



“Torrent Power Limited
Q4 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Torrent Power Limited Q4 FY2022 Earnings Conference Call hosted by IIFL Securities Limited. 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. Harshvardhan Dole from IIFL Securities. Thank you and over to you, Sir!

Harshvardhan Dole: Thank you Nirav. Greetings everyone. On behalf of IIFL Securities, I welcome you all for the Q4 Earnings Call of Torrent Power. To discuss the results in detail and share the performance outlook, today we have the senior management team of the company represented by Mr. Saurabh Mashruwala, VP, Finance, Rishi Shah, GM Finance and Mr. Jayprakash Khanwani, AGM, Finance. I would request the management to give us a brief opening remark subsequent to which the floor will be open for Q&A. Over to you Saurabh Bhai.

Saurabh Mashruwala: Thank you Harsh, thank you so much. Good morning to all of you and thank you for joining the Earnings Call for Torrent Power for Q4 FY2022. First I will take you through the performance of the quarter after which phone lines will be open for Q&A session. I will explain the performance of the company at PBT level first and will take the tax expenses separately thereafter.

Reported PBT for the quarter before exceptional items stood at 597 Crores as compared to 455 Crores in the corresponding quarter last year which is an increase of about 142 Crores about 31% on reported basis. To understand the underlying performance of the company, I will take you to the non-recurring item first during the current quarter as well as comparable quarter of last year. First non-recurring item of current quarter which includes number one, reversal of provision of doubtful debt at franchisee distribution business about 16 Crores due to better collection efficiency and increased business activities during the quarter. Economic activity at our distribution franchise business continued to recover from pandemic effect during Q4 FY2022 as well.

During FY2022 demand at our distribution business license as well as franchise distribution business has almost reached to the pre-COVID level. The second non-recurring item is reversal of a partial provision of about 28 Crores out of provision of 161 Crores made for our SECI 3 project, wind project, during Q2 FY2020 as the performance bank guarantees issued as a security for development of transmission infrastructure have been released by the Power Grid Corporation of India Limited

The third non-recurring item is reversal of partial provision of 29 Crores out of total provision of 51 Crores made for the SECI 5 project during Q4 FY2020. As the project development activity has already been initiated and it is like to be completed in FY2023, provision of 29 Crores has been reversed. Balance provision of 22 Crores was made towards the land cost incurred initially. The same has not been reversed for the time being as now the development activity is being carried out at different sites.

The fourth item is non-recurring item of about 34 Crores recognized as a liquidated damages of 126 megawatt MSEDCL project on account of settlement with EPC contractor and the last one is about 11 Crores is the renewable energy project which is acquired in the course of the Q4 FY2022. Since there are three acquisition were made, one is Surya Vidyut Limited about 156-megawatt wind capacity, 50 megawatt of Lightsourcebp capacity, solar capacity and 25 megawatt of Visual Percept. So all put together non-recurring credit of 118 Crores was booked in Q4 FY2022.

Coming to the comparable quarter of last year, there are two non-recurring items of Q4 FY2021. First one is reversal of provisions in franchise distribution business about 13 Crores due to better collection efficiency in comparable quarters last year. Second is that there is a fuel cost under recovery of 38 Crores in Q3 of FY2021 which got recovered in Q4. So two items put together non-recurring credit about 51 Crores we have booked in Q4 of FY2021.

Adjusted for these one-off items, the PBT for the quarter stood at 479 Crores compared to 404 Crores in the comparable quarter of last year, which is higher by about 75 Crores about 19%.

Now to take you through the performance key highlights on improvement in the adjusted PBT of 75 Crores for the current quarter. First the improvement is coming from the gas-based power projects because of the two reasons. We have incremental gain of about 25 Crores in the gas-based power project. First gain from merchant business of 40 Crores mainly coming from the sale of LNG. As communicated in the last call as well with the elevated gas prices it will make commercial sense for us to sell LNG rather than converting into electricity.

The gain of 40 Crores is reduced by lower contribution of 15 Crores on account of fuel saving due to lower PLF which is partially offset by the lower O&M cost also. In total the above two factors profitably of gas-based power plant has improved by about 25 Crores.

Moving on to the performance of distribution business. Due to disruption of industrial demand which has impacted the last year due to COVID pandemic there was an

improvement in overall contribution from distribution business both franchisee as well as licensed business by about 57 Crores. So distribution profit of license and franchisee distribution business has gone up by 57 Crores. The last one is there was a reduction in finance cost of about 13 Crores due to lower rate of interest as well as a lower average debt level during the course of the quarter. Average interest rate for the quarter was lower by about 17 basis points compared to corresponding quarter of last year. The debt level of as on March 2022 was higher at 9115 Crores as compared to 7808 Crores which is roughly higher by about 1300 Crores. This is mainly because of the acquisitions we made during the course of the quarter and that incrementally goes into SPVs.

Above completes explanation of financial performance. Now on operational performance of the company, distribution business witnessed normalized demand registering marginal degrowth of only 1% as compared to the pre-COVID level.

