



“Torrent Power
Q3 FY2020 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Torrent Power Q3 FY2020 Earnings Conference Call, hosted by Motilal Oswal Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniket Mittal from Motilal Oswal Financial Services. Thank you, and over to you!

Aniket Mittal: Thank you, Steven. Good evening everyone. On behalf of Motilal Oswal Financial Services, I welcome you to the Q3 FY2020 earnings call for Torrent Power. From the management, we have with us Mr. Sanjay Dalal, the CFO of the company, Mr. Rishi Shah, AGM Finance and Mr. Jayprakash Khanwani, Manager Finance at Torrent Power. We will begin with brief comments from the management and follow that up with Q&A session. Over to you Sir!

Sanjay Dalal: This is Sanjay Dalal from Torrent Power. Thank you all of you for attending the earnings call for the Q3 FY2019-FY2020. I will give a short overview of the performance for the quarter and then we will start taking questions from the participants. Consolidated profit after tax for this quarter was 416 Crores versus 238 Crores in the comparative quarter. That is higher by Rs. 178 Crores, which is approximately 75% growth. Apparently, the PAT number has increased considerably, however, a good part of this is attributable also to the recognition of deferred tax asset, which is owing to the reduction in MAT rate from 21.55% to 17.47% via taxation norms amendment act of 2019.

The MAT rate reduction along with unchanged normal tax rate of 34.94% has led to an increased utilization of accumulated and unrecognized MAT credit in the future years. This has resulted in recognition of a onetime net deferred tax asset in the quarter by Rs. 105 Crores, so if we adjust this onetime tax gain of Rs. 105 Crores then the PAT increase is about 31%. Coming to the PBT numbers, the consolidated PBT for the quarter is 309 Crores versus 254 Crores in the comparative quarter it is higher by about Rs. 55 Crores, which is a 22% growth. Here also the comparative quarter has a certain one off, so if we adjust for the one off in the comparative quarter, the core profit growth is about 30%.

We now come to the consolidated EBITDA numbers, where I also will give you a brief overview on what is the contribution from various business segments to the growth in EBITDA. So, the consolidated EBITDA came in at Rs. 877 Crores versus Rs. 790 Crores in the comparative quarter, it is higher by Rs. 87 Crores, which is approximately 11% growth. So, if we look at it from the segment perspective then all segments except renewables have

contributed to the growth, so the gas based generation segment, the license distribution segment and the franchise distribution segment, they all turned in strong operating performance contributing to the growth of EBITDA in this quarter.

The renewable segment was flat. It came in with a flat EBITDA. It may be noted that the EBITDA number for the quarter is after absorbing the impact of reduction in tariff for our SUGEN long-term PPA due to the change in CERC regulations. This happened from April 2019 onwards and the impact of this for this quarter we estimated was about Rs. 41 Crores, so even after absorbing this blow of Rs. 41 Crores we have been able to increase the EBITDA.

Coming to segment wise performance, the gas based generation plants turned in a better performance and contributed to this increase in EBITDA. Essentially two factors operated positively. One was the operationalization of the UNOSUGEN PPA, which happened from July 1, 2019 onwards, so that contributed towards additional EBITDA and also the merchant power sales contributed towards the additional EBITDA.

If you look at the license distribution business that also contributed to the growth in EBITDA essentially increase in our profit from this segment was on account of increased ROE on the back of new capex investment, which we have made in the last 4 quarters and incentive gain on an account of T&D norms where our actual T&D losses and O&M expenses are lower than what it allowed to us in the tariff, so all of this also contributed towards increased profitability for the quarter. Coming to franchise distribution business, both Bhiwandi and Agra did well in terms of further reducing the T&D losses and bringing in a higher contribution for the quarter also.

As I said renewable turned in a flat performance, so there was flat EBITDA for renewable segment primarily because, we commissioned two projects during the quarter amounting to 176 megawatt of capacity; however, this happened in a very fag end of the quarter, so its impact on EBITDA is really not coming now and we will see probably that impact in the coming quarter, so renewable was more or less flat as compared to the previous quarter also. Now I go to some other developments, which have happened in the quarter, which may give some insight to how business will go going forward.

