPs. Many project developers approach PTC with indicative proposals for large, medium and small sized hydropower projects located in the Himalayan Range in India and in Nepal. Some proposals are with respect to hydel projects located in states like Orissa. Proposals have also come from competitive thermal power projects. These proposals are under discussion. MoUs have been signed with developers of projects like Lower & Middle Kolab hydro power projects in Orissa, Samal hydro power project in Orissa, Vemagiri Gas based Project in Andhra Pradesh, besides those of large projects like Maithon Thermal Project in Jharkhand and West Seti Hydroelectric Project in Nepal.

Keeping in mind its larger role in the Indian Power sector, PTC is marketing power from these projects to several State Utilities in the country for long-term purchase. This will further enable your Company to diversify its portfolio of power purchases, thus lowering its overall business risk.



It is heartening to note that a commitment by PTC to purchase power from a private project is being given valuable weightage by the lending community, as evidenced in the case of one of the above projects where the lender has also agreed to offer a longer debt service period. This also augurs well for private project development in our country.

### International Trading of Power

#### Nepal

PTC is the designated Nodal agency for exchange of power between India and Nepal. In order to enhance Indo-Nepal power exchanges from the current low levels, your Company has signed an agreement with POWERGRID to facilitate construction of the 132 KV Anandnagar-Butwal line, which will enhance trading of power from Nepal with the power deficit Northern Region of India. This agreement between a transmission service provider and a trading company is the first of its kind in the country. Further, PTC has proposed a tariff mechanism for power exchange with Nepal on a commercial basis. Besides these initiatives, PTC is also in discussions with developers of private power projects in Nepal.

#### Bhutan

Your Company is trading Bhutan's surplus power from the Chukha (336 MW) and Kurichhu (60 MW) projects from October 2002. Trade with Bhutan will increase significantly with the commissioning of the Tala Hydro Project (1020 MW) in 2005-06.

### Increase in Capital Base

The authorized share capital of your Company has been raised from the original Rs. 150 crores to Rs. 750 crores. The paid-up capital of your Company was Rs. 72.5 crores at the end of 2002-03 and is presently Rs. 74.5 crores. Further equity will be raised over a period of time, as and when necessitated by the business requirements of PTC. For this purpose, various options including a public issue is on the table.

The four Central Power Sector Organizations i.e. POWERGRID, NTPC, PFC and NHPC have promoter status in your Company and shall contribute 8% each

towards the authorized capital of Rs. 750 Crores. The balance 68% will be raised from others including corporates, State Utilities, FIs and Banks, both national and international, and also the public at large. You will be happy to know that Damodar Valley Corporation, Tata Power Company and leading Financial Institutions i.e. IDBI, IDFC, LIC, IFCI, & GIC have picked up equity stake in your Company during the year 2002-03. This is a strong reflection of the market recognition of your Company.

### Sectoral Developments

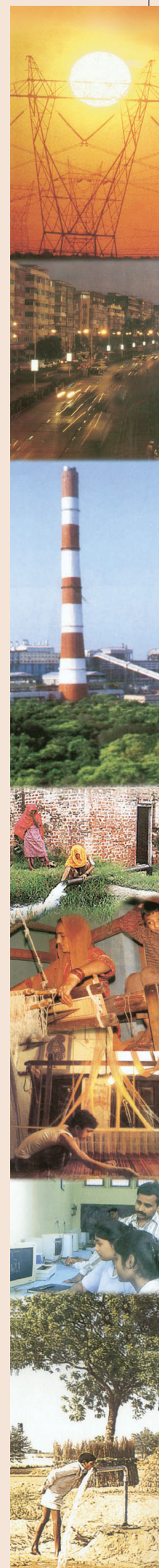
The reforms initiated by the Central Government and by many of the State Governments should prove to be instrumental in strengthening the fundamentals of the power sector. In this context, I am reminded of the words of John P. Kotter *"The rate of change is not going to slow down anytime soon. If anything, competition in most industries will probably speed up even more in the next few decades."*

The recently introduced comprehensive Electricity Law is expected to bring about significant attitudinal changes in the Sector as a whole, as it will not only increase the number of market players but would also enjoin upon them to adopt a more commercial culture. Open access to transmission networks, delicensing of generation, graded open access to distribution and introduction of competition in this area, recognition of trading as a distinct activity, mandatory establishment of Regulatory Commissions, compulsory metering are some of the elements that will surely bring about landmark changes in the Indian Power Sector.