Moving on to the after-tax numbers. Consolidated loss after tax reported for the quarter is about 484 Crores as compared to profit of 408 Crores in the corresponding quarter of last year, it is lower by about 892 crores. The loss is mainly on account of impairment charges which is one off charges made during the course of the quarter of 1300 crores and reversal of deferred tax liability of 372 Crores. So net impact of DGEN impairment is about 928 Crores.

Adjusted for impairment provision PAT for the quarters stood at 444 Crores versus 408 Crores in the corresponding quarter of last year which is higher by about 36 Crores roughly about 9%. This complete overview of the quarterly financial and operating performance of the company.

Now we will give the update about the current project which are under pipeline. First, 115 megawatt of SECI 5 project which has received an extension up to September 2022 from February 2022. EPC contract for this project has already been awarded and construction work has already been started and we expect that the commissioning of this project will happen during course of FY2023. SCOD of 100 megawatt GUVNL project extended up to October 2022, and SCOD of 300-megawatt project TPLD which is further extended from February to April 2023.

Acquisition transaction executed with three companies CESC, Lightsourcebp and Visual Percept has been consummated during the course of Q4 FY2022. In April 23, 2022, the company entered into the share purchase agreement with Sky Power to acquire 50 megawatt of solar project under Sunshakti Power Limited located at Telangana with an enterprise value of 417 Crores. Company does not have any debt as of now. The PPA has executed Rs.5.35 balance life is about 20 years. We expect to take over our license distribution

business of union territory of Dadra, Nagar Haveli, Daman and Diu, area was formally taken over by us from April 1, 2022, and 51% stake owned by the Torrent Power Limited area have customer base of about 1.5 lakh with annual sales of 9 billion units and annual turnover of about 4500 Crores that is all for the quarter. Now I would request coordinator to open the line for Q&A session. We wish everybody to stay safe and stay healthy. Thank you so much. Handing over to the operator.

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

Mohit K: Good morning Sir. Good to see that we have been able to maintain our profitability despite various headwinds. My question is have you got any tie-up for gas in this year or most likely it is going to be spot purchases till the gas market softens up.

Saurabh Mashruwala: For the current year means calendar year of FY2022 only one cargo very recently we have purchased on a spot basis. On a medium-term contract we have not contracted so far the situation is remains same as explained in the last earning call. So we have not contracted any further cargo except one cargo for financial year ended of 2022.

Mohit K: Since we have taken our Daman and Diu and Dadra, Nagar Haveli so what are your expectations of Capex for the next few years in this particular entity and can you also give us the regulated equity number of the area.

Saurabh Mashruwala: In terms of Daman and Diu it is a long-term business we look at some long-term perspectives and expectation of Capex would be about 1000 Crores in next five, seven years that is what we expect to incur and strengthen the network at the Daman and Diu area.

Mohit K: If possible to give the breakup of the EBITDA for the entire company.

Saurabh Mashruwala: I can give the numbers of quarter. Gas based project is about 282 Crores versus 255 Crores and renewable projects 147 Crores versus 157 Crores, license distribution is about 421 Crores versus 293 Crores. Franchise is about 167 Crores versus 184 Crores and total EBITDA reported is 1088 Crores versus 948 Crores.

Mohit K: Understood Sir. Thank you and best of luck. Thank you.

Moderator: Thank you.

Harshvardhan Dole: Moderator till the time we have the queues assembled I would like to basically ask a couple of questions from my side. Saurabh bhai if you can just help us understand the philosophy

of doing this impairment, how frequent should we expect this exercise to be conducted and what has been the basis or base underlying price of gas which has been considered while impairing this asset, mean, hypothetically if the gas prices fall below to \$10 will you look forward to reverse the impairment or any philosophy or any comments on that.

Saurabh Mashruwala: The impairment exercises are practice we generally do every quarter. So every quarter we do the impairment exercise along with the PWC because it is the statutory auditor and generally on Q4 last quarter we do that we involve the third party also where third party also get involved and do their valuations and they give their opinion so that exercise every year we do carry out, even last year also we carried out similar exercise with third party valuation in Q4 and these are also we carried out the similar exercise. In terms of fuel prices we take the fuel price on the market price whatever is available in the forward market. So the brand price we take and we apply some slope and arrive at the fuel price and do the valuations.

Rishi Shah: And just to add on what Saurabh has said going forward we may not expect much of impairment because if you look at the carrying value of the plant now is very negligible in terms of the impairment testing is to be done. So around only 600 Crores which is pending for impairment so going forward we may not expect much of impairment coming out of this plant. So our expectation is that the residual value, I would say current carrying value out of which some amount of about 600 to 700 Crores is the residual value which will not be provided the balance will be about 600 to 700 Crores still to be left out so that will be spread out and will be charged to the P&L by way of depreciation going forward.

Harshvardhan Dole: Understood thank you. Moderator can we take the next question. Thank you.

Moderator: Thank you. The next question is from the line of Anuj Upadhyay from HDFC Securities. Please go ahead.

Anuj Upadhyay: Thanks for the opportunity Sir. Can you please elaborate further on the gas requirement under the tender which we have. You mentioned that we have already went for the one cargo but in the last call you had mentioned that we had contracted three cargos each year for the calendar year 2022 till 2027 which would take about 25% of the requirement and now we have contracted another one. So with this what portion of our gas requirement has been much till date and our strategy for the balance requirement?

