



**“Torrent Power Limited
Q2 FY2022 Earnings Conference Call”**

October 28, 2021



ANALYST: MR. HARSHVARDHAN DOLE – IIFL SECURITIES

MANAGEMENT: MR. SAURABH MASHRUWALA – VP (FINANCE) – TORRENT POWER
MR. RISHI SHAH – GM (FINANCE) – TORRENT POWER
MR. JAYAPRAKASH KHANWANI – AGM (FINANCE) – TORRENT POWER

Moderator: Ladies and gentlemen, good day and welcome to the Torrent Power Limited 2Q FY2022 Conference Call, hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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!

Harshvardhan Dole: Thank you Zaid. Greetings everyone. On behalf of IIFL Securities, I welcome you all for the Q2 FY2022 earnings call of Torrent Power. To discuss the Q2 numbers in detail and share the performance outlook, we have the entire management team of Torrent Power. It is my privilege to introduce you to Mr. Saurabh Mashruwala, VP, Finance, Mr. Rishi Shah, GM Finance and Mr. Jayprakash Khanwani, AGM, Finance. I would first request the management to make opening remarks subsequent to which we can open the floor for Q&A. Over to you Saurabh Bhai!

Saurabh Mashruwala: Thank you, Harsh. Good morning to all of you. Thank you for joining earnings call for the Torrent Power for Q2 FY2022. First, I will take you through the performance of the quarter after which phone lines will be opened for Q&A session. I will explain the performance of the company at PBT level first.

The reported PBT, for the quarter stood at Rs.485 Crores, as compared to Rs.230 Crores in the corresponding quarter last year. This is an increase by about Rs.255 Crores, 111% on a reported basis.

There are no one off items in the course of the current quarter, but as you would recollect, the reported PBT of corresponding quarter of Q2 FY2021 had three one off items. The first one was a provision of about Rs.100 Crores towards doubtful debt, mainly in the franchisee distribution business, due to lower collection efficiency owing to the COVID. Second, there was an under-recovery of fuel cost of Rs.42 Crores in the UNOSUGEN project, which got reversed in Q3 FY2021. Lastly, there was an increase of Rs.21 Crores arising from CERC’s Tariff Order for the control period of 2019-2024 for our SUGEN power project.

All put together, there was net non-recurring charges of Rs.121 Crores in Q2 FY2021. Adjusted for this one off, PBT for the quarter stood at Rs.485 Crores compared to Rs.351 Crores in the comparable quarter of last year that is higher by Rs.134 Crores, that is 38%.

Now I will take you to the key highlights on the improvement in the PBT for the current quarter. First, I will update you about the positives, which has contributed to this increase in the profit, then I will update about the few negatives also.

First, there is a substantial reduction in T&D losses mainly in the distribution of franchise business due to restoration of industrial demand, which was significantly impacted last year due to COVID-19 pandemic. The positive impact of this development is Rs.70 Crores. Second is higher PLF from renewable projects compared to abnormally low wind speeds witnessed during the last year, an

increased contribution of Rs.46 Crores. Third is gross reduction in finance cost for the quarter by Rs. 44 Crores. This is mainly because of the lower rate of interest and lower level of debt. The interest rate for the quarter was lower by 90 basis points compared to corresponding quarter of the last year. The average debt level also as of September 30, 2021 was lower at Rs.7,469 Crores compared to Rs.8,734 Crores.. So, debt level has gone down by Rs.1,265 Crores. Lastly, there is an increase in contribution from the franchise distribution mainly due to higher demand a contribution of about Rs.13 Crores in the profitability.

There are three reasons that have affected the profit of the company. First is reduced recovery of annual Rs.5 Crores of SUGEN plant, due to reduction in long-term PPA with the PTC from 75 megawatts to 50 megawatts, which has impacted the profitability by Rs.5 Crores. Second is increased depreciation, due to incremental capex during the previous quarter, which has impacted the profitability by Rs.15 Crores. And there is an increase in salary and O&M cost by Rs.10 Crores. These are the reasons that impacted the profitability of the company.

The demand in both license, as well as, the franchise distribution areas has improved by 19% and almost reached the pre-COVID level. The increase in demand was mainly due to the relaxation given by the government from COVID-induced lockdowns and thus there was a gradual reopening of the economy in the quarter in the country. We expect the year likely to end with the demand rising to the pre-COVID level of FY2020.

Moving on to the PAT numbers. The consolidated PAT reported for the quarter was Rs.367 Crores, as compared to Rs.204 Crores reported in corresponding quarter last year, which is higher by Rs.163 Crores, up by 80%. This completes the overview of the quarterly performance of the company.

