



“Torrent Power Limited
Q2 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Torrent Power Limited Q2 and H1 FY2021 Earnings Conference Call hosted by IIFL Capital 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 Capital Limited. Thank you and over to you Sir!

Harshvardhan Dole: Thank you, moderator. Greetings everyone, on behalf of IIFL Securities I welcome you all for the second quarter earnings call of Torrent Power to discuss the performance details and share the outlook for the subsequent quarters. We have the senior management team of Torrent Power. Today we have Mr. Saurabh Mashruwala - VP, Finance; Rishi Shah - GM Finance; and Jayprakash Khanwani - Manager, Finance. Without much of a delay I would like to hand over the call to the management for their opening remarks subsequent to which we can have the Q&A next open up. Over to you Sir!

Saurabh Mashruwala: Thank you, Harsh. Good morning to all of you. Thank you for joining the earnings call of Torrent Power for the Q2 FY2021, I will take you through the performance of the quarter after which phone lines will be open for Q&A session.

The consolidated PAT reported for the quarter is 204 Crores as compared to 750 Crores reported in the corresponding quarter last year, which is lower by 546 Crores that is roughly 73%. The PAT has reduced considerably, however if you recollect large part of this is attributable to one off recognition of 281 Crores of deferred tax asset in the comparable quarter last year, due to reduction in MAT rate from 21.55% to 17.47%. Adjusting for this change, PAT for the quarter has reported de-growth of 57%.

Now moving on to the PBT number, reported PBT for the quarter is 230 Crores as compared to 533 Crores reported in the corresponding quarter last year, which is lower by about 300 Crores, that is 57%.

I will first explain you the non-recurring items in both the quarters to get a clear picture of the underlying performance

The non-recurring item of the current year quarter includes three items.

First, is the provision of 100 Crores towards doubtful debt, mainly in the franchisee distribution due to lower collection efficiency. However, we expect meaningful recovery against this provision during the course of next 12 months.

Secondly, there is an under-recovery of fuel cost of 42 Crores in UNOSUGEN project, which will be reversed in Q3.

The third item is an income of Rs.21 Crores arising from CERC's Tariff Order passed during the current quarter for our SUGEN project.

In total, the non-recurring charge in Q2 is 121 Crores.

Moving on to non-recurring items for the corresponding quarter.

Income of Rs. 200 Crores was accrued in the licensed distribution segment on receipt of favorable order from APTEL, with respect to carrying cost claims pertaining to earlier year. Against this, a provision of 161 Crores was for our SECI III wind power project. Both put together net non-recurring income in the corresponding Q2 was 39 Crores.

Adjusted for these one-offs, PBT for the quarter is 351 Crores as compared to adjusted PBT of 494 Crores in corresponding quarter last year, which it is lower by 143 Crores that is roughly 29% lower against de-growth of 57% on reported numbers basis.

Though current quarter indicates de-growth on adjusted basis, it is pertinent to note that sequentially, adjusted PBT for the current quarter is higher by 79% than the adjusted PBT of Q1. Thus, there is a marked improvement in the performance on quarter-on-quarter basis reflecting improving condition of the economy.

Now I will touch upon the reasons for lower PBT number for the quarter which is mainly attributable to the COVID impact. The first reason is the impact on demand and customer collection especially in the franchised distribution segment that includes Agra, Bhiwandi and SMK. The demand was lower by almost 18% as compared to the corresponding quarter of 2019-20, which resulted in a lower contribution as well as higher T&D losses. However, there has been an increase in demand by 28% over the Q1 of this year.

The second is lower wind PLF 28.7% this current quarter as compared to 39.1% in the corresponding quarter last year that is lower by 10.4% in absolute terms. Most of the PAN India wind sites experienced 20% to 40% lower wind speeds than normal in this monsoon season. Third reason is a lower profitability in our merchant power business, and lastly there is a positive gain, we have benefited from that is lower interest cost by 37 Crores which is mainly due to the reduced average debt levels as well as lower rate of interest.

With this, I complete the overview of the quarterly performance. I would now request the participants to raise questions on the performance and we can move on to the Q&A session. Thank you so much.



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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 DAM Capital. Please go ahead.

Mohit Kumar: Sir my first question is sir how is the demand spearing in September and October especially in Surat and Bhiwandi and also if you can comment on the overall demand for the Torrent distribution area.

Saurabh Mashruwala: Yes, see Surat and Bhiwandi are more of an industrial hub. The demand in September for Surat was down by about 18%, and in October it has bounced back with 6% growth as compared with the comparable period last year. And in case of Bhiwandi, demand was down by 18% in September and in October we have witnessed de-growth of about 2% as compared to comparable quarter last year. On an overall basis in Q2, our licensed distribution witnessed a de-growth of about 15% and franchised distribution witnessed a de-growth of about 18%. Overall demand was down by almost 16% in Q2 as compared with the comparable quarter last year.