Saurabh Mashruwala: See we have existing gas from IOC as well as Reliance which is meeting about 25% of our requirement. So 25% long-term tie-up we have already. So in last calendar year we floated tender for securing 34 cargos. So we secure about 34 cargos last year. From calendar year 2023 to 2026 about four years, every year about six to seven cargos we have contracted.

With this tie-up from calendar year at 2023 to 2026 this is about 25% of requirement. So total 50% of the requirement we have tied-up from calendar year 2023 to 2026. For current year we still we have about 25% requirement we have tied-up one cargo recently we have contracted balance requirement is yet to be tied-up for the current calendar year. So what we can say is that from calendar year 2023 to 2026 we have secured about 50% of our requirement.

Anuj Upadhyay: 2023, 2026 calendar year.

Saurabh Mashruwala: Calendar year yes for four years.

Anuj Upadhyay: Could you just mention about the Capex plan are we going with around 15 billion of Capex for FY2023-2024 or are any changes there.

Saurabh Mashruwala: No, Capex planning is remain same, so 1200 Crores for our license distribution business and about 250 Crores for our franchise distribution business for next at least three years. I can give the update about the current year Capex which we have incurred FY2022 license distribution we are going as per the projection. 1254 Crores Capex we have incurred for the FY2022. Franchise we have incurred about 316 Crores Capex. So we are going as per the plan which we have given during last couple of calls. So 1500 Crores Capex we have incurred during the course of FY2022 and we expect to incur in next three years also.

Anuj Upadhyay: Lastly on that 100 megawatts GUVNL tender any update on that.

Saurabh Mashruwala: That we have time till October so we are waiting for our module price to soften. So we will take a call I think within the course of next quarter.

Anuj Upadhyay: Till October in the sense it would not incur any penalty.

Saurabh Mashruwala: The solar project generally once you start implementing it and contracting the modules it will not be like a wind power project and things, the implementation will be fast for solar projects.

Anuj Upadhyay: Fair enough Sir that is it from my end.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Thank you for the opportunity. I have three questions, first on SUGEN and UNOSUGEN which are cost plus projects could you just help us understand given the gas tie-ups that we have would we be able to recover our fixed charges and return on equity.

Saurabh Mashruwala: Yes SUGEN and UNOSUGEN since we have our PPA under Section 62 and gas availability, gas is available but at higher price. So gas is available, so we have to establish the availability of the gas, once we establish availability of the gas that is what that comes with the PPA and we are going to recover the fixed cost of SUGEN as well as UNOSUGEN project also.

Bhavin Vithlani: Even for fiscal 2023 as well given the gas situation we can assume that fixed charges return. Second follow-up on the same is there is an element of incentive and efficiency in both SUGEN and UNOSUGEN could you just help us with that what was that number in fiscal 2022 and how do you see that number given the utilizations are low currently.

Saurabh Mashruwala: We have numbers of about, because there are lower volumes of SUGEN and UNOSUGEN project in Q4 there was some reduction about a 15 Crores fuel gain loss in terms of SUGEN and UNOSUGEN that is what I can share right now with you for Q4.

Rishi Shah: So just to add on to what Saurabh Bhai said when there are two elements involved here one is SHR saving and the other proportion is O&M savings. As far as O&M savings are concerned, we are entitled to have all the savings available in that PPA. As far as SHR savings it is dependent on the PLF at which the plant operates. So since there is a reduction in PLF of both these plants, SHR savings would be lower, but we will be entitled to get our entire O&M saving. So all put together there is a net charge on the P&L for this quarter of around 15 Crores.

Bhavin Vithlani: Thank you. This is very helpful. The second question I had is on the franchisee. We have been seeing very sticky AT&C losses of around 40% in Shil, Mumbra and Kalwa, could you just help us maybe on a three-year basis what is the kind of improvement that one can expect on the AT&C losses.

Saurabh Mashruwala: See in terms of SMK area I can give the numbers basically. So if you look at the FY2021 AT&C loss number of Shil, Mumbra and Kalwa was at 52% AT&C losses for the full year. In FY2022 we have achieved about 39% so that is a significant improvement that we have reported in terms of AT&C losses in Shil, Mumbra and Kalwa. In terms of T&D losses we have secured a reduction about 5% out of which 12% reduction in AT&C losses 5% pertain to the T&D losses. So we can expect this kind of a reduction going forward at least for a couple of years I would say.