Now I will give you an update about the current projects that are in the pipeline. During the quarter, the company has entered into a share purchase agreement with CESC and their associate companies, to acquire 156 MW of four wind power projects located in states of Gujarat, Rajasthan and Madhya Pradesh. The key details of the acquisition have been shared by Stock Exchange submission.

Moving on to the other projects, for 650 megawatts SECI 5 project we have received an extension of SCOD from February 2022 to September 2022. The EPC contract has already been awarded for this project and the project is likely to commission during FY2023. The second is the SCOD of 100 megawatt project is also extended to October 2022 from July 2022. The third is 300 megawatt of TPLD project, the SCOD of this has also been extended to December 2022 from November 2022. As you know, the AP project is still subjudiced and thus there is nono progress.

With respect to our licensed distribution business of Union Territory Dadra & Nagar Haveli and Daman & Diu, as informed in last call the Supreme Court has vacated the stay enforced by the Mumbai High Court on the tender process and we are awaiting the date of hearing from the Supreme Court.

Now I would request the coordinator to open the line for Q&A session. We wish everybody to stay safe and healthy. I am handing over to the operator. Thank you.

Moderator: Thank you very much, Sir. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.

Aniket Mittal: Thank you for the opportunity. Sir, I actually had a question on the tie up for the gas-based plants and the recent rise that we have seen in energy price. So if you could highlight what is the current extent now for tie ups for these gas based plants and secondly, may be from a near term perspective what are the measures that you have been taking or you can take to cushion yourself if the current environment sustains on energy?

Saurabh Mashruwala: Thank you so much. First, I will talk about the power purchase. If you look at current scenario in the country, the exchange prices witnessed a very high price in mid-October about Rs.15 because of the coal shortage and demand has also increased. But if you look at the last one week time we have seen some normalcy in the power price over exchange. In the last two to three days it has also reached about Rs.3.50. So, we expect that things are going to be normalized as far as the power purchase price in the country is concerned. So, power purchase price is back to normal that is what we can say right now. In terms of gas, particularly the increase in price, if you look at the current situation, it is unprecedented. It is because there are supply side disruptions and demand also has increased in a significant way that has vitiated the demand supply position of LNG in the international market. We hope that this situation will only continue till winter. It is likely to be over by March 2022 by which time things should become normal because these kind of a price is not sustainable. About \$30 price is not sustainable and it has reached above parity with that of brent also, like, for example, if you consider \$11 slope and \$80 price about \$8.8 price should be there for the LNG which is not at current level. So we expect the parity will come down post winter. We expect that post winter things should improve and we can see some normal level of LNG prices. In terms of our tie up, as you know, we have contracted LNG up to December 2021. So, for contracting LNG beyond December 2021, in the month of August we had floated tenders for LNG procurement for the next five years. We have got quotes for 34 cargoes over a period of CY22 to CY26. For that 34 cargoes we got offers from vendors which was on a higher side due to which we have contracted about three cargos for next four years. from CY2023 to CY2026 and for CY2022 we are yet to contract cargos. In terms of our tie up we have gas tie up with IOCL as well as Reliance which is about 25% of our requirement for our long-term PPA requirement. So with this tie up of few cargos again we have contracted 25% of requirement for our PPA. So balance requirement we will wait till April when things are expected to be normalized and then we will tie up for the balance year. So this is what the situation about gas. Current situation of gas is unprecedented, not sustainable and it is likely to come down post winter as per our expectations.

Aniket Mittal: Just one follow-up on that, if I may. Sir, like you rightly said there is some, I think, tie ups that we have under domestic front as well but how much of that is getting supplied, maybe on an MMSCMD basis? What is the quantum of MMSCMD basis that we receive on our domestic basis?