Rishi Shah: Mohit just to add on this if you look at Q1 of this year there is substantial recovery in the demand. As we had said in Q1 as well that Q1 could be the worst quarter and going forward we see improvement coming upon a quarter-on-quarter basis. So, Q2 is more or less in line with what we had expected, on a sequential basis the demand would improve. In Q1 the demand was down by 37% versus 16% in Q2. There is a marked improvement in the demand during the course of the quarter.

Mohit Kumar: Good to hear that sir, my second question is, is it possible to give us the breakup of EBITDA and PBT business wise for the quarter and also a comparable number for the last year same quarter.

Saurabh Mashruwala: I can give the EBITDA wise breakup.

Mohit Kumar: Sure.

Saurabh Mashruwala: For gas based project this quarter, the EBITDA is about 175 Crores as versus 221 Crores during comparable quarter of last year. For renewables its about 180 Crores for the current quarter versus 226 Crores during comparable quarter of last year. For the licensed distribution business it's about 352 Crores for the current quarter, versus 332 Crores during the comparable quarter last year, so that is an improvement of about 20 Crores in license distribution business. Further, for the franchise distribution business EBITDA is about 153 Crores versus 247 Crores during the comparable quarter last year. And the total EBITDA before one-offs is about 855 Crores for the current quarter versus 1,041 crores during the comparable quarter last year. The one off item is a charge of 121 Crores in the current



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quarter while there is an income of 39 Crores in the comparable quarter of last year. So EBITDA reported is 749 Crores for the current quarter versus 1,104 crores during the comparable quarter of last year.

Coming on the PBIT numbers before one offs. PBIT of gas based power plants 64 Crores for the current quarter versus 87 Crores during the corresponding quarter last year, so there is reduction of about 23 Crores mainly because of the merchant contribution. For Renewables, PBIT is 111 Crores for the current quarter as compared with 164 cr in the corresponding quarter last year. This is mainly because of the lower wind speed in the country and for our projects. For License distribution, PBIT is 247 Crores for the current quarter versus 233 Crores during the comparable quarter last. And for franchise distribution PBIT is 129 Crores for the current quarter as compared to 225 Crores during comparable quarter last year.

The finance cost is net of treasury income is about 188 Crores for the current quarter and 224 Crores during the comparable quarter last year which is reduction of about 37 Crores. So these are the number for the business segment wise.

- Mohit Kumar:** Thank you sir, I will get back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.
- Abhishek Puri:** Sir two things, first could you tell us as to why Surat T&D losses have normalized, but the Ahmedabad T&D losses have not normalized; Ahmedabad was more of residential low drive.
- Saurabh Mashruwala:** I would say one has to see the T&D numbers on YTD basis, so on the YTD basis the T&D loss was 3.84% up to September this year as compared with, 3.37% of the comparable period last year. So there is a marginal increase of about 0.5%.
- Abhishek Puri:** But why is Ahmedabad not normalized, Ahmedabad is still quite high 2.66% of last quarter versus this year it is at 9.34%.
- Saurabh Mashruwala:** If you look at the mix of customers consumption in residential segment is higher as compared with the commercial and industrial segment. This is the reason why the T&D loss is a bit higher in Ahmedabad in the current quarter.
- Abhishek Puri:** And similarly for Bhiwandi when do we expect the losses to start normalizing that we are running at almost 900 basis points higher than last year.



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- Saurabh Mashruwala:** So I think Q4 we can see that we will be near to the last year level.
- Rishi Shah:** Abhishek just to add on what Saurabh Bhai told in license distribution business, we expect that for the year we would still be below the normative level, as far as license distribution is concerned. As far as franchise distribution is concerned there would be some elevation in terms of T&D losses. By Q4, we are expecting we should be normalizing compared to Q4 of last year, but for the full year there still will be a slight elevation in T&D losses.
- Abhishek Puri:** Got that thank you and secondly in terms of merchant power volumes and realization. You said the merchant realizations are lower and lower contribution. If you can give us some number that will be helpful.
- Saurabh Mashruwala:** In the current quarter of Q2, we have sold about 480 MUs at a contribution of 24 paisa and last year it was 395 MU, so there was a growth of 22% of merchant's volume. There is a reduction in the margin. So last year we earned about 72 paisa per unit contribution as compared with current quarter of 24 paisa.
- Abhishek Puri:** And lastly if I may ask in terms of the gas contracts, since Henry Hub prices have moved, up you have lot of gas which is link to the crude prices. So if you can give us some idea of how many cargos are tied up and what prices because they are largely fixed price right.
- Saurabh Mashruwala:** Yes they are a fixed price contract. This has not changed materially I would say as compared with the Q1 for current year. For the next year we have contracted about 7 cargos so far.
- Abhishek Puri:** And the price range will be similar as previous period of about \$3 to \$4.
- Saurabh Mashruwala:** Yes, around that only, about \$4.
- Abhishek Puri:** Thank you so much and I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.
- Nitin Arora:** It is good to see the provisioning talked about in the last quarter. So it is good to see we are providing for that. But generally this provision just wanted to understand from a going forward perspective. What kind of a schemes are you giving to your end customer? Is it more of EMI schemes which you see visibility that can come back at? This in let us say next two, three quarters or four quarters once you are providing this more to understand that is it the last provisioning you see or you see further provisioning that can come going forward that is why... Sorry yes please go ahead sir.