The first is that we have considered an interim dividend of Rs.11.60 paisa per equity share, so this is made up of two components, Rs.6.60 paisa per share is the normal dividend as per the dividend policy of the company and Rs.5 is the special dividend, which has been declared with the view to distribute part of the onetime tax gain which we have made as a result of

reduction in tax rates. The second development in the quarter has been that we have prepaid almost Rs. 1,000 Crores of debt during YTD Dec 2019 ahead of its due date, so that has resulted in debt reduction. In the coming quarters we will see a significant drop in interest outgo as a result of the prepayment.

The third development, I would like to bring to your notice is the record low LNG prices, which are prevailing right now. So, we have been able to tie-up good number of cargos at cost of \$4 and below. This sort of creates strong favorable condition for merchant power sales because we will now be able to compete with coal based power also in the merchant power market with this record low LNG prices. So, that completes my overview and I would now request the participants to raise their questions.

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

Mohit Kumar: Good evening Sir. Congratulations on decent set of operational performance. Sir, my first question is on the capex number for Ahmedabad and Surat area for 9 months FY2020 and how much we are expecting the balance in the Q4 and much is your capex plan for Ahmedabad and Surat area in FY2021?

Sanjay Dalal: 9 months number I give you and alongside the 9 months number, I will also give you what we expect for this year and may be for the benefit of all we will probably give you some guidance on what is the capex we expect in the next 3 years broadly. So, if we look at the licensed distribution business for the 9 months we have incurred a capex of about Rs. 600 Crores and we hope to end the year with about Rs. 1,050 Crores of capex. In the franchise distribution business for the YTD 9 months we have incurred a capex of Rs. 162 Crores and we expect to end the whole year with Rs. 250 Crores of capex and some other capex, which we have incurred, which is around Rs. 41 Crores, so 9 months is around Rs. 775 Crores and the whole year will end with Rs. 1320 to Rs. 1350 Crores of capex. Now, for the next 3 years that is financial year 2021, 2022 and 2023, our ongoing capex in the distribution businesses, licensed distribution and franchise distribution is about Rs. 1,900 to Rs. 2,000 Crores per year.

Mohit Kumar: Sir, if you can provided between distribution licensee and distribution franchisee for FY2021?

Sanjay Dalal: Roughly about Rs. 1,500 Crores to Rs. 1,600 Crores in licensed distribution business and about Rs. 300 odd Crores per year in the franchise distribution businesses.

Mohit Kumar: Second is if you can quantify the incentive gain for Ahmedabad and Surat franchise area for 9 months?

Sanjay Dalal: I do not have that number anywhere right away, but I can just conceptually explain that the incentive gains have to be seen on a year all basis, what I can tell you is that our expenditure on O&M is less than the norm, so we are earning on that account, what I can also confirm it that the trajectory of the T&D losses on normative basis and actual loss is lower than the norm, which has been permitted to us in the tariff, so we are gaining there also. The allocation of the savings within quarter this is slightly tricky because of the billing cycles I had explained last time, so there are two examples, if I can give you a 9 months trajectory for T&D losses, if I take YTD of 9 months say for Ahmedabad, then I have T&D loss of about 5.04% in Ahmedabad, which in the comparative YTD of previous year is 5.15%, so actual further reduction of T&D losses. The norm I have for the whole year for Ahmedabad in 2019-2020 is 6.7%, so this sort of gives you an idea where we are on actual.

Mohit Kumar: One last question, what is your consolidated debt at end Q3 FY2020?

Sanjay Dalal: Consolidated debt at the end of?

Mohit Kumar: Q3 FY2020?

Sanjay Dalal: So, at the end December 31, 2019, it is Rs. 8,800 Crores of gross debt and against that we have almost I think Rs. 400 Crores of DSRA amount.

Mohit Kumar: Understood, thank you, Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri: Congratulations on good set of results, this USD \$4 and below what you mentioned is a derived price or what is it and secondly in terms of the arrangement of gas this is largely for UNOSUGEN or DGEN, I mean to understand this is largely for regulated business or for selling in the merchant?