- Saurabh Mashruwala:** It is about 25% of our requirement for long-term PPA like for about TPLD and PTC requirement.
- Aniket Mittal:** So we are getting that supply.
- Saurabh Mashruwala:** Yes. We are getting that supply. So, it is covering about 25% of our long-term PPA requirements. Few cargos we have tied up very recently. These also add up to another 25%.
- Aniket Mittal:** So the three cargoes that we were talking about.
- Saurabh Mashruwala:** Yes, cargo for each year.
- Aniket Mittal:** Sir, just one more question on the collection efficiencies for your distribution franchise. Could you highlight how are the collections in Bhiwandi, Agra right now moving because in the past I think we have done some excess provisioning of around Rs.130 Crores and I think none of that has reversed in this quarter so if you could go right over there and see how we can progress?
- Saurabh Mashruwala:** There are small reversals but not significant but collection efficiencies overall is more than 100% for the quarter in terms of Bhiwandi, Agra. Agra, is about 98% of efficiency that we have achieved. We have made a significant progress in terms of T&D losses of Bhiwandi. For example, our T&D loss was about 14.4% for the quarter, which was about 22% comparable quarter of last year. In terms of Agra, we have achieved a T&D loss of 9.36% which was about 10.83% of comparable quarter last year. So, in terms of T&D losses we have achieved significant progress. The major drivers of profitability for this quarter is T&D losses for the franchise and in the license distribution area.
- Aniket Mittal:** Thank you. That is it from my side.
- Moderator:** Thank you very much. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Good morning Sir. Congratulations on good set of numbers. Sir, first question was a bookkeeping question; so do we have or can you give us a breakup of profits at EBITDA level business wise, which you give every quarter?
- Saurabh Mashruwala:** I can give you the EBITDA number of Q2. Gas- based profit is 189 Crores, versus 175 Crores. For the Renewable projects it is 226 Crores versus 180 Crores. License distribution is about 341 Crores versus 352 Crores. Franchise distribution about 220 Crores versus 153 Crores. And the total EBITDA before one off is 974 Crores versus 855 Crores. If you reduce the one-off 121 Crores last year then reported EBITDA will be 974 Crores for the quarter and 748 Crores for the last year similar quarter.
- Mohit Kumar:** Secondly, Sir you have done a lot of acquisitions, started a number of acquisition for renewable power plants, what are the kind of liquidators possible after taking all the improvements, you need to make it more efficient and secondly related question is that what is the long-term plan for the renewable

portfolio, are you looking for some kind of listing or InVIT or something else? The kind of any gigawatt number you all were targeting, so let us say a few years down the line?

Saurabh Mashruwala: We have about 5,000 megawatt of renewable planned for the next four to five years that is what our target is and we are aiming for 13% equity IRRs from the renewable project.

Mohit Kumar: On the acquisition pipeline, can it be the similar number?

Rishi Shah: Mohit, what we are trying to say is that it is a target right now. If you look at our existing capacity, including the projects which we have in the pipeline, that is around 2 gigawatts. We expect to enhance it to 5 gigawatts over a period of time. let us say next three to four years, that is what the expectations are. Now that could be in the form of Greenfield or that will be in the form of acquisitions, we have not closed our options. We are looking at both the options but the target is to expand our portfolio to 5 gigawatt over a period of next three to four years.

Mohit Kumar: Sir, lastly what is the status of Daman and Diu bit? If any updates if you can share with us?

Saurabh Mashruwala: Yes, Daman and Diu we explained that it is with Supreme Court and is sub-judice. We expect hearing to happen in the Supreme Court in short time post which we expect to get the LOA for Daman and Diu and then we can post the receipt of LOA we can take over Daman Diu.

Mohit Kumar: Thank you. Best of luck. Thank you.

Moderator: Thank you very much. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Thank you for the opportunity. A quick couple of questions; Sir, is there any update on the SECI III 500 megawatts or there is no chance of that coming back and secondly a little bit more in the gas sourcing, you mentioned that we put three cargoes, just to understand what are the rates that we are getting currently under the medium term that you had gone for and secondly Sir, what happens to your plant availability for SUGEN and UNOGUGEN in a situation where gas prices beyond December remain at more than \$10 to \$12, if you can just highlight? Thank you.

Saurabh Mashruwala: As far as SECI III Project is concerned, there is no further update. As far as gas tie up is concerned, yes we have contracted three cargo for the next four years, from 2023 to 2026 at a very reasonable slope /we would not able to share the exact slope. . That is what the current update is and what was your last question?

Rahul Modi: It was more on the plant availability for both SUGEN and UNOGUGEN post December, how we are planning to?