- Bhavin Vithlani:** The last question is on the Agra and this Bhiwandi franchise. On a three-year basis is it fair to say that we can reach the losses level what we are seeing on our Ahmedabad and Surat license areas.
- Saurabh Mashruwala:** In terms of Bhiwandi for example the T&D losses was in FY2022 end it was about 11.64%. So we expect some reduction, every year some improvement will be there out to 1% to 1.5% improvement we can expect in Bhiwandi as well as Agra also. But incrementally since that base itself is reducing the incremental pace of reduction would get reduced over a period of time.
- Bhavin Vithlani:** That is very helpful. Thank you so much for taking my questions.
- Moderator:** Thank you. Next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.
- Subhadip Mitra:** Good morning and thank you for the opportunity. If you could just help us with the regulated equity at Dadar, Nagar Haveli and also give us a regulated equity for the rest of license business.
- Saurabh Mashruwala:** I can give the license distribution business regulated equity as on March 2022 for license business for Ahmedabad, Surat and Dahej the regulated equity is about 3000 Crores and AMGEN is about 434 Crores, SUGEN is about 916 Crores and UNOSUGEN is 533 Crores.
- Subhadip Mitra:** Sorry I missed the last one.
- Saurabh Mashruwala:** UNOSUGEN is 533 Crores.
- Subhadip Mitra:** 533.
- Saurabh Mashruwala:** Yes.
- Subhadip Mitra:** So the Dadra, Nagar Haveli regulated equity is not available as of now.
- Saurabh Mashruwala:** About 139 Crores regulated equity, 150 Crores roughly.
- Subhadip Mitra:** 150 Crores, okay. Secondly with regard to the gas price threshold that we have for actually operating the plants in your opinion that number is around that \$10 per MMBTU and these plants kind of become economical.

Saurabh Mashruwala: See it depends on the comparative cost also like coal also has gone up so once has to look at the real-time situation because coal is also higher coal costs has also gone up so the numbers are changing in fact it is not at present at one particular level I would say.

Subhadip Mitra: I was actually just trying to understand from the UNOSUGEN PPA if I remember correctly I think that the cap on the tariff that was somewhere around 4.2 so I was just trying to backward based on that. So would that culminate to around a \$10 kind of a number is that the right number to pickup.

Saurabh Mashruwala: If you look at the gas cost is about \$9 kind of a thing.

Subhadip Mitra: Lastly with regard to the write-off that we are doing for DGJ and as we mentioned that you are doing it based on the current LNG spot prices and based on that we are doing these write-offs. So one can possibly look at a write-back sometime going ahead assuming gas prices come up.

Saurabh Mashruwala: See in the impairment assessment fuel price as well as the whatever assumption in terms of sale, power selling arrangement also so we have about in terms of power selling arrangement we have about five years of average of merchant spot price also, exchange price I would say. So that also has elevated for the current quarter so if you see the cost is elevated, my selling price is also elevated it is a bit higher. So one has to not look at that only fuel cost, but one has to look at that what price we are going to sell it also. So it is a basically combination of all factors coming and determine the impairment assessment I would say not only one factor.

Subhadip Mitra: Understood so you are not really anticipating any large write-back even if gas price is correct because we have already taken higher exchange price.

Saurabh Mashruwala: So every year, every quarter in fact we are reviewing the assumptions and every year we engage with third party value also for this assessment. So ongoing basis we will do the impairment testing every year. Every year and as well as every quarter also we will review the assumptions.

Subhadip Mitra: Last question from my side for the UNOSUGEN PPA so while I think the PPA mention that tariff cap of about 4.2, 4.3 given that today even imported coal-based prices I have a tariff cap of Rs.12 in your opinion does the PPA enable the DISCOM to kind of buy at a higher tariff despite the fact that the cap that is mentioned in the PPA is low.

Saurabh Mashruwala: Basically we have to ensure the availability, availability of the plant and availability of the gas for the UNOSUGEN project once we establish the availability we are able to recover the fixed cost.

Subhadip Mitra: I understand that but I am actually look at it more from the PLF perspective assuming that you are able to recover the fixed cost of UNOSUGEN, the PPA has a tariff cap of around 4.2 whereas let is say that DISCOM required far and today the next best alternative is coming at maybe Rs.12. So would that enable you at some point of time to kind of operate the plant assuming at Rs.12 you are able to operate the plant and make money and the DISCOM is also ready to buy at that price. Just trying to look at that scenario.

Saurabh Mashruwala: We have to take the regulator more on this particular point once the regulator is allowing yes definitely we can generate the power and sell it to the DISCOMS at this price also.

Subhadip Mitra: Understood thank you for answering my questions that is it from my side.

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

Rahul Modi: Thank you for the opportunity Sir. My first question is the one cargo that we have tied-up this year so far, so what would be the average rate at which we would have done that the gas and what are the rates that we are getting are we seeing any mid key discounts and are we able to buy gas from Russia.

Saurabh Mashruwala: See what we have contracted is around \$20 kind of a contract.

Rahul Modi: And how is the pricing now if you are getting into the market.

Saurabh Mashruwala: Around same level I think price is very reasonably we have contracted the price is currently around \$20, \$21 kind of a thing.

Rahul Modi: Anything on the Russian side you are able to get some discounts in Russia.

Saurabh Mashruwala: Not so far.

Rahul Modi: My second question is with regard to the 400 megawatt of the GUVNL and our own distribution renewable bid does this fall under the ALMN procurement or this does not entail that and we can go ahead and import and when you are saying that we will be looking at the module prices. So if the BCD is it a pass through in our tariff if at all how does it work.