Sanjay Dalal: So, firstly the prices are DES price what is known as delivered ex-ship after that you will further incur the regasification cost, the transportation cost to get the burner cost, so if you recall we had tied up gas up to December 2020 in a three year tender, which had been done sometime in 2017, so some part was for 2020 calendar year, but we had not tied up all of it, so there were additional purchases, which we have been doing this year looking at the record gas price and those have come at \$4 and less. Now, cargos as and when they purchase are actually clearly for the regulated business because we have to also file it with the regulator, so that he knows exactly what we are contracting and therefore the remaining cargos are marked for merchant business, so the entire requirement for the regulatory business has been tied up for the whole year between the medium term contract we have done and the additional contract we did now and in addition to that we have also tied up roughly about three cargos for merchant power, so with this low cost and gas being available we hope to do more merchant power sales in the coming quarter.

Abhishek Puri: On the gas scheme that you have mentioned in the presentation, we have also read in the papers that it has gone to the cabinet stage any further approval or understanding where the scheme is now and in what shape it is coming in now?

Sanjay Dalal: No, we have no idea in what form the scheme is coming, we are also aware as much as you. Understand that it has moved for the final approvals, so once the cabinet approves they will sort of release the scheme, but our understanding is that there will probably be two components, one component will be more or less similar to the one which we had in 2014-2015, 2015-2016 except that there may be no requirement of the subsidy now and other component could be in form of bundled power or some such things.

Abhishek Puri: Lastly if you can give us the breakup of the EBITDA business wise, just to reconcile the consolidated numbers in our model?

Sanjay Dalal: So, EBITDA for thermal generation was at Rs. 279 Crores, renewable generation was Rs. 110 Crores, licensed and franchised distribution was Rs. 485 Crores and Rs. 3 Crores is remaining part, all put together is Rs. 877 Crores.

Abhishek Puri: Right, Sir, this is good. Thank you and all the best.

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

Nimit Vasa: Sir, many congratulations. My question is two part, so one is about the E-power plant where we had committed certain amount to the land, so what would be that amounts?

Sanjay Dalal: And second?

Nimit Vasa: The second is, how are we underutilized because of the non-availability of the gas?

Sanjay Dalal: So, on first plant the Pipavav project has been shelved, so the government has also decided that the power project is not going to be implemented. It was joint venture with the Gujarat Power Corporation Limited, so we had committed certain amounts for acquisition of land that roughly around, I do not know the exact number, but about Rs. 80 Crores to Rs. 90 Crores of money, and the land has been acquired in that SPV, since this was acquired through acquisition process, the government will now find another buyer and transfer it to another buyer as which point we will get back our money. The value of the land has increased multiple fold after that, but obviously being government acquired land we are not expecting any benefit out of it, but our money is safe to that extent, it is only a question of government finding another alternative investor in that land.

Nimit Vasa: Do we get any interest on this?

Sanjay Dalal: I do not know about that, that will depend on the government, so we will obviously make claims, but it is entirely up to the Revenue Department to decide on all those issues, but any way we will get back our money that for sure because when they find another buyer they obviously are going to give a much higher price for the land, so the prices have raised substantially after our acquisition.

Nimit Vasa: Right and regarding the underutilization?

Sanjay Dalal: So, there is underutilization because we have DGEN power plant, which is more or less standard, but it is not because of non-availability of gas, it is more because of non-availability of power demand.

Nimit Vasa: So, gas is available as and when you require?

Sanjay Dalal: Yes, gas is no longer a constraint.

Nimit Vasa: So, I need to further understand what is the price at which we breakeven above which price goes and you are not competitive with thermal or any other source?

- Sanjay Dalal:** That is a complex question to answer because on a marginal cost basis even today for example today's gas price we are able to compete with coal base power, but it will all be depended on what is the gas price and what is the coal price both keep moving.
- Nimit Vasa:** So, out of our total capacity can I get the utilization sector?
- Sanjay Dalal:** It is there in the PPT, which we have uploaded on the website, so you will get all the information on operations there.
- Nimit Vasa:** When I saw the results, it was not there, okay I will check it.
- Sanjay Dalal:** No, it is in PPT format on the website.
- Nimit Vasa:** On the Torrent Power website?
- Sanjay Dalal:** Yes.
- Nimit Vasa:** Fine, that is all from my side. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI. Please go ahead.
- Rahul Modi:** Thank you for the opportunity and congratulations on good number. Just a couple of questions, can you help us with the merchant sales for 3 months and 9 months and how much would have been the incremental over and above the fuel cost that we recovered for the marginal contribution?
- Sanjay Dalal:** So, I will give a 9 months YTD understanding, which I readily have with me. So, YTD in the current year we have sold almost 1300 MUS at a net contribution of about 1.10, it is after all the incremental cost, so fuel, water, some long-term ONM cost all considered.
- Rahul Modi:** This would be a combination of DEGN and SUGEN?
- Sanjay Dalal:** Yes, for merchant part you have to look at all the three as one opportunity, we have un-contracted capacity in the SUGEN, UNOSUGEN and of course whole DEGN, it will all depend on the kind of contract we have and so, if we have RTC contract, we generally prefer to operate DEGN because it has the lowest cost, but if it is only part of the day contracts then we would prefer to use UNOSUGEN or SUGEN, these number are all three put together, in Q1 and Q2, we got to monthly round-the-clock supply contract, so we operated DEGN then.