The introduction of Availability Based Tariff in most parts of the country and the stricter implementation of the grid code have already begun to bear fruit in the form of greater commercial awareness as well as grid discipline.

### Future Vision

PTC envisions the development of an active and vibrant competitive power market in the foreseeable future. Such a market will have depth and breadth by virtue of multiple participants coming together to match their







selling and buying requirements, and by the availability of multiple products. The future will see transactions in day-ahead trading. Sophisticated contracts like forwards, futures and options will be evolved, and hedging products will be introduced to cover risks inherent in such contracts. Inherent in the vision are the words of an unknown thinker *"Your current safe boundaries were once unknown frontiers."*

For increasing the depth of the market, PTC is looking at getting more and more State utilities into the 'trading culture' i.e. to understand the potential benefits to be derived from trading transactions. Your Company is also looking at the possible opportunities presented by surplus power available with Captive Power Plants and from pooling of distributed generation. All these measures would further enable market participants to achieve greater efficiencies and thus lower the average cost of power, besides helping to defer some of the costly investments to the extent of such higher utilisation of extant capacities.

Moving to the scenario of a sufficiently deep and broad power market will require taking a few intermediate steps, which could include pool pricing on a regional basis. It would also require building capacity in a phased manner, starting with establishment of a control room in PTC, to initially capture online information on power supply positions and pricing and available transmission capacities. Phased building up of mirroring capacity in major market participants would logically follow. Presently, in-house exercises are being completed for developing specific steps needed to address key market related issues. These include development of power trading rules, identification of appropriate Information Technology solutions as well as systems required for market stability.

Your Company is in the process of making specific suggestions to the regulatory authorities for creation of an enabling environment for an effective power market. It has been working on framework agreements to catalyse electricity trading and for development of projects through long-term agreements.

In order to keep up the momentum generated by your Company in 2002-03, the target volume for the year 2003-04 has been kept at 6150 Million Units (MUs), as against 5647 MUs projected for the year in the Business Plan. Consequently, it is envisaged to further increase the capital base of your Company to support these trading volumes.

Your Company is also considering embarking on new areas of business like carbon trading, green certificates etc. in order to diversify its business portfolio. The Vision and the Mission of the Company provide a strategic direction to the company's efforts and coalesce the efforts of all its employees towards attainment of super-ordinate goals and objectives.

### **The Knowledge Organization**

PTC believes in providing the best working environment for its employees, most of whom are knowledge workers. In line with this philosophy, the office space acquired by your Company in Delhi has been made into a modern office that promotes an open work culture. In order to create its own cadre of executives, your Company has started building relationships with premier management institutes in the country through its campus recruitment process. It is also offering regular placements in the Company's cadre to deputationists who have been key partners in progress for PTC.

Your Company has also developed an organization structure appropriate to its business requirements, in consultation with a leading management institute. This structure is based on the business processes of the Company and attempts to address the issues of low response time for meeting customer demands and identifying new business opportunities. It forms the framework that promotes the development of a culture where teamwork and interdependence among employees are valued, thus making your Company a customer centered and performance oriented organization. The structure has been implemented successfully and has proved effective in meeting the changing business requirements of your Company.

Your Company is evolving its culture, focusing on performance based growth with minimum of hierarchical levels. A sense of ownership and commitment is fostered through the introduction of a performance linked incentive. Recognizing the importance of knowledge as its core asset, knowledge management initiatives have been started, including '*Jigyasa*', the knowledge site of the Company.

### **Participation in Exchange Programmes**

PTC has participated actively in the South Asian Regional Initiative / Energy (SARI/E) program of the USAID, which has facilitated greater appreciation of power sector issues in countries of the South Asian Region i.e. India, Bhutan, Nepal,