- Saurabh Mashruwala:** Yes, it is a basically change in law condition so BCD is going to be pass through.
- Rahul Modi:** So the 40% BCD is the pass through, but as a strategy you are looking at locally procuring modules or continue to import.
- Saurabh Mashruwala:** We are evaluating we are just watching, monitoring the module price locally as well as from the foreign market also based on our judgment I think we will take a cost stable according the next couple of months I would say.
- Rishi Shah:** So what is happening here is that when we bided for the contract the module prices were hovering around certain levels and it just got inflated to a very high level right now because of which we are yet to take a decision on whether to implement the project or not. Now it is very difficult to guess where these prices will end up over a period of time. So right now giving any color on the implementation of the project would be very difficult.
- Rahul Modi:** One more thing is that obviously as a strategy we have acquired many assets over the last 12 months. So clearly inorganic growth in renewable is one of the strategies. For the other part of it is the bidding so how do you look at it are we active, non-active given our experiences in the last three bids as a strategy how do we look at that.
- Saurabh Mashruwala:** We are in both the areas inorganically as well as organically we are looking at the both areas. We are also participating in a couple of biddings also for the new projects and at the same time we are looking at the M&A piece also by acquiring the operating projects.
- Rahul Modi:** Last question from my side given the customer profile of both your license businesses and the franchise businesses, but in terms of percentages what is the target AT&C losses or what is the best-case AT&C loss that we can reduce from the current levels of 10%, 11% etc., that we have. So how much savings over the years can happen in these distribution areas.
- Saurabh Mashruwala:** We say in licensee distribution area only we do not have much there are almost 100% and in terms of a franchise area in terms of our collection efficiency last year is almost more than in case of Bhiwandi and SMK it is more than 100% collection efficiency, Agra is about 99% collection efficiency we have achieved last year. So in terms of a reduction in AT&C losses the franchise distribution as we explained earlier also we can expect about 1% to 1.5% reduction in certain levels I would say not every year on a perpetual basis we can expect the reduction.
- Rahul Modi:** Is that 1% to 1.5% that certain levels that you mentioned what could that be ballpark just to understand.

Rishi Shah: If you look at our existing license distribution businesses they are in the range of 5% to 6% or 4% to 6% I would say. There is significant headroom available for franchise distribution business also to achieve those levels over a period of time it would be a gradual reduction in AT&C losses so on a long-term basis we may expect that they should be also in the same lines with our license distribution businesses, but that pace of reduction will keep on reducing as your base also goes going down.

Rahul Modi: Lastly how is the interest rate market faring once we are going in for refinancing or then we have taken fresh loans just this is more of a macro question how is that faring for us and the market are we seeing refinancing happening at some higher levels usually increasing the interest rates that guidance would be very helpful. Thank you.

Saurabh Mashruwala: Interest rate if you look at has moved up very recently so our borrowing is linked with the base rate, lender base rate so the moment the lenders changes the base rate our cost has also moved up in a similar direction.

Rishi Shah: So adding to this if you look at our mix of debt borrowing some portion is variable some portion is fixed. So in fixed rate loans we do not expect any increase in the borrowing cost but on the variable rate loans there would be an increase once the MCLR start increasing over a period of time. Some portion of it will also be allocated to the license distribution businesses which will have a pass-through impact so as far as P&L impact is concerned there would be a smaller impact in terms of existing loan, as far as new loans are concerned because of recent RBI hike in repo and CRR there would be an impact on incremental borrowings which will be over a period of time.

Rahul Modi: Sure Sir thank you and all the best.

Moderator: Thank you. Next question is from the line of Punit from HSBC Global Asset Management. Please go ahead.

Punit: Hi! Thanks Sir. My only question is you alluded to module prices being high and that you may not execute the project what kind of penalty would you have to pay if you do not execute the project and what would be the any other consequences of that.

Saurabh Mashruwala: In the 100 mega project is about 10 Crores penalties there.

Punit: So that is it and there is nothing more to it.

Saurabh Mashruwala: Yes.

- Punit:** That is all from me.
- Moderator:** Thank you. Next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Continuing on this variable cost set question. So can you please share the amount or the proportion that is due for refinancing in this year?
- Saurabh Mashruwala:** Can you repeat the question.
- Apoorva Bahadur:** How much of our debt is due for refinancing this year basically the variable cost.
- Rishi Shah:** Just to answer that question most of our loans are long-term loans with an amortizing schedule which means every year we will be paying 800 to 1000 Crores of repayments, but as I told you some of the loans are variable rate loans which are linked to MCLR of banks from whom we have tied up. So there may not be a question of refinancing but since rates are variable it will increase going forward once the MCLR starts increasing because of recent hikes by the Central Bank.
- Apoorva Bahadur:** Also I wanted to understand on the gas profit or the profit from gas sales which we are earning in the last two to three quarters do we need to share any of it with the DISCOMS especially in the distribution license areas.
- Saurabh Mashruwala:** No we do not have to, basically it is a separate line of business.
- Apoorva Bahadur:** Lastly I think you have highlighted that the cost of borrowing is going up for new loans now given that we have a couple of renewable projects which are yet to be executed would you like to comment on the viability if the cost of debt increase and to what level will you continue or intend to execute given that the solar module cost that is already quite high.
- Rishi Shah:** First of all it all hinges on how the module prices behave if they are within the range then the next question would be of interest cost because as we understand this these are all long-term 25-year projects currently interest rates are an upward cycle but going forward we expect that after couple of years it should go down also. So it all depends on the module prices as of now interest rates may not be a significant factor contributing to the decision of go or no go.
- Apoorva Bahadur:** Thank you so much Sir.
- Moderator:** Thank you. Next question is from the line of Deepesh Agarwal from UTI. Please go ahead.