Rahul Modi: Sir, in terms of the under construction on the renewable side, any update on the progress?

Sanjay Dalal: So, two projects were commissioned during the quarter, as I said the 126 megawatt Maharashtra project was commissioned, it was commissioned one month ahead of time and 50 megawatt SECI one project was also commissioned, so now we have two projects left, one in the SECI 3 project for which we have made a provisioning in the last quarter, so there is no further progress. SECI has not reverted on our application for extension of time and so in this whole process a lot of additional time has also been lost, so we really do not know whether this project will ever happen, but it does not matter to us because we have taken the full charge in the P&L. The other project is a SECI 5 project, now as you would be aware that after the bidding for SECI 5 when we started scouting for land the Government of Gujarat came around and changed the policy of land and they stopped allotting land to wind power project generally till they formulated a new policy, then they came up with a new policy and then the central elections came and another 3, 4 months of loss, after the central election Government of Gujarat announced the new land allocation policy for all projects, which have been awarded under SECI 4 and thereafter and these projects can be given land then only in wind powers, which will be developed, so this wind power could be developed either by the nodal agency of the government or another private developer, however, outside the wind power there is no private land or revenue land, which will be given to the developer, so now this policy has come above 3, 4, 5 months back, but as of yet there is no wind power, which has been made operational or available, so here also we have lost substantial time and we have approached SECI for extension of time based on change of law, so till we hear from SECI, still we get a positive response from SECI, this will also face the same fate of SECI 3, we will probably then abandon if they do not give us extension of time, so should that happen the possible downside could be about Rs. 23 Crores of penalty under the SECI contract. This is the maximum, we are not saying because there are legitimate reason why should not be penalized.

Rahul Modi: SECI 5 contract?

Sanjay Dalal: Yes, because there is a standard penalty for termination of contract, so about Rs. 23 Crores for 115 mega-watts plus whatever preoperative cost, which we may have incurred that could be the drop-dead scenario, but as of now SECI is still examining our application for time, we have said that look there is a change of law because of which the land have not been available, no revenue land has been allotted for wind projects and no approval for private land also for wind projects have been given, it has to come only in wind parks, none of these wind parks

have still been developed and therefore there has to be an extension of time. If we get it, then we will possibly do it, if we do not get it, then again, this project also may go the same way.

Rahul Modi: Right, that was very helpful. Sir, can you just help with the strategy in terms of procurement for gas for merchant now if we see with summer coming on, price is going up, so you are looking to tie-up more if you get sub \$4 on a sustained basis for some more capacity?

Sanjay Dalal: No, we have already tied up some cargo and the cargo we have tied up will allow us to do a fairly substantial quantity of merchant powers and we will as the market spans out if required we will try and get more gas.

Rahul Modi: Sure, and Sir, lately on, can you update on the status of Dholera, I believe you have done some initial capex as well, so when do you expect the full force to begin?

Sanjay Dalal: So, Dholera some updates in the investor PPT we have uploaded, so if you look at the period up to December 2019, we have spent about Rs. 52 Crores of capex, Rs. 26 Crores are in the previous year and Rs. 26 Crores in the current year, YTD by the end of the year that Rs. 26 Crores, I think should reach a number of about Rs. 60 Crores in the number, which I gave to another investor earlier in the discussion, so right now all of these expenditure is in form of network development, the demand is still to come, the overall what we are seeing is that, there is a slower development in Dholera as compared to what was originally and primarily because of the general industrial slow down, so accordingly our network development plans also have sort of getting modified continuously, but this year and next year both will be mainly network development capex, not any substantial revenue there from, but all of this will sort of get trued up in 3 to 5 years' time by which time the demand will start coming in, so when the first tariff determination happens, at that point in time all the capex of the past will be trued up and ROEs for those capex will be allowed in the first tariff fixation. We are not accounting for all, we are not doing any regulatory gas accounting for Dholera till the time first tariff order comes.