Saurabh Mashruwala: See these are provisions and not a bad debts. So in respect to that we will make an effort to recover the meaningful amount in the course of next 12 months time. Because of the lockdown, and lots of restrictions by the state government, we are not able to conduct the vigilance activity for the franchise distribution area. Now that the activity has started we expect that we will get the results and we will recover meaningful amount during the course of next 12 months time.

Rishi Shah: Just to add on what Saurabh Bhai told, it is more about recoverability for the units which we have sold now. So what happens is typically people who have purchased power will take some time to pay. It would be a time lag, wherein we have to manage, wherein they will be able to pay. Now what happens is that as far as accounting norms are concerned if it goes beyond certain levels you have to provide for it. Essentially, it does not mean that it is a bad debt, so effectively out of this I think major part of it would get recovered over a period of 12 months, it is provisioning which we have taken.

Nitin Arora: I understand Rishi. The question was more because if you recollect I only asked this question in previous quarter that why we are not providing when everything is shutdown. It is good to see that we have provided. My question was more because now you understand the customer profile in all the distribution franchise very well because things have bounce back. Now going forward the question was more that does it cover enough room in terms of provisioning? That going forward even if let us say the 10% increase or more goes down in terms of their payment this provision is more or less sorted. And would not the company feel compelled to provide for more provision. The question was more from a direction from a provisioning perspective even now you understand the customer side.

Rishi Shah: Yes, we do not expect that the further provision on a net basis will be required.

Nitin Arora: Got it, that is very helpful. My second question is, sir with respect to we saw government intervening a lot in lot of the state distribution not to charge the consumer and wait for the consumer to pay back. Any sort of pressure you are seeing from the government side from the local state government not to pressurize the end consumer or the MSMEs? Which you have lot of in your let us say Bhiwandi any sort of pressure from them just...

Saurabh Mashruwala: It was there in the Q1 and some part of Q2 but not now.

Nitin Arora: And sir just lastly if you can comment on your wind generation part. So I understand the pattern itself was very disturbing in the wind side in Gujarat but any comment going forward would be helpful. That is my last question. Thank you.

Saurabh Mashruwala: The drop in wind speed was something abnormal and it has happened after a long period of time. So we feel that this should not continue more and should normalize in couple of months. It is a one off event, now wind speed is normalizing.

Nitin Arora: Thank you very much.

Moderator: Thank you. The next question is from the line of Naresh Vaswani from Sameeksha Capital. Please go ahead.

Naresh Vaswani: Yes, thanks for the opportunity sir. The government came out with the draft bidding document for privatization of distribution in power companies. So how did you read in that in terms of opportunity for our company and generally when you bid for these utilities what criteria you look in terms of returns? Like how much capex you need to invest in this for turning it profitable? how many years it takes to turn around? any light on that would be helpful.

Saurabh Mashruwala: It would depend on the case to case basis, taking example of Bhiwandi and Agra capex would be generally invested upfront so that you start getting the results as quickly as possible. Bhiwandi in first couple of years we invested almost 400 Crores capex so that has started contributing to EBITDA thru reduction in T&D losses. And in distribution capex is not like generation project, in distribution it will be in a phased manner I would say. So every year, you also incur capex depending upon the area where you are and you have to plan accordingly. The capex will not be bunched up I would say.

Naresh Vaswani: So in how many years do you generally see the T&D losses come down to the level where it becomes profitable for us?

Saurabh Mashruwala: Yes, Bhiwandi it was very quick. In Agra about it took almost 4-5 years since we started getting the results. Bhiwandi in terms of T&D losses has reached to a reasonable level I would say.

Naresh Vaswani: Okay and in Agra how much did we spend in those four years in capex?

Saurabh Mashruwala: We are there in Agra since 2010, in these 10 years we have invested about 1000 Crores.

Naresh Vaswani: And in terms of this draft how would you get into that in terms for the opportunity for us sir?

Saurabh Mashruwala: Can you just repeat the question?