- Saurabh Mashruwala:** As far as plant availability is concerned, we generally have 100% plant availability in terms of readiness for both for SUGEN as well as UNOSUGEN projects. So, in terms of availability we do not see any issue. Yes, we have some 25% fuel available, perhaps we will tie up as per the requirement, but the availability is ensured in terms plant availability.
- Rahul Modi:** I am saying the availability is more to do with including fuel, so beyond December the 25% that you mentioned domestic you will split it between UNOSUGEN and SUGEN or how will you be going about it?
- Saurabh Mashruwala:** Gas is plenty available in the market, so availability should not be an issue. The issue here is of pricing. As far as availability is concerned, there should not be any issue of declaring the availability of both the plants.
- Rahul Modi:** Because UNOSUGEN had some conditions that is what the understanding was?
- Saurabh Mashruwala:** UNOSUGEN's condition was the total price, variable as well as fixed price cost should not exceed the midterm price. If we are ensuring availability and we are ensuring that the fuel is available, and since the PPAs is approved under Section 62, these are at costs plus tariffs, and all PPA which are approved across the country under Section 62 where once availability of plant is approved , in terms of fuel availability, fixed costs becomes a pass through. So, we do not expect that any issue will be there in terms of pass through of fixed cost in terms of SUGEN as well as UNOSUGEN project.
- Rahul Modi:** Thank you Sir.
- Moderator:** Thank you very much. The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Congratulations on a strong set of numbers and thank you so much for the opportunity. Sir, just harping on the gas tie up again, just wanted, to understand for this FY2023 by when latest do we need to have this gas tie up so that these plants are operated. Is there a lag effect with the tie up and gas being becoming available at our plants?
- Saurabh Mashruwala:** It is a continuous process. In fact, we are in the market for sourcing of the gas, for current calendar year 2022 we have 25% gas available. So, we expect that the price will stabilise post winter and by that time we will be able to go into the market and procure more gas.
- Apoorva Bahadur:** Can UNOSUGEN also be used in domestic gas or that is exclusively for the PPAs of SUGEN?
- Saurabh Mashruwala:** No, can use the domestic gas also. In fact, we are getting domestic gas in UNOSUGEN project from Reliance.

- Apoorva Bahadur:** Sir, second question is on this AMGEN retirement. Whether this recent spike in prices, which we saw in the exchange and gas being so costly are there any expectations of an extension over there?
- Saurabh Mashruwala:** As of now there is no such news, but yes, if there is a shortage of the power in the country, government may consider, but as of now there is no such clarity.
- Apoorva Bahadur:** Sir, lastly if I may ask on the loss reduction in SMK that has not been as sharp as other distribution franchises despite the loss has been quite high so what sort of a trajectory should be look at over there from a loss reduction point of view?
- Saurabh Mashruwala:** If you look at the loss, as compared to the last Q2, we have witnessed about 2% reduction in loss in the last one year and we are there in the SMK since last one year. And because of the COVID we could not invest significantly in SMK as per our plan. So, now we have started investing, and have started undergrounding the network. We are ramping up our efforts in terms of synchronizing the network, so we expect reduction in SMK T&D losses going forward.
- Apoorva Bahadur:** Sir, just lastly on the smart metering scheme of the government do we see any capex opportunity in our distribution licensed business on this?
- Saurabh Mashruwala:** Which scheme?
- Apoorva Bahadur:** The smart metering scheme?
- Saurabh Mashruwala:** I do not think so.
- Apoorva Bahadur:** Thank you so much. Have a good day.
- Moderator:** Thank you very much. The next question is from the line of Devam Modi from Ardeko Capital. Please go ahead.
- Devam Modi:** Just wanted to understand with regards to the current environment obviously we also discussed on the call regarding the power shortages, we would expect that whenever there are such adverse power shortages, typically gas based power remains areas wherein people rely to for sourcing their short-term requirements, while on a year-on-year basis, if we see actually the utilization of gas based power has actually dipped so, if you can just highlight the various nitty-gritty's involved in this and what will it take in terms of for us to get a higher let us say merchant volume and a shorter-term volume of the gas based plant in terms of the overall environment?
- Saurabh Mashruwala:** In terms of plant operations the gas-based power that we ideally place to start the operations as compared to the coal based power projects. So that is one advantage we have in terms of running the gas based power projec. Because of the poor availability and the price of gas, the current opportunity is a very appropriate opportunity for gas based power project to come and run the power project, but at

the same time, the gas price has gone up so much that it is not competitive in terms of currently domestic power price. It is ideally placed to run the gas-based power project in the current situation and there is a huge coal shortage and power price has gone up to 50%.

Rishi Shah: Devam, just to add, we can start gas with power plant at a very short notice but the issue is that the entire ecosystem has to be available to start the gas based power plant. So, lot of gas based power plants in the country are as of now stranded so you cannot start those plants in a short notice. If a power plant is running and you have availability of fuel then only you can ramp up. So compared to all other power plants, our power plants are up and running and in a ready state. But because of gas prices, which were very high, thus the PLF of the gas-based power plants was not that high. So, if the plant is stranded, you need a couple of months of preparation to start the power plant and the spike that we saw in current merchant markets was very sporadic and very fast, which nobody had anticipated. And that is why you are seeing gas-based power plants were not able to contribute to that.