Rahul Modi: Right, understood. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

Jayesh Gandhi: Sir, few clarifications, you said that long-term debt as on December 31, 2019, is Rs. 8400 Crores?

- Sanjay Dalal:** Rs. 8800 Crores.
- Jayesh Gandhi:** By September 30, 2019, it was Rs. 8200 Crores something, so have we increased?
- Sanjay Dalal:** No, let me give an overall perspective for the whole year, so at the beginning of the year April 2019, it was about Rs. 9400 Crores, so including the prepayment, we have paid down about Rs. 1640 Crores of debt in the 9 months period, however, we also raised about Rs. 978 Crores debt for financing our capex in the distribution businesses on the 70:30 ratio, which is permitted under the regulations, so that takes us to a net debt of Rs. 8,800 Crores at the end of December, so net reduction over 9 months is about Rs. 660 Crores.
- Jayesh Gandhi:** If I remember correct, you said that next 3 years capex will be Rs. 1900 to 2000 Crores each right?
- Sanjay Dalal:** Yes.
- Jayesh Gandhi:** And that will be also finance 70:30?
- Sanjay Dalal:** Yes, all distribution capex these are generally finance 70:30.
- Jayesh Gandhi:** One last question, if we are not getting any demand for DGEN, is not worth to write it off?
- Sanjay Dalal:** No, there are accounting rules based on which we make our provisions, and it hardly matters whether we write it off, it is a non-cash charge even if we write it off, if you see financial statement there is a note on impairment of DGEN, so that will give you a perspective why it is impaired or not impaired.
- Jayesh Gandhi:** And with this lower gas price, can we think of having a merchant sales from DGEN?
- Sanjay Dalal:** We have in Q1 and Q2 actually done merchant supplies from DGEN, so it all depends on what opportunities come up, if we get RTC opportunities usually we supply from DEGN because one the transportation, it has a dedicated pipeline to get transportation pipeline from PLL, so there are no gas transportation cost and it has premium station heat rate also, so the overall cost of producing power in DEGN is much lower as compared to the other two plants, but we can only supply from DEGN if we get around-the-clock contract, we cannot supply contracts, which are broken up part of the day contract.

- Jayesh Gandhi:** So, is it ever possible in next 2, 3 years that we can go to 25% to 30% of capacity in DEGN or that is a remote possibility?
- Sanjay Dalal:** So, we are definitely seeing that as a strong possibility because the government is working on a policy framework to operationalize stranded gas-based power plant because DEGN is only one of them, overall almost 14,000 megawatt of gas-based power plants are stranded in the country, so the government is working on a scheme to revive and operationalize this plant if that happens we expect DEGN to operate at 35% PLF and it will also increase the opportunity of merchant sales once it is operational at 35% because then it can do even part of the day contracts.
- Jayesh Gandhi:** One last question, have we now seen improvement in electricity consumption because we have been observing last month-on-month data seeing that electricity consumption has reduced by 7%, 8%, 11%, have we now seeing improvement in last January or February?
- Sanjay Dalal:** Data up to December shows reduction, January, I think there is an uptake.
- Jayesh Gandhi:** And how about us?
- Sanjay Dalal:** So, for next year we are seeing a growth in Ahmedabad distribution area, but we are not seeing much growth in the Surat distribution areas, Dahej distribution area also shows strong growth, but I think is a very small operation.
- Jayesh Gandhi:** Thank you very much, Sir. That is all from my side. Best of luck for future.
- Moderator:** Thank you. The next question is from the line of Dhruv Muchhal from HDFC Asset Management. Please go ahead.
- Dhruv Muchhal:** Sir, can you help us, how much is one cargo of gas in term of quantity and how much units can that generate just to get a rough math?
- Rishi Shah:** So, one cargo is roughly 3.2 TBTU is Trillion British Thermal Units, so that is equal to around 50 megawatts for 12 months on a 100% PLF basis.
- Dhruv Muchhal:** Sir, is there sufficient re-gas capacity available if say for instance we want to import further?
- Sanjay Dalal:** I would guess so, because Mundra terminal has also now been commercialized.