- Naresh Vaswani:** I am saying the government came out with the draft bidding document for the distribution privatization so how did you read into that.
- Saurabh Mashruwala:** We are right now evaluating those drafts, it is too early to comment as of now on that.
- Naresh Vaswani:** Okay sir thanks I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** I have a couple of questions. So first on the wind side the generation which was there in the first half not the second quarter just was it below the P75 level?
- Saurabh Mashruwala:** No, it was below P90 levels and not P75 levels. And this is more coming out of the wind resource not being there for the entire country. So if you look at four major states all of them have reported lower wind speed.
- Bhavin Vithlani:** So it was below P90 but not below P75 so it was within that band which was the long period average, is that correct assessment.
- Saurabh Mashruwala:** Yes.
- Bhavin Vithlani:** Sir second question is so we had a capex expectation of 4500 Crores over the three years in the distribution side. This year we had highlighted it will be lower, so what was the capex in the first half and what is the expectation for the current year? If you could break that into the license and the franchise that will be great.
- Saurabh Mashruwala:** In the first half we incurred capex of 350 Crores for all distribution put together and as we said in the last conference call, total capex of about 800 to 900 Crores for the year. And out of 350 Crores, for license distribution it was 260 Crores and about 70 Crores for the remaining is the franchise distribution business for the first half. As far as this year capex is concerned, about 600 to 700 Crores is for license distribution business for the full year and between 200 to 300 Crores for the franchise distribution business for the full year.
- Bhavin Vithlani:** My last question is even in the license this year the volume is below what we had originally anticipated or it was there in the tariff order which was given by the regulator so is there any under recovery from the original expectation? Because there was one the previous year was also trued up and that was expected to be recovered this year.

Saurabh Mashruwala: So we do not expect any under recovery for the year. We were expecting some recovery of past dues when we started this year but that may not happened this year. But we do not expect any significant amount of under recovery or over recovery for the full year.

Bhavin Vithlani: Sure, thank you so much. These were my questions.

Moderator: Thank you. The next question is from the line of Aniket Mittal from Motilal Oswal Asset Management. Please go ahead.

Aniket Mittal: Sir just to get a better hang on this provisioning we have done could you sort of quantify what has been the collection efficiency at Agra and Bhiwandi? Because I think if I remember in 1Q or collection efficiency was somewhere around 70% to 80% however that moved in 2Q.

Saurabh Mashruwala: I will talk about our first half collection efficiency. In the first half Bhiwandi is about 96% and Agra is about 90% . On a quarterly basis Aniket, we have improved significantly from Q1 of this year wherein collection efficiency has improved at 99% in Bhiwandi and 96% in Agra. So we are seeing a good traction on that front as far as collection efficiency is concerned on a quarter on quarter basis.

Aniket Mittal: Sir just I am trying to understand what that provision is for. Because I take our Q1 collection numbers were lower, which is something that we were expecting, and hence we have done a provision in Q4 for that right if I am not mistaken that is how we did the provisioning right.

Saurabh Mashruwala: We have policy about provisions. So, in Q4 also we made provision of 48 Crores which has helped us in Q1. In Q1 because of the rule based provision there was no need to make any additional provision. and in Q2 because of our lower collection efficiency, we had to make a provision, we are just considering our normal provisioning policy.

Aniket Mittal: But in 2Q our overall collection efficiency has been on 100%. Is that not the case?

Saurabh Mashruwala: HI it is 96% for Bhiwandi and about 90% for Agra.

Aniket Mittal: Okay got it, sure and sir just I think in your opening remarks you mentioned some under recoveries on one off can you just throw some light there what is that related to.

Saurabh Mashruwala: Yes. See we are selling power under long term cost plus tie-up and in merchant market as well. We contract the cargos individually for obligations under PPA and for merchant market. However, the storage facility which we have is the common for all. So consumption which happens, gets utilized and booked on FIFO basis, but the billing to the consumer

happens only at the contracted cargo rate only. So depending on this, it is under recovery for our unusugen project.

Aniket Mittal: That is something we expect to recover in the coming quarters right.

Saurabh Mashruwala: Yes, we are going to recover in the next quarter and beyond.

Aniket Mittal: And then sir another question if I may. Sir I think new MYT Regulations for both your Ahmedabad and Surat licenses are expected from the next year. Let us say from a five year perspective just from FY2022 to FY2027 what is the amount of capex that we envisage for both Ahmedabad and Surat.

Saurabh Mashruwala: Next three year's we would be spending ~1500 Crores for the license distribution area.

Aniket Mittal: So would that largely continue.

Saurabh Mashruwala: Yes that will continue.

Aniket Mittal: Sir just that point actually to understand if I look at the last year's MYT regulation and the average capex that you have done in the distribution license it comes to around 800 Crores. And now we are guiding for around 1500 Crores so what is leading to the sharp jump and if I look at that was this the approved capex what we projected is somewhere around 800 to 1000 Crores so what is leading to the sharp jump from around 800 to 1500 Crores.

Rishi Shah: Aniket when we say a 1500 Crores it is our license and franchise put together so if you look at license business it is 1000, 1200 Crores and the franchise business would be around 300 Crores additional so when we say 1500 Crores it would be both put together. Our average has been somewhere around 800 Crores, plus additional capex in my Dahej and Dholera SIR also an incremental capex in Ahmedabad and Surat. Now typically what we are planning to do in terms of Ahmedabad and Surat those plans have got delayed because of COVID and then onset of monsoon so I think in next couple of years we should be able to recoup this.

Aniket Mittal: So out of the 1500 Crores numbers how much is Dholera?