Deepesh Agarwal: Good morning Sir. My first question is would we be allowed to trade on the gas which is procured from domestic sources that is from IOCL or Reliance or the trading is restricted only on the imported gas.

Saurabh Mashruwala: Sorry can you repeat the question please.

Deepesh Agarwal: Sir, my question was, the trading on LNG is restricted only on the imported gas or you can even trade the domestic gas.

Saurabh Mashruwala: We do not like to answer this question.

Deepesh Agarwal: Secondly can you help us with the gross block of your renewable portfolio which is operational right now.

Saurabh Mashruwala: Gross block of renewable portfolio can you get to me offline, we do not have numbers handy as of now.

Deepesh Agarwal: Lastly can you comment are there any circles coming off for privatization in the next 12 to 18 months.

Saurabh Mashruwala: The government has announced privatization of Union territories Lakshadweep, Pondicherry kind of a thing. So those are the circles which are going to come for the bidding.

Moderator: Thank you. The next question is from the line of Sumit Kishore from Axis Capital Limited. Please go ahead.

Sumit Kishore: Hi! Good morning Saurabh bhai and my first question is in relation to Dadra, Nagar Haveli, and D&D while the acquisition is effective 1st April would it be possible for you to share the revenue EBITDA PAT for FY2022.

Saurabh Mashruwala: We yet to get the numbers of FY2022 from the old company I would say.

Sumit Kishore: The second question is on the renewable side, last financial year close to about 15 gigawatt of renewable capacity has got added and largely through solar, but now given module prices are high, the imposition of import duties and modules themselves ALMM also lurking in the background do you see the pace of execution not only for Torrent on organic basis but for the country as a whole seeing some sort of slowdown in the next couple of quarters and also if you could comment on the big pipeline that you are seeing for solar right now maybe from six months to 12 months expected.

- Rishi Shah:** If you look at the prices of modules which are prevailing as of now and the bid levels or the tariffs which are being quoted as per our understanding it will be very difficult for anybody to go ahead and implement the project at the tariffs which have been quoted at the current module prices. Expectations are that over a period of time module prices will start falling again and then some of the projects will become viable and will get implemented, but it is a very difficult question to answer in the sense that how module prices would behave how ALMM would work and how domestic prices would come of modules going forward. So as of now we understand that it would be difficult for anybody to implement the project at the tariffs quoted at the current module prices.
- Sumit Kishore:** So rationally I understand the uncertainty but is it looking like that FY2023 might very well be a year if the current situation prevails where solar capacity addition is actually lower than FY2022.
- Rishi Shah:** Difficulty question meaning things change very fast so as Saurabh has mentioned earlier in the call that putting up a solar plant is not that time consuming if you have other infrastructure ready. So if module prices start coming down you will see higher implementation, but at these elevated levels it looks difficult.
- Sumit Kishore:** But the DISCOMs are not ready to budge or there is no parallel discussion happening on sort of adjusting tariffs and going ahead with the project in the light of the new development.
- Rishi Shah:** These are all bided projects anyways we cannot do anything once the bidding is done except to reduce it further where that does not look like there is a scope there and we are not privy to any such kind of discussions.
- Sumit Kishore:** Sure thank you and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Ankit Mittal from SBI Mutual Fund. Please go ahead.
- Ankit Mittal:** Thank you so much for the opportunity. My first question was actually on AMGEN I recollect I think the initial timeline for the retirement was set at December 2022 and there were some amount of discussions that you were having with the regulator on the same. So if you could just provide some update how do you look at the retirement franchise at this point in time.

Saurabh Mashruwala: We are awaiting the credit from the MOEF so still it is not decided right now. So as of now December 2022 is going to be extended that is what our expectation is so it is not going to be done by December 2022.

Ankit Mittal: What have you been hearing that because I think there are still a good four, five years of useful life remaining for AMGEN right correct me if I am wrong over there.

Saurabh Mashruwala: Looking to the current power situation in the country, we expect that the MOEF will consider the extension of most of the power plant which are efficient I would say. So AMGEN is one of the most efficient plants even though he has four, five years of life available it is a more efficient plant as compared with the other old plants. So we expect that the government will consider expansion of those plants which are efficiently run.

Ankit Mittal: The other question was just to understand on the regulatory assets so if you could one provide what is the current regulatory asset both Ahmedabad and Surat and secondly I do not think there is a very large tariff hike that has happened this year and given that the average cost of purchase is going up how do you see the regulatory gap then moving for the current year.

Saurabh Mashruwala: The regulatory asset is around 1900 Crores at this moment out of which about 1000 Crores we have already booked in the books of accounts so remaining is under dispute with the regulator and in terms of tariff hike, yes tariff hike we have not given the last tariff order. But it is basically whatever incremental cost is there in terms of power purchases it will be being passed through availability of mechanism very recently in fact we have got about 20 basis points increasing the FPPPA rate also so on a regular basis regulator is considering the increase in the FPPPA rate. So it is an ongoing process basically.