- Dhruv Muchhal:** We can be connected even to Mundra?
- Sanjay Dalal:** We are connected, GSPL is the send out line from Mundra and we are on the GSPL network.
- Dhruv Muchhal:** Sir, the merchant sales number you mentioned 1300 MUs, is it fair to assume mostly it was in first half or nothing significant would be in third quarter?
- Sanjay Dalal:** So, first and second quarter and some in third quarter also, normally it would not have been, but there is some sales in the third quarter also.
- Dhruv Muchhal:** Sir, lastly you gave the EBITDA numbers for Q3 by segments, if you can give it for the last year Q3 also?
- Sanjay Dalal:** I do not have it right away, can we give you offline?
- Dhruv Muchhal:** Yes, sure. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Vijay Kumar from Spark Capital. Please go ahead.
- Vijay Kumar:** Good evening, Sir. So, with the commissioning of about 170 megawatts in this quarter, I presume there would not be any under construction project, right, in SECI 3 and SECI 5 are almost not being executed, so there would be no projects under execution?
- Sanjay Dalal:** Yes.
- Vijay Kumar:** Understood, so with the reduction in interest cost going forward and improvement in operating cash flow and about this equity that was required for SECI 3 and 5 not being committed, so what is the plan for all this capital that you will be generating over the next one, two, to three years, so what I am trying to understand is what would be the aspiration of Torrent Power from here on, so what are your areas where you would look to put in capital or focus your efforts in growth, etc., etc.?
- Sanjay Dalal:** As have we indicated a little while earlier, we have strong capex plans in our distribution businesses. We also expect to acquire one or more franchise operations in the next few years as that opportunity opens up because the government is very keen to privatize the distribution segment, so that will require additional capital, so far as the thermal generation business is concerned we are not expecting any capital deployment in the next couple of years and so far

as renewable business is concerned we are taking a pause as we had indicated in the last quarter from participating in third party contract, bidding for third party contracts, however, our own discount also has RPO requirements that will be full filled, so they are planning to come out with tender for their requirements and we will participate in those tender, so to that extend we will do renewables and transmission in the segment, which we are interested in deploying capital provided we are able to get it at the right returns, so overall the approach has been that not to allocate capital at anything, which is lower than 15% ROE.

Vijay Kumar: Understood, so if I heard you right primarily it would be into?

Sanjay Dalal: The visibility of capex is in distribution businesses, our business is a visibility of capex is low and our approach will be that we will only pursue quality growth and not misallocate capital and so if there is extra capital like what we did recently we have distributed almost Rs. 1,000 Crores by prepayment of debt and another Rs. 670 Crores by way of dividend, so we will prefer to do that rather than commit at low returns.

Vijay Kumar: Understood, so to focus on this distribution business where you are probably looking at opportunities, could you give us more detail where all your efforts are, is there anything that you are already looking at or any areas or state where you think you would really be interested in?

Sanjay Dalal: So, again from a visibility perspective Shil, Mumbra and Kalwa, we are expecting that will be handed over to us by the end of this month, so we will start focusing on that area, once we get that area. Odisha regulator has floated request of proposal for privatization of three DISCOMS of Odisha, so we are actively examining and participating in that process also, so this is from a visibility of perspective, other than that the government is extremely keen and pushing states to bring out more distribution circles for privatization either by way of franchise agreements or by way of full privatization like what Odisha is trying to do, so those opportunities as and when they come would be of interest to us.

Vijay Kumar: Understood, Sir. Got it, anything in the transmission side that you are already working on?

Sanjay Dalal: We have participated, but not won any project as of now, I think there is a new round of projects, which have just been announced, so we will examine that we will participate, but we will be rational.

Vijay Kumar: This could be the interstate TBCB projects?