Saurabh Mashruwala: So Dholera what we have said is that we will have a capex guidance of around 500 Crores over the next five years. But that will depend on how it will pan out in Dholera. Right now, what we are doing is we are supplying construction power there, so we are building some small capacities there to import the power. So it will not be larger capex as of now, but going forward if things improve, we will have to incur higher amount of capex.

Aniket Mittal: Just one last question on the MYT itself, now even typically what is happening within the Surat business? Just to see we sort of enjoy a good amount of savings and on the T&D because our T&D loss seems to be lower than both. After all T&D is by the commission so do we expect this normative T&D number to get reduce in the upcoming MYT is there a possible to touch.

Saurabh Mashruwala: These are already competitive numbers and considering them regulator may not touch normative numbers in MYT.

Aniket Mittal: So with respect to Torrent you say.

Saurabh Mashruwala: Yes.

Aniket Mittal: Okay sure thank you I will get back in the queue.

Moderator: Thank you. The next question is from the line of Dhruv M from HDFC Asset Management. Please go ahead.

Dhruv M: Sir the 100 Crores provisioning would it be fair to assume it is largely Bhiwandi because you see in Agra is recovered significantly so it is that Bhiwandi would this driving it.

Saurabh Mashruwala: It is all for all three locations Bhiwandi, Agra and the SMK.

Dhruv M: But the bigger portion will be Bhiwandi.

Saurabh Mashruwala: Agra is recovering, but in terms of volume but not in terms of collection, collection efficiency as I said for the first half is 90%.

Dhruv M: Sir, because so it is possible to share what would be the revenue that you probably generate from Bhiwandi for the annual revenue some approximation.

Saurabh Mashruwala: Bhiwandi is about 400 Crores for the current quarter.

Dhruv M: And sir so 400 Crores sir now you have reported a AT&C loss of 23%. So that would be in that of which so that number 400 Crores is net of this AT&C loss right this should be after this 70%. So had this 18% has not been there you would have been probably 500 Crores. And this 400 Crores for the 100 Crores of earning probably see 70% is Bhiwandi for this 400 Crores 70% is what you have made the provision for.

Saurabh Mashruwala: No.

- Dhruv M:** The under recoveries were I mean we build that you had issued from the previous quarter which were not required.
- Rishi Shah:** Dhruv, these 100 Crores is not only in Bhiwandi. It is more or less evenly spread out across all the three franchise distribution areas.
- Dhruv M:** So that I understand so probably I am assuming about 60 odd Crores will be Bhiwandi given that is a bigger segment.
- Rishi Shah:** No, no as I said it is evenly spread out between all the three areas more or less on a 1/3rd basis. Bhiwandi is lower than the two areas; Agra and SMK more or less corresponds to the collection efficiencies which we have said, so Agra and SMK is a higher number compared to Bhiwandi.
- Dhruv M:** And sir what would be the cumulative provision that would we have done over the last three quarters I think 40, 50 Crores you did in 4Q in 1Q you did...
- Saurabh Mashruwala:** Yes, 48 Crores in Q4 and the 100 Crores in this Q2 there was very small provision of 5 Crores in the Q1 not much.
- Dhruv M:** And sir in one of the previous calls you mentioned that you do not expect net incremental provision. But I was wondering can some part of this reverse can boost your profit I mean you see that it would be the provisions but there will be offset also.
- Saurabh Mashruwala:** That is what we said in the beginning. Just that this is the provision we have made, we expect that company will make efforts to recover the maximum amount to the extent possible, in next 12 months time so. I think meaningful part of this provisioning should get reversed over a period of 12 months. It is just a provisioning which we have done because of certain accounting rules we need to follow. I mean it will not end up in a bad debt kind of a situation.
- Dhruv M:** Got it that I understand sir. But of say for example 50 Crores is, say 40 Crores is your provisioning for Bhiwandi, on a revenue of 400 Crores. This is also after the AT&C loss that means some part of the losses are already covered in that number on the 400 Crores number. So, almost 10% of what we are billing is not recovered. I was just wondering is this the last amount of provisioning that we are doing something similar to the previous question or there would be some...
- Saurabh Mashruwala:** So we do not expect any further provisioning.



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Dhruv M: And sir secondly, now you have a decent sense of how the demand is panning out in Bhiwandi and probably Surat. Particularly focusing on Bhiwandi, do you see any permanent demand reduction? Some demand which will probably never come back any sense on that.

Saurabh Mashruwala: See, it is too early to say. But if you can just see the October number of Bhiwandi, almost we are back to the last year level with a very miniscule 2% drop with the comparable number of last year in terms of demand. So demand is coming back in Bhiwandi.

Dhruv M: So no permanent dis-connection that you have seen nothing of that sort permanent dis-connection that what we are seeing.

Saurabh Mashruwala: Not for the year I would say at this moment.

Dhruv M: And sir last question, what I remember was for the SUGEN listed LNG our long-term tie up within December 2020 to link to crude are they be renewed and for what duration or is it keeping doors open.