Ankit Mittal: In general what would be the regulatory gap for this year because like I said the tariff increase is not comparable with the power purchase cost increase that we have seen this year?

Saurabh Mashruwala: Which year you are talking about 2022 or 2023.

Ankit Mittal: For 2023.

Saurabh Mashruwala: It is a difficult question because it is basically based on the what level we are going to purchase the power and what will be our fuel cost so it is very difficult to predict what will be the level as on March 2023.

- Rishi Shah:** Just to add there would not be any impact on profitability because carrying cost also is available on the regulatory cap. So it would be a question of cash flow rather than impact on the P&L if at all there is an increase in the regulatory cap.
- Ankit Mittal:** Just trying to understand actually the dividend for this year is also slightly lower than what we see in 2021 do you see any cash flow which is coming in for the next year.
- Rishi Shah:** The current year dividend is not because of any cash flow related issues, as you know we are also in a growth phase and our stated policy is 40% dividend, any incremental dividend will depend on how management looks at in terms of growth going forward. Since we are into growth phase dividend has been above 40% and also there was a one-off item in the P&L which also had certain limitations to give additional dividends. So it is nothing to do with the cash flow or cash per se of the company.
- Ankit Mittal:** Just one last question on Dholera what is the status over there what sort of Capex are we looking to do is there any pickup in the investments that we see within that region over the next five years or so.
- Saurabh Mashruwala:** We are seeing some activities in Dholera area also, some industries are also coming up setting up the new projects. So as we indicated earlier we expect about 1000 Crores Capex in next seven, eight years in Dholera area.
- Ankit Mittal:** That is it from my end, thank you for taking my questions.
- Moderator:** Thank you. The next question is from the line of Dhruv Muchhal from HDFC Asset Management. Please go ahead.
- Dhruv Muchhal:** Thank you. Sir one clarification the 15 Crores impact in the gas generation business on a Y-o-Y basis that is primarily to do with the fuel savings. So if I have to analyze it that is about assuming for the rest of the year the plant runs at similar rate hypothetically the maximum impact is about 60 Crores because of the fuel saving that is broadly right.
- Saurabh Mashruwala:** Yes, you can assume that way because current impact is for last quarter Q4.
- Dhruv Muchhal:** Yes, assuming the plants remain at these levels given how the gas prices are that is the maximum impact nothing more than that.
- Saurabh Mashruwala:** Yes you can assume that way.

Dhruv Muchhal: The second thing was when we look at your tariff orders for Ahmedabad and Surat, the Capex that we have put in for this year if I am not wrong so Ahmedabad is about 1500-odd Crores and Surat is another I think 100, 200-odd Crores. So that totals to about 1700 odd Crores versus your guidance is about 1200. So last year last FY2021 was COVID I understand there was a difference. So should we assume that there could be some upside to your Capex for distribution licenses versus what you have guided at least from the tariff orders?

Saurabh Mashruwala: The current guidance which we have given about 1200 Crores for license distribution business is about 200 Crores, 250 Crores for franchise distribution business. I think this is a reasonable assumption one should consider.

Dhruv Muchhal: And Sir for the next two, three years should we assume a similar rate for the license distribution 1200 odd Ahmedabad plus Surat.

Saurabh Mashruwala: We are saying about two to three years similar Capex we are going to incur.

Dhruv Muchhal: That is sufficient, and last thing a bit of macro here is we are seeing this demand shortage, supply shortage part because of imported coal and many other things. So for us also there is some shortage in our Ahmedabad plus Surat requirement part of which we buy from exchanges and others. So given how the situation is panning out do you think because if you have to depend on merchant power there is an expectation that the prices will be high like what we are seeing now. So is there some talks or expectation that you will probably go ahead for a medium-term or a long-term PPA to meet your medium-term requirement as we move ahead and as the power situation continues to get tightened and related to that is if it is possible does this also create an opportunity for us to probably meet that requirement through a power plant or I am not sure through some alternate power plants if that is possible.

Saurabh Mashruwala: See as far as our distribution area are concerned license and the franchise till yesterday we do not have any issue about the power cuts I would say we are 24/7 we are supplying power to all of our distribution area in terms of our license distribution area we have before this power shortage started we have contacted some short-term power purchase agreement with a couple of suppliers. So we are fairly comfortable in terms of our area for supplying power for 24/7.

Dhruv Muchhal: So I understand you were meeting the requirement but the cost of merchant power is increasing as we see. So from a cost angle is there a consideration that we should go for a medium-term or a long-term PPA probably the regulator also inching towards that is some sense there.

Saurabh Mashruwala: See before this crisis started and before the rates has moved up to Rs.12 prior to that we have contracted certain short-term contract for our license distribution area so we have a fairly good power supply available for our license distribution area.

Dhruv Muchhal: Got it Sir. Thank you so much that is all. Thank you.

Moderator: Thank you. The next question is from the line of Mohit K from DAM Capital Advisors. Please go ahead.