Devam Modi: Basically, one clear cut indicator which people saw of the higher prices which all of us could see what the prices which were there on the energy exchange, now those prices indicated much higher levels. So, would that be a broad proxy of the kind of pricing which was prevailing or you would say that on bulk when the SEBs come to the sourcing or probably your plant should get or would be selling the power, the actual power price will be much lower?

Saurabh Mashruwala: No, the prices which you saw on the exchanges were short term kind of prices, which again have gone back to the original levels of Rs.3-Rs.3.5. So, such kind of short-term price hikes may not be addressed only by gas-based power plants, if you do not have the fuel.

Devam Modi: Okay, in a rough conversion, let us say, if we say that fuel is available on a very rough rule of thumb that is fuel is available at \$10 per MMBTU, so our variable cost will come to roughly around Rs.5 per unit. Would that be a rough number to take at \$75 USD INR?

Saurabh Mashruwala: 5.5 you can consider.

Devam Modi: So, 0.55 would be the ratio for converting from USD.

Saurabh Mashruwala: Yes.

Devam Modi: Okay. From what we recall earlier, it used to be at 0.45 and currency has only that depreciated by like around 10% from those levels. So, would there be a difference in the meterage or what is it that has changed?

Saurabh Mashruwala: It was never 0.45, it was always between 0.5 and 0.6.

Devam Modi: Also on the gas-based plants, what we were also made to understand was that there would be ideal proxies for clubbing with renewable power because of the RTC issues that renewable power faces. So,

any thoughts or any progress on that front with regards to the government policy for the same for the renewable power or for teaching because we were hearing of that since a couple of years that something is in the work, but we have not seen anything in terms of any draft paper or anything so, any thoughts in those fronts?

Saurabh Mashruwala: Government is working on it, but nothing is on the ground right at this moment. Government talks about this concept, but nothing has come so far and nothing is on the ground for this particular concern.

Devam Modi: Okay, because we do see talks of these kinds of things in several power manufacturers like ABB or Cummins or those kind of others were also talking about these kind of things, but still it is not happening through Government policies. So, what you are saying is that there is no such thing which is coming out from the Government as of now?

Saurabh Mashruwala: Yes,

Devam Modi: Okay and when finally there is this separation of carriage and content which is probably in advanced stages or at a certain level. So, how does that affect us and in our case in particular, since there will be lot of areas adjacent to our current licensed-distribution area, wherein we put that in to if we get a separation of carriage and content, do you see it as an opportunity for power end or how would that work out?

Saurabh Mashruwala: See, basically de-licensing for example, de-licensing will give a good opportunity for Torrent where we have a very strong hold in the distribution. Ahmedabad for example, duplication of network at Ahmedabad would be difficult for a new player. But we can go and tie up some new rural area near to our areas also. It will give us an opportunity to go and expand for our distribution area of business.

Devam Modi: Sure, and what are the timelines we see on this because a lot of talks have been happening on this front? What would be the timeline for this?

Saurabh Mashruwala: In the last Parliament session, Government was supposed to bring the Bill, but I do not think it has happened. So, we are awaiting on this particular front from the Government.

Devam Modi: Yes, okay sure. That is it from my side. Thanks.

Moderator: Thank you very much. The 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. Just going back to the conversation around the fuel cost and the tariffs, our sense is that for the UNOSUGEN PPA, there is a price cap of around 4.4 which implies, you know, on the gas price of may be closer to around seven dollars odd, so as per our math, what we are seeing is you know, once you move closer to a \$9 kind of a number, you will probably start seeing variable cost at the recoveries also. Not just this fixed-cost. So, just wanted to get a sense

from you that, you know, assuming that the gas price is stabilised even around nine or ten Dollars, what kind of impact would one be seeing on UNOSUGEN? You know, would you be start seeing the fixed stock and the recoveries playing out over there?

Saurabh Mashruwala: If you look at the PPA approved under Section 62 it is a cost plus tariff so two-part tariff. So, if you look at the all PPA which is approved in the country under Section 62, fixed cost is a pass through. So we have to ensure that the plant is available, fuel is available. Both should be available in our case. Fuel also it should be available, though it is bit expensive, but, we do not see any issue on recovery of the fixed cost.

Subhadip Mitra: The cap of that 4.4 odd, is that including the fixed cost because that was our understanding?

Saurabh Mashruwala: 4.4 is variable cost only. Fixed cost is Rs. 1.1 over and above that.