Saurabh Mashruwala: We are covered up to November, December next year.

Dhruv M: And this is still will be link to crude and you will be, you would have hedged that right?

Saurabh Mashruwala: Yes.

Dhruv M: And sir so I mean given that the LNG can be very volatile. Do you have to go to the regulator to get an approval for the cost? If yes this is the fixed cost and you can probably go ahead with it or how does it work.

Saurabh Mashruwala: No, we do not have to get the pre approval of the regulator. But we, on a regular basis are updating them and say what we have contracted.

Dhruv M: And sir this new contract that you have signed will be similar to the last point, in terms of pricing will be similar to the tie-up I think cost was about \$6, \$7 this would again be similar or...

Saurabh Mashruwala: See it will be as a current rate I would say it is about \$4.

Dhruv M: Oh that is further lower okay got it that is all sir thank you so much.

Moderator: Thank you. The next question is from the line of Maan Vardhan Baid from Laurel Investment Advisory. Please go ahead.

- Maan Vardhan Baid:** There was an update about the Delhi distribution business as participating on that any further color on that.
- Saurabh Mashruwala:** No comment, we do not have any comments on that.
- Maan Vardhan Baid:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Aniket Mittal from Motilal Oswal Asset Management. Please go ahead.
- Aniket Mittal:** Sir the distribution franchise EBITDA number that you reported of 153 Crores out of this what would be the EBITDA loss for SMK?
- Saurabh Mashruwala:** Aniket it would be difficult for us to give you unit wise numbers.
- Aniket Mittal:** Just to get to a sense of what is the trajectory happening at SMK as of now even I think for the year-on-year basis that would have impacted you negatively as well right.
- Saurabh Mashruwala:** Yes. So I can only say that if you remove a one off adjustment, SMK was more or less breaking even.
- Aniket Mittal:** Okay sort of breaking even.
- Saurabh Mashruwala:** For this quarter.
- Aniket Mittal:** So there are certain provisions that we have done in SMK as well right is it.
- Saurabh Mashruwala:** Yes.
- Aniket Mittal:** And what has been the collection at SMK? Is it sort of stock on business? if you could give throw some light over there.
- Saurabh Mashruwala:** Collection efficiency you mean.
- Aniket Mittal:** Yes.
- Saurabh Mashruwala:** Collection efficiency for SMK is about 80% in Q2.
- Aniket Mittal:** And the overall T&D loss as was still be around 50%.
- Saurabh Mashruwala:** Overall T&D loss is about 39%.

- Aniket Mittal:** T&D 39% okay and how do we see the trajectory for this going say for the next couple of years and especially this year would this still remain high somehow at around 40%?
- Saurabh Mashruwala:** Our objective is to reduce T&D losses. If you can see the experience of Bhiwandi and Agra, we have next five year in Agra we could able to at about 20% kind of a loss level so similar thing we can expect in case of SMK also.
- Aniket Mittal:** And sir one more question if I may so. When this MYT regulation let us say comes in and when it gets trued up by the commission we have a large amount of regulatory assets also sitting on a big side of around 1000 Crores. So how we would recover that? That gets recovered when let us say the MYT comes in or it would be on a more phase manner.
- Saurabh Mashruwala:** It will be a kind of in phased manner only.
- Rishi Shah:** So Aniket, if you look at last three to four years our regulatory assets more or less have remained stable at these levels. So typically it is a cycle, wherein every year we will recover the past assets and then in that year you might end up at a gap or a surplus. On an overall basis it would be on a phase manner but if you look at the level for last three four years it has more or less remained in the same range. So at least we are not adding upon any regulatory assets per se. And in this 1000 Crores there are couple of orders which were given by appropriate authorities so that is added here.
- Aniket Mittal:** Just trying to understand so let us say when the MYT sort of order comes for the next five years does that trued up by sort of quarter could be even a...
- Saurabh Mashruwala:** MYT does not cover that. It has to be a true up so every November we file for true up petition and then in March the regulator gives you a true up order, it is covered under that and the MYT does not cover those areas.
- Aniket Mittal:** Thank you that is all from me.
- Moderator:** Thank you. The next question is from the line of Vishal Biraia from Aviva Insurance. Please go ahead.
- Vishal Biraia:** Sir one question on the collection efficiency as to when you mentioned that our Bhiwandi collection efficiency is 96%. So this is only for the billes generated and the collection backward done only for those bills or for those that section of customers or is there a scenario where you have not billed to certain section of customers so that is get from the calculation of collection efficiency.

Saurabh Mashruwala: That would happen. It is a collection efficiency of whatever we have billed based on that collection efficiency is decided. But that would not happened that we have not billed to the customer.

Vishal Biraia: So what proportion of customers would have not been billed ?

Saurabh Mashruwala: for example if meter reading has not happened we bill the consumer based on the assessed value.

Vishal Biraia: Assessed value?