Mohit K: Hi! Thanks for the opportunity once again. Couple of clarifications are we still operating under 2016 regulations and is there a talk of 2021 regulation to be framed in the near future.

Saurabh Mashruwala: Currently it is under earlier regulation 2016 regulation because new regulation it is not pronounced by the regulator it is delayed by about one year or so. So existing regulation 2016 is currently in operation.

Mohit K: Given that the ancillary markets are expected to be introduced sometime in this fiscal do you think this will help our open capacity in material term.

Saurabh Mashruwala: In the ancillary market what are you referring to.

Mohit K: CRC is introducing the ancillary market to supply power and delivery 30 minutes to 2-hour duration. So this market is supposed to be introduced in this year and it should help the power plants which can ramp up and ramp down very fast.

Rishi Shah: I think that would be a very useful market, but for any power plant ramping up and ramping down for a gas based power plant can happen if it is working at a base load doing a cold start or a hot cold start and supplying for 30 minutes or two hours would be very difficult but yes for our SUGEN and UNOSUGEN untied capacities introduction of this market will have a significant opportunity for us as far as Dahej is concerned would be very difficult to tell because it does not operate on a base load compared to SUGEN and UNOSUGEN.

Mohit K: Understood thank you Sir and all the best.

Moderator: Thank you. The next question is from the line of Bharani Vijay Kumar from Spark Capital Advisors. Please go ahead.

Bharani V K: Good morning Sir. What is the yearly gains from LNG trading at the EBITDA level that is reflected in the gas generation segment.

- Saurabh Mashruwala:** Q4 we said about 50 Crores.
- Bharani V K:** So just trying to understand for the full year.
- Saurabh Mashruwala:** Can we give it to you offline. I have Q4 numbers so we can give offline.
- Bharani V K:** No problem. So the idea is to understand the difference between EBITDA for FY2021 and FY2022 and that will predominantly be the gain from LNG that is my question. The second question is what amount of equity we would have spent in acquisitions this year for both the CSC and the other acquisition.
- Rishi Shah:** CSC was 300 Crores of equity value, Lightsource was around 100 Crores and Visual Percept was around 165 Crores. So if you refer our presentation we have provided those numbers in the presentation itself.
- Bharani V K:** So the idea behind this is to ask beyond the Capex number you have guided 1200, 1250 for franchise what would be the kind of Capex or capital going for acquisition like this in the next one to two years for renewables especially.
- Rishi Shah:** First of all we do not give any estimates and it will be very difficult to give estimates for any acquisitions per se we keep on looking at acquisitions. Now it will be difficult to give any estimate per se for acquisition related investments.
- Bharani V K:** Okay sure that is it from my side.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Thanks for the opportunity again. This is continuation to the previous participant's question. Could you just help us understand the philosophy behind the acquisition because the observation is that you are actually going behind smaller assets so what is the kind of valuation that we are getting in, what is the kind of IRR we are able to generate at the prices that we are able to acquire assets.
- Saurabh Mashruwala:** See in terms of IRR we generally target about 13% IRR equity IRR I would say so that is what we generally target for evaluation of any acquisitions and we generally look to focus more on the solar side.
- Bhavin Vithlani:** Just a continuing question so the acquisition of the CSC assets were the wind assets which have been performing really poorly vis the vis the original expectation. So where are we

able to add value to see that the gap in the performance on the PLF can be bridged and consequently we able to generate better return?

Saurabh Mashruwala: See basically we can make value addition by way of better O&M activities, better I would say availability of the plants. So those are the area where we will work on it and will improve the availability and improve the PLF from the existing level. So plan is to improve the O&M practices and have now scheme available for the O&M activities on a continuous basis, improve the availability of the plant by way of resolving the ROW issues so by doing this we will improve it by PLF from the existing level that is sort of planning.

Bhavin Vitlani: Would you be able to share what is the multiple on the EBITDA that we have been able to acquire and are these smaller assets available at a much deeper discount than what the transactions that we are hearing for larger assets or larger platforms.

Rishi Shah: There would not be a simple answer to that each asset would have its own valuation matrix and we will have to see how we can bring or add value to that proposition and derive higher IRR. So as far as EV per megawatt is concerned it is there in our presentation EV per EBITDA we currently do not have numbers ready. Again all these acquisitions there are certain scope of improvements on the operational side so current EV EBITDA may not be a true reflection of what we are envisaging so once this stabilizes it would be better to look at EV EBITDA on that number.

Bhavin Vitlani: Appreciate. Thank you so much for taking my questions.

Moderator: Thank you very much. As there are no further questions. I now hand the conference over to Mr. Harshvardhan Dole for closing comments.

Harshvardhan Dole: Thank you. On behalf of IIFL Securities I thank you all for joining us for this call. Special thanks to the management of Torrent Power for letting us host this call. Thank you very much really appreciate, Sir. Any final remarks comments that you would like to make.

Saurabh Mashruwala: Thank you Harsh, thank you for the call and we thank you all of you and we thank you for the call and stay safe and healthy. Thank you so much.

Harshvardhan Dole: Thanks Saurabh bhai.

Moderator: Thank you very much. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.