Subhadip Mitra: Understood. So, would I then be looking at potentially a 6.2 kind of a number as the cap including the fixed cost?

Saurabh Mashruwala: 4.28 plus 1.10, that is what the total cost.

Subhadip Mitra: Correct.

Saurabh Mashruwala: Five and a half rupees kind of a thing?

Subhadip Mitra: About 5.4 Yes 5.38 is the number. So, 5.38 is the effective cap right? Both put together? So, assuming your variable costs are higher, would you be looking at a scenario that you would voluntarily want to shut down the plant or are you saying that I will always keep, you know even if I am buying gas at \$15 and my plant is available to produce, you would still see fixed cost recovery, because you know it is a bit of a contrary right? Because let us say, you are showing gas availability at let us say, whatever, \$14 or \$15 and you are running the plant and the price cap is let us say, 5.4. You will actually start making underrecovery so, which is why I am asking the question?

Rishi Shah: So, Subhadip, what we are trying to say is that if let us say, price of gas is uneconomical, which should not be passed on to the consumers, we will still show the availability of the plant which will allow us to pass on the fixed cost. As Saurabh Bhai explained it is a Section 62 PPA which means the fixed cost recovery is dependent upon, you declaring the plant availability. So, if you are declaring availability of plant but it is not getting scheduled because your gas price is very high and because of which the variable price is very high, you will still be getting the fixed cost. That is what our expectation is.

Subhadip Mitra: Okay, so you are not looking at a scenario that the discom will ask you to produce, since you are anyway showing availability, it is not as a scenario where discom will ask you to produce the power and sell it to him at this price cap of 5.4, regardless of why gas prices are going. So, that is not a contention.

- Saurabh Mashruwala:** No, no, that scenario is there for Section 63 PPA, not Section 62 PPA.
- Subhadip Mitra:** Okay, so this is a good clarity on this point. Thank you. Secondly on the same point, on SUGEN, would you be looking at a scenario where I understand that that is a ROE-based PPA and you will show availability but currently you do earn a lot of these SHR and other efficiency-related benefits. So, my understanding is that assuming that plant is not getting any withdrawal of powers because of higher gas prices. You might actually start seeing, let us say the profit number there in coming to you know closer to only about 100 odd Crores, which is the normalised regulated ROE instead of a higher number that you earn today. Are these numbers more or less correct?
- Saurabh Mashruwala:** If we were not generating, yes, there will be a reduction in terms of fuel efficiency gains. So, only impact would be the SHR saving which we would make, if we are running the plant. If we are not running the plant, the savings from SHR saving would not accrue to us. That would be the impact on the profitability.
- Subhadip Mitra:** Correct. So the base level is ROE that SUGEN would earn would be what in the range of around 100-120 odd Crores? Assuming only the ROE and without any efficiency.
- Rishi Shah:** We are not sharing those numbers on a plant-on-plant basis, Subhadip.
- Subhadip Mitra:** Perfect, these were my two questions. Thank you so much for the clarity.
- Moderator:** Thank you very much. Next question is from the line of Noel from Ashika Group. Please go ahead.
- Noel:** Actually I have Sir, one question regarding, capex for the current quarter and for the full year and towards the next two years, has there been any changes?
- Saurabh Mashruwala:** Capex for the half year is in line , we have incurred around 400 Crores capex in licensed-distribution area and ~130 cr in franchised distribution. As far as the guidance is concerned, our Annual, for next year, including the current year is about 1200 Crores for licensed-distribution area and about 250 Crores in for our franchisee distribution. The guidance is continuing.
- Noel:** Okay. Yes, Sir, now that is one thing. Sir, just one more thing I just wanted to know, so, regarding the plan for RE, I just wanted to just confirm, so is there a plan that we have to add around 5 GIGAWATT of RE. So, that is including both organic and inorganic, right?
- Saurabh Mashruwala:** Yes, Sir, both organic and as well as inorganic.
- Noel:** That is all from my side. Thank you.
- Moderator:** Thank you very much. Next question is from the line of Aman Madrecha from Augmenta Research Private Limited. Please go ahead.