- Sanjay Dalal:** Yes, tariff based competitive bidding project. They are interstate as well as some of them could be intra-states also.
- Vijay Kumar:** Got it, Sir. Thank you for answering the question and all the best.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Sir, one clarification, the taxes for the quarter just for deferred tax, effective tax rate meaning by adding current taxes and deferred tax is negative, am I missing something and how should we see for the tax rate, effective tax for the FY2020 and FY2021?
- Sanjay Dalal:** So, that number which you are seeing I think that is Rs. 108 Crores?
- Mohit Kumar:** Right, Rs. 105 Crores.
- Sanjay Dalal:** So, if you see the tax expense line it Rs.108 credit, so there are three elements to it, so it is made up of current tax charge which is Rs. 67 Crores that is there in the P&L, so that is the MAT tax, which we had to pay, then there is a net deferred tax credit of Rs. 175 Crores, Rs. 175 Crores have two elements, one is Rs. 105 Crores, which as I explained earlier because of reduction in MAT rate from 21.55% to 17.47% by taxation law amendment act of 2019, the past accumulated MAT credit, which we were not able to utilize will now be utilized and we took a credit for that, which was estimated at Rs. 464 Crores for the whole year, so out of that Rs. 464 Crores, Rs. 105 Crores is attributable to this quarter, so the remaining Rs.70 Crores deferred tax asset is a net deferred tax adjustments relating to operations of the current year, so it is a deferred tax asset for the simple reason that the MAT tax, which we are paying Rs. 67 Crores is part of getting carried forward by way of deferred tax present because we will be utilizing that when use our tax liability in future, so that brings a Rs. 208 Crores, so out of this Rs. 108 Crores, Rs. 105 Crores is one time, it will not occur, in fourth quarter also there will be a similar number, not exactly Rs. 105 Crores, but a lower number of deferred tax credit pertaining to this reduction in tax rate, but next year onwards it would not be there.
- Mohit Kumar:** What is the average tariff in SMK, what was the average tariff and how much was MU sold in a year in the area?
- Sanjay Dalal:** Average tariff I would not have it right away.

- Mohit Kumar:** I will take it later. Last question, is there any VAT payables state VAT implication in our gas sourcing or is it 0 for us?
- Rishi Shah:** So, we are directly importing, so there is no question of VAT, we are not buying locally, we have international suppliers and directly importing and consuming, so there are no VAT implication for us.
- Mohit Kumar:** Understood. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI. Please go ahead.
- Rahul Modi:** Sir, just a couple of quick questions, firstly on the regular debt repayments on an annual basis what would be the number like?
- Sanjay Dalal:** Next 12 months number?
- Rahul Modi:** Yes.
- Sanjay Dalal:** So, around Rs. 700 Crores, but this does not include some cash sweep related pre-payments, if you add that it could be around Rs. 900 Crores to Rs. 1,000 Crores.
- Rahul Modi:** Sure, and just one question wanted to check, we have seen the overall performance of renewables this year due to seasonality has not been the best, have you also faced certain issues with regards to that in terms of PLF?
- Sanjay Dalal:** No, in our distribution areas we have been more or less okay.
- Rahul Modi:** Sorry, in the renewables?
- Sanjay Dalal:** So, renewables, there are two aspects particular from Gujarat projects. So if you see the PPT, which we have uploaded we have given the renewable PLF, which shows that overall there has been an increase in PLF in this quarter as compared to the previous year quarter, so that is because of wind speeds have been better, particularly in December, this is a low wind quarter, but December in Gujarat is decent quarter, so these are generation PLF, which we have given, overall PLF have been higher, however, in Gujarat the accountings for wind energy is with the delay of one month, so in our P&L, the December is not appearing, it will appear in the next quarter, that why our EBITDA are therefore flat in spite of PLF being better than last quarter.

- Rahul Modi:** Sir, it will be one quarter minus on months?
- Sanjay Dalal:** Yes, we have accounted September, October and November, so this is the way low wind period, December is the decent wind period in Gujarat, so most of our capacities are in Gujarat, so this December has been better than last December, so the overall October, November and December generation PLF is better it is 21.73% versus 18.65% in the previous quarter, however, that has not reflected currently in P&L because of delay of one month in energy accounting by SLDC project.
- Rahul Modi:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ritvik Sheth from Oneup Financial. Please go ahead.
- Ritvik Sheth:** Sir, just one question, is it possible to give the breakup between Ahmedabad and Surat cumulative equity invested till date?
- Sanjay Dalal:** Cumulative equity invested, you mean Regulated equity? You can take it actually from the tariff order itself, as on March 2019, it was roughly Rs. 1800 Crores.
- Ritvik Sheth:** For Ahmedabad?
- Sanjay Dalal:** Yes, Ahmedabad.
- Ritvik Sheth:** And what about Surat?
- Sanjay Dalal:** Surat was about Rs. 650 Crores.
- Ritvik Sheth:** Sure, thank you.
- Sanjay Dalal:** So, you can see the recent tariff petition, which we have filed for 2021, you get a lot of data or more updated data in it, I just have actual data for last year.
- Ritvik Sheth:** Sure, no problem. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Vishal Biraia from Aviva Insurance. Please go ahead.
- Vishal Biraia:** Sir, any interest in acquisition of stressed projects?