Saurabh Mashruwala: Yes, so billing will happen on an every frequency it is like monthly frequency or the once in a two months it is going to happen.

Vishal Biraia: So just want to get a better understanding say there are 100% was all 100 have been billed.

Saurabh Mashruwala: Yes.

Vishal Biraia: And out of those 100 this is the collection efficiency that 96% of the amount that was billed has been collected.

Saurabh Mashruwala: Yes.

Vishal Biraia: Okay thank you very much.

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

Bhavin Vithlani: Just one question, so on a slightly longer-term basis say three to five years what could be expect as T&D losses in the franchise say Bhiwandi, Agra and SMK? And we understand Bhiwandi is more or less similar lines as Surat, where we are low single digit, so could we expect it Bhiwandi could reach similar levels as Surat.

Rishi Shah: So I will say that if you look at Surat and Ahmedabad we are in the range of 3% to 5% kind of AT&C losses. On a normative basis Bhiwandi and Agra it is in around 12% to 15% range. Now there is significant headroom that is available for us to reduce the AT&C losses going forward. It is also dependent upon the license getting renewed or not. So we will try to reduce the losses as much as possible, And as far as headroom is concerned there is significant headroom available for us to reduce the losses. As for SMK as Saurabh Bhai earlier said that it will take some time for us to reduce the losses. Looking at our experience

in Bhiwandi and Agra so, I think it could be faster, but it would be three to four years for us to breakeven at that in SMK and then further reduce the losses there in SMK.

Bhavin Vithlani: Sure, thank you so much sir.

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

Anuj Upadhyay: Sir can you mention both the consumer mix that has changed in Bhiwandi and Agra in Q1. It has dropped to 73% in Bhiwandi I guess and for Agra it was down to 23% are they back to the 90odd level or still some part to cover.

Saurabh Mashruwala: The consumer mix say for example Bhiwandi commercial and the industrial last year was 91% and now if you look at the Q2 breakup it is around 86%. So it is a change in favor of commercial and industrial. And for Agra, it was 43% industrial and commercial for the full year, and at Q2 it is about 32%.

Anuj Upadhyay: This is for Q2 right sir

Saurabh Mashruwala: Yes.

Anuj Upadhyay: And if we say for the first half sir.

Saurabh Mashruwala: That would be about 30%.

Anuj Upadhyay: For Agra and Bhiwandi sir.

Saurabh Mashruwala: Bhiwandi about say about 81% .

Anuj Upadhyay: And SMK is largely residential sir right.

Saurabh Mashruwala: SMK is largely residential, yes.

Anuj Upadhyay: How much would that be say we can just...

Saurabh Mashruwala: SMK would be about 90%.

Anuj Upadhyay: Okay 10% is CNI over there.

Saurabh Mashruwala: Yes.

- Anuj Upadhyay:** That is it sir thanks.
- Moderator:** Thank you. The next question is from the line of Dhruv M from HDFC Asset Management. Please go ahead.
- Dhruv M:** Sir one clarification in the earlier question. You mentioned that there are no significant permanent connection cuts despite that we have taken provisions of about 100 Crores. That means your capacity to customers you are still supplying. I mean the customers and it will be gone and you are still showing it to them that is why you have the confidence able to recover this amount.
- Saurabh Mashruwala:** We are following disconnection rule. Except for some part of the H1 government has directed not to disconnect the connection.
- Dhruv M:** So I mean the customers and all the customers are still there with you. And they will be consuming that power so that is why you believe that you will be able to recover this amount is it.
- Saurabh Mashruwala:** Yes.
- Dhruv M:** Okay perfect got it sir, thank you so much.
- Moderator:** Thank you. The next question is from the line of Devam Modi from ARDEKO. Please go ahead.
- Devam Modi:** Sir firstly just wanted to know, what is the total invested block in the renewable piece of secondary wind part of 649 megawatt?
- Saurabh Mashruwala:** Sir we will give that offline right now we do not have that number handy.
- Devam Modi:** Just wanted to get an idea, we understand because second there is a part which came up 176 odd megawatts in FY2020, and there must be an earlier piece which was obviously already there. So what are the kind of normal condition PLF we are looking at from the whole portfolio and if you could split it between FY2020 commissioning in the earlier piece.
- Saurabh Mashruwala:** So this 170 megawatt that you are talking about it is not in Torrent Power. It is in a subsidiary of Torrent Power. So I will give those data offline separately because we do not have right now on a handy basis.
- Devam Modi:** Sure and on the gas based plants we have obviously seen a great improvement in decent volumes in H1 compared to previous year. So now we understand that the spreads are down

but what will be the visibility in terms of volumes for H2 and going ahead over there what kind of spreads would you guide I mean what should we look at for looking at the spread over there.