- Aman Madrecha:** At this juncture, I wanted to ask, like out of the total distribution division what proportion is the regulated equity and what is the merchant power plant and the second one is, can you just give an outlook on the DGEN power plant? Do we expect the demand to come back from the DGEN power plant or the scenario is going to remain the same over the next few years?
- Saurabh Mashruwala:** In terms of DGEN power plant, we expect that demand in the country will remain strong because of the GDP growth. But the currently fuel is a big challenge. We believe post April 2022, fuel prices will cool down and will go to the sustainable level.
- Aman Madrecha:** Also Sir, on the, like my first question, like what is the proportion of regulated equity and what is the proportion of merchant power plant in our thermal and that thing distribution?
- Saurabh Mashruwala:** For example, in terms of gas-based operations SUGEN for example we have 1147 megawatt of capacity, out of which 835 megawatt is for our TPLD Distribution and around 50 megawatt of for our PTC. So, balance is not much capacity. UNOSUGEN, out of 382-megawatt 278 megawatt is for our TPLD, balance is merchant capacity.
- Aman Madrecha:** Okay, and just under general fact, there is no regulated equity right?
- Saurabh Mashruwala:** They are fully tied up through PPAs so there is no merchant capacity as far as renewable is concerned.
- Aman Madrecha:** Sir, going forward, are we expecting the renewable capacity is expanding, that would be under again the merchant or the regulated equity whichever capacity they are coming, going forward?
- Saurabh Mashruwala:** It will be against the PPA with SECI or the state DISCOM. So, it will be fully tied up. So we do not do anything for the merchant. It would be state Discom or the SECI kind of organization.
- Aman Madrecha:** Thank you.
- Moderator:** Thank you very much. Next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Good morning. Thanks for the opportunity. My first question is about at prevailing module package prices BPT, THHSI with GVVNUL and TPLD were 1.99 and 2.22 when are you going to award the contracts and do you see the company move toward the 2022 timeline October and December for these three projects? So, at prevailing module package, it will go ahead with these projects.
- Rishi Shah:** Yes, awaiting things to be normalised. So, we know that the prices have gone up as compared to what we have budgeted, we still they we have time . Currently we have not yet decided to place order for modules. So, we are waiting prices to stabilise and then we will take that decision forward.

- Sumit Kishore:** Completion in October, we will have to take your contract to over timeframe to get delivery and execute the project?
- Saurabh Mashruwala:** So, we can procure modules three months before that also, if you have all other things in place, we are working on it. As of now, though clarity is still not available when module prices will come down, but as far as your question is concerned, you can get it done in three months' time also, if you have other things in place, in terms of land, evacuation and transmission. So, we are working on those aspects to keep us in ready-state condition, so that if module prices correct, we may be able to order those modules. But as of now, clarity is not available, when module prices are going to correct.
- Sumit Kishore:** My second question is on the Bhiwandi trending up trajectory. It seems to be Q-O-Q increase from 11.6% to 13.1% is between 0.1%, as I am sure that because COVID disruption has treated out, this should have reduced. From June Quarter to September quarter, I am looking at the T&D loss that you have given in your presentation, it is 13.1% as of September, and it was 11.6% in June.
- Rishi Shah:** So, I think looking at the T&D losses on quarter-on-quarter basis may not be so relevant, we will have to see it on YTD basis. So, ideal way to look at it is on YTD basis, rather than on a quarter-on-quarter basis. The expectation is that for my franchisee distribution business, we would be more or less in line with what we have seen T&D losses pre-COVID levels or below that. So we are in that line. If you look at from H1 to H1 perspective, H1 of FY22 Bhiwandi is at a 13.07% of T&D losses, whereas H1 FY21 was 23%. So we have made a quite a progress in terms of T&D losses are concerned. Quarter-on-quarter, there could be some aberrations which we would like to avoid, so I think, ideal way to look at it is on YTD basis.
- Sumit Kishore:** Got it. Just to understand your 5 gigawatt renewable portfolio target of around three to four years perspective and has this been laid out by the senior leadership and have you thought out about how the mix of solar, wind in the overall portfolio or this is more like an aspiration that you are heading towards?
- Rishi Shah:** So, I think we are agnostic to solar or wind. We would look at project to project on a standalone basis, if it is meeting our criteria of internal hurdle rates, then we would definitely want to take up that project either wind or solar, but it will all depend on what kind of IRRs they are giving us.
- Sumit Kishore:** So project will be done on a project to project basis. There is no formal target as such.
- Rishi Shah:** The aspiration is to have 5000 megawatt or 5 gigawatts by three or four years down the line but then it all depends on, whether that is giving us our hurdle rates.
- Sumit Kishore:** Sure, and 156 megawatts acquisition from CESC like the hurdle rate of mid to high teens IRRs?
- Saurabh Mashruwala:** Yes, so as we have explained on the month of CESC acquisition is that the PLF which we are looking at right now are subdued, because of certain issues there. We expect that we would be able to improve the IRRs based on which, it should meet our low-tier to mid-tier IRR expectations.