- Sanjay Dalal:** So, there is no active opportunity, which we are currently pursuing, so we keep examining it, but we have not found anything worthwhile actually, so there is nothing on hand as of now.
- Vishal Biraia:** It is clear that the existing projects that are on offer and not able to compete, if possible can you discuss more of this?
- Sanjay Dalal:** Come again, can you repeat the question, please?
- Vishal Biraia:** What would be the main criteria for existing projects that an offer or not hitting, which are those criteria, if possible for you to share?
- Sanjay Dalal:** For us?
- Vishal Biraia:** Yes.
- Sanjay Dalal:** Basically, these projects are stranded and they have gone into bankruptcy resolution for reasons, there are issues and now these issues are very different from each project, so they are not all comparable, but when we look at them we have to see whether we can handle those issues and how much time it will take for us to handle those issues and if we are not able to handle it whether we should really be getting into it, so most of the projects therefore gets rejected from our perspective is that we do not see any resolution for the issues, which are affecting those specific project, so then the purchaser sort of has to be speculated that something will happen and you will be able to manage it and make it profitable, so that is not the basis on which we will be able to allocate capital because that is very substantial risk.
- Vishal Biraia:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Aniket Mittal from Motilal Oswal Financial Services. Please go ahead.
- Aniket Mittal:** Sir, just actually one clarification on the SECI I project, the 50 megawatt one, when will that come on our books?
- Sanjay Dalal:** So, roughly it is July 2019-July 2020, so one month after July, I think post July 2020, so between July 2000 and December 2020, I think it will come in our book.
- Aniket Mittal:** Sir, if I may one more question on the transmission front, which a while ago you said that you have actually bided for the projects that you have not been able to win any and having

looked at one of the projects that you have bid the L1 cost was actually around 15% odd lower than what we had bid, so how do you see the intensity in the sector, did you feel that bidding itself has been aggressive or internally you can do something to improve your capabilities within transmission?

Sanjay Dalal: So, initially I think the bidding intensity was high, which we sort of sensed that has tapered down towards the end when the recent round was completed, so we will have to see now what happens in the second round because PGCIL has several advantages, which none of the private sector player has, PGCIL was actually the highest winner in the recent round, they have a lower cost of debt, they tend to substantially fund their bid projects through debt rather than equity and they have very low O&M cost, which they get is far more than what they actually incur, so on an incremental basis they hardly have any O&M cost so because of these advantages they have been very aggressive in the last round, the new round we will have to see, we on our part have been continuously looking at various aspects relating to project of execution time lines and O&M cost, etc., to see how we can become more and more competitive and so we have been able to narrow down the differences and there have been few where we are L2, so we will see in the next round if the bidding intensity has subsided, as I said that is one thing or we do not compromise is the ROE, so we need to get our ROE, otherwise the project we will never take.

Aniket Mittal: Sir, while bidding what sort of ROE do we generally look at?

Sanjay Dalal: So, our ROE expectations is typically 15%, it all depends, now of course in the last one year there has been reduction in interest rate by more than 1%, so we are also examining whether we need to reconsider our ROE hurdle rates, but this is for relatively the same project, so each project will have its own characteristic so some of them if they are riskier then we tend to add some risk premium while bidding for those projects.

Aniket Mittal: Thank you.

Moderator: Thank you. The next question is from the line of Jaykant Kasturi from Way2Wealth Securities. Please go ahead.

Jaykant Kasturi: I have just one question in terms of you said you are expecting the investment amount from the Pipavav project, so what was the amount invested?

Sanjay Dalal: As I said roughly about Rs. 70 Crores to Rs. 80 Crores we have invested.



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Jaykant Kasturi: Thank you, Sir.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.

Sanjay Dalal: Thank you everybody for attending the conference call and if anybody has any extra questions they may contact our investor relations officers to get the clarification. We will be happy to provide that. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.