Saurabh Mashruwala: So there we typically do not give any guidance per se. But if you look at from the electricity demand perspective typically H1 is better and H2 is generally a subdued half year. If you look at last two years we have been able to increase volumes coming out of DGEN partly because of better exchange prices and partly because of lower gas prices. We expect that our gas prices to remain subdued or at these levels going forward also because of international LNG supplies being available in plenty. And if the demand picks up on exchange, we will be able to sell more power from DGEN.

Devam Modi: So also on the gas front we have been hearing before for some time that there was some policy which was coming to support the gas base plants, so has anything come or is anything expected on that front which should help DGEN?

Saurabh Mashruwala: I think government has shelved that plan now as far as gas base power plants are concerned.

Devam Modi: Sorry I did not get the answer.

Saurabh Mashruwala: Government has shelved those plans of subsidizing gas based power plant. So we do not expect anything to come there.

Devam Modi: So, in the medium to long-term till demand picks up, because this plant does not have a PPA this will always be subject to some under recoveries which will be there till demand picks up substantially?

Saurabh Mashruwala: Yes, on a medium term basis, yes, but on a long-term basis if demand picks up, I think average PLF of all the power plants in the country should go up. And here we could have an opportunity to tie up a long-term PPA. But that is sometime away as of now, but on a short-term or a medium term basis it would be a peaking power supplies, or on a short-term basis but not from contracts of one or two months kind of structure.

Devam Modi: We have been hearing a lot about this privatization of distribution franchises from the government. So, over there anything which is probably in the work apart from obviously Delhi you said, you do not want to mention anything but apart from that any other circles is coming up for bidding or probably some action is going on from the next let us say one year perspective?

Saurabh Mashruwala: Central Government is planning to privatize some seven or eight areas. There the government is drawing up plans. So once that is successful other states will also start

picking up from there. But as of now there are no firm areas of franchises or licensee opportunities that are available.

Devam Modi: I am sorry. You mentioned that the Central Government is looking seven to eight areas, so this will mainly be Union Territories and things like that?

Saurabh Mashruwala: Yes.

Devam Modi: So, there is some bidding works which is going on over there in terms of some curtailing?

Saurabh Mashruwala: Right now it is in a drawing plan. Draft guidelines are out or draft parameters are out, which everybody is looking into and that is for two areas. So, bidding stage has not yet come.

Devam Modi: So this would be at least a year away in terms of bidding action.

Saurabh Mashruwala: I think a year is too longer time. I think we expect by let us say by March or Q1 of next year by the time wherein we can expect something.

Devam Modi: Finally, just if you can just confirm the gross debt and the total cash and cash equivalents as of September?

Saurabh Mashruwala: The gross debt was about 8600 Crores and treasury balance is about 1000 Crores.

Devam Modi: This is all the cash and cash equivalents which should be there?

Saurabh Mashruwala: Yes.

Devam Modi: That is it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen due to time constraints, we will take the last question from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Thank you for the opportunity once again. Sir, couple of clarifications, are you participating in this Odisha distribution licensing?

Saurabh Mashruwala: No, we will not be participating.

Mohit Kumar: Secondly on SMK that has just started. We must have had a very tough quarter, but how do you expect this to behave over the next two, three years and have you started working on the long-term measures or is it still a challenge at this point of time?

Saurabh Mashruwala: SMK is a 90% residential area. So as you would have observed Bhiwandi-Agra we have had a good success. It is a very small area as compared to Bhiwandi-Agra. So we expect that the next three four years' time, we will invest in network augmentation, we would see the success in reducing the T&D losses as well as AT&C losses in SMK.

Mohit Kumar: Thank you Sir.

Moderator: Thank you. I now hand the conference over to Mr. Harshvardhan Dole for closing comments.

Harshvardhan Dole: If deemed fit, I would like to squeeze in a couple of questions from my side. One is in general, we are getting a feedback that the renewable competitive intensity is likely to abut, firstly your thoughts on that. And if so in terms of capital allocation, do we intent to bid more aggressively and look forward to put up renewable capacity? That was the first question? Second question was basically pertaining to revival of gas based power plant. Is there any further progress on that side? Thank you.

Saurabh Mashruwala: Renewable capacity we are selectively looking into it and selectively we will bid for the new capacities. On the first, we have certain parameters which we have discussed earlier. Also, unless we meet those parameters, we will not be planning to bid any projects. But, if it is coming under those parameters, we will definitely like to look at it. So, if competitive intensity goes down, then we will definitely want to look at it, if it is hitting our parameters as we have discussed earlier also. As far as gas based power plants are concerned, the government is no longer going forward with the plan which they had in 2015-2016, wherein they had given some subsidized gas which they have shelved as of now. So, as far as DGEN is concerned, as we discussed, right now it is more of a short-term, medium term perspective and it will run for a peak power or for sale in exchange and some short-term contracts with Discoms.

Harshvardhan Dole: Well, I think we have completely run out of time. On behalf of IIFL I would like to thank the management for giving us the opportunity to host the call. I would also like to thank all the participants for logging into the call. Thank you very much.

Saurabh Mashruwala: Thank you so much. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of IIFL Capital Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.