- Sumit Kishore:** Low-to-mid teen IRR. Okay. Thank you so much.
- Moderator:** Thank you very much. The next question is from the line of Barani Vijay Kumar from Spark Capital. Please go ahead.
- Barani Vijay Kumar:** Good morning gentlemen. So, this CESC acquisition, when will it be consolidated?
- Saurabh Mashruwala:** We are hoping to conclude within the course of this quarter.
- Barani Vijay Kumar:** Right, so from the third quarter's results, it will be consolidated, is it?
- Saurabh Mashruwala:** That is what we are hoping. There are some CPs to be concluded before the closing of the acquisition. So we are in the process of doing it, we hope to conclude all CPs before end of this quarter.
- Barani Vijay Kumar:** Coming to the renewables addition, so, who is, what you have in operation and under construction 2 gigawatt. So, we are likely to add 3 more gigawatt over the next 3 to 4 years and then reach 5 gigawatt at the end of it. Am I right?
- Saurabh Mashruwala:** Yes.
- Barani Vijay Kumar:** Regarding this renewable, and since most of it is going to be on a PPA basis, just trying to understand from a generator like you, the attractiveness of all these green products in the exchange markets that have been introduced. So, would you be interested and use those products to sell your power? If not, why? Like your green thermal head market, green TAM products in exchanges.
- Saurabh Mashruwala:** It is too early to comment on this. They just started recently. So, we have not looked at it very thoroughly as of now. It is too early to comment on that.
- Barani Vijay Kumar:** Sure, so as of now we are not, we are not using even green term ahead market. Okay.
- Saurabh Mashruwala:** No, we are not.
- Rishi Shah:** We do not have any untied capacity.
- Saurabh Mashruwala:** We do not have any untied capacity. Our capacities are tied up with long-term PPAs.
- Barani Vijay Kumar:** Got it Sir. Got it. Still there are generators who still use it, so just trying to understand if you have any such plans. Okay, so final question is on the gas tie-up. So the requirement per year for SUGEN and UNOSUGEN together would be around 5 MMSCMD? Like 4 for SUGEN and about 1 for UNOSUGEN?
- Rishi Shah** : Say 5 to 6 MMSCMD depends on the PLF levels for both the plants.

- Barani Vijay Kumar:** Okay, why I am trying to ask Rishi is to find out what has been tied up of this five. Let us say, it is the outside numbers, so you are telling for a UNOSUGEN, we are tied up from IOCL and Reliance. So that is fully taken care.
- Rishi Shah:** Barani, just to correct you, what we have said is that, as far as long-term PPA liabilities are concerned, we have tied up around 25% for both the plants which is from IOCL and Reliance. On top of it, as Saurabh Bhai said earlier in the call, we have floated a long-term tender to source International LNG from the market wherein we have tied up three cargos each year starting from calendar year 2023, which is roughly around 25% of our additional requirements. So, that takes us to 50% of our requirement for both these plants under the PPA liabilities. Balance 50% is open and calendar year 2022 is also open. So, domestic is available for 2022 and going forward International LNG is available from 2023 Calendar year.
- Barani Vijay Kumar:** Okay, so of these roughly 5 MMSMD requirement how much is coming from domestic for us right now?
- Rishi Shah:** 25%.
- Barani Vijay Kumar:** So, 25% Plus 25% Plus 25%, 75% is taken care.
- Rishi Shah:** No, no, I am saying 25% is available from Domestic market.
- Barani Vijay Kumar:** Correct, so 25% tied up through IOCL and Reliance and another 25% from Calendar year 2023 from International.
- Saurabh Mashruwala:** Yes
- Barani Vijay Kumar:** Only 50% open in Calendar year 2022, and 25% open in Calendar year 2023.
- Rishi Shah:** No. 75% open in Calendar year 2022, and 50% open for 2023 onwards.
- Barani Vijaykumar:** I think that is it from my side. All the best.
- Moderator:** Thank you very much. Ladies and gentlemen that was the last question due to paucity of time. I now hand over the conference to Mr. Harshavardhan Dole for closing comments. Over to you, Sir!
- Harshavardhan Dole:** Thank you. On behalf of IIFL Securities, I thank you everyone for logging on to this call. Also, sincere thanks to the management for giving us an opportunity to host the call. Saurabh Bhai, Rishi Bhai any last comments that you would like to make before we conclude this concall?
- Saurabh Mashruwala:** Thank you so much to everybody and Happy Diwali to everybody. Thank you so much.



Torrent Power Limited
October 28, 2021

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of IIFL Securities that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.