



“Torrent Power Limited
Q1 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Torrent Power Limited Q1 FY2022 Earnings Conference Call, hosted by IIFL Securities. 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 to the Q1 FY2022 earnings call of Torrent Power. To discuss the numbers in detail as well as share some performance outlook going ahead, we have the senior management team of Torrent Power today. The team will be represented by Mr. Saurabh Mashruwala, VP, Finance, Mr. Rishi Shah, GM Finance and Mr. Jayprakash Khanwani, AGM, Finance. I request Saurabh Bhai to make an opening remark subsequent to which we can have the floor open for Q&A. Over to you Saurabh Bhai.

Saurabh Mashruwala: Thank you Harsh. Good Morning to all of you and thank you for joining the earnings call for the Torrent Power for Q1 FY2022. First I will take 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 thereafter tax expenses will be taken up.

The reported PBT for the quarter stood at about Rs.273 Crores as compared to Rs.468 Crores in corresponding quarter last year. This is a reduction of Rs.195 Crores, which is about 42% on a reported basis. To understand the underlying performance of the company, we will take you through the non-recurring items in the quarter. There are non-recurring items during both this quarter and the comparable quarter of last year. We will first talk about the non-recurring items of the current quarter.

Non-recurring items of the current quarter include about Rs.21 Crores of bad debt provision, which we have made in franchise distribution businesses. The economic activity at our distribution franchise business continued to recover from the pandemic effect during Q1-FY22; however, the same was moderated due to the second COVID wave. As compared to the pre-COVID level i.e. Q1-FY20, demand in Q1-FY22 is down by 13% versus growth of 37% witnessed as compared to the comparable quarter last year.

Disruption caused by the second wave led to the deferment of recoveries of arrears for FY21 and accordingly provision of Rs.21 Crores was warranted to be made during the course of the quarter. We expect going forward, in the next two to three quarters, we would be able to recover the material amount out of this provision, which were made in case of Bhiwandi and Agra particularly.

Now coming to the non-recurring items of comparable quarter of Q1 FY2021 there were two items. As you would recollect, our license distribution business had received a favorable order from the regulator with respect to past regulatory claims of Rs.344 Crores. This is a pre-tax amount of Rs.344 Crores, so one off income of Rs.344 Crores was booked in the comparable quarter of last year, which was not

there in the current quarter. Additionally, the loss of Rs.61 Crores was also accrued on account of waiver of fixed charges allowed by the Government of Gujarat to industrial consumers for the month of April 2020. This is because of the lockdown, the Government of Gujarat has given the concession to industry and we have accounted Rs.61 Crores loss in the Q1 of last year so both put together the net credit, which we had booked in the last quarter was Rs.283 Crores.

Adjusted for the above one off item in both the quarters, Q1 of current year as well as previous year, adjusted PBT for the quarter stood at Rs.294 Crores compared to Rs.185 Crores in the comparable quarter of last year. This is an increase of about Rs.109 Crores on a normalized basis, which is an increase of 59%. Profit on a normalized basis has significantly improved by 59% as compared to the comparable quarter of last year.

We now take you through the key highlights on the improvement in the adjusted PBT of Rs.109 Crores for the current quarter. Substantial gain is coming from the franchise distribution business. There was a significant reduction in T&D losses, mainly in the distribution of franchise business, due to restoration of industrial demand which was significantly impacted last year, the positive impact on the profit is about Rs.138 Crores due to reduction of distribution losses in the franchise business area of Agra, Bhiwandi and SMK.

Additionally, there was gross reduction in finance cost by Rs.58 Crores, which is attributable to the lower rate of interest as well as reduction in overall debt level. The average interest rate for the quarter was 130 basis points lower than the comparable quarter of the last year. Additionally, the average debt level was also lower by about Rs.1,100 Crores as compared to the June 30, 2020 versus June 30, 2021.

During the last quarter, there was no additional borrowing because internal accruals were pretty strong so we have not made any increased borrowings in the last quarter. If you look at the borrowing level as on June 30, 2020 was Rs.8,834 Crores of which the current borrowing level of Rs.7,736 Crores which is a reduction of about Rs.1,100 Crores. These are the two positives for the quarter where the franchise distribution has performed exceedingly well and we were able to reduce the interest cost. On the downside, we were not able to sell adequate quantity in the merchant market because the demand was at a lower level. There was a reduction in the merchant sale and impact is about Rs.35 Crores. And we have a PPA tied up with PTC of about 75 MW for the SUGEN power project, where as per the contract they have the right to reduce the PPA by 25 megawatts so impact is about Rs. 4 Crores in terms of reduced fixed cost recovery.

Next item is there is a lower contribution from the renewable business by Rs.11 Crores due to lower PLF in the month of March. However, during the quarter comparable PLF is 2% higher as compared with FY2021 numbers. Further, there is about Rs.13 Crores additional depreciation charged to the P&L due to the increased level of capex during the past period. There was an increase of Rs.13 Crores in O&M expenses. which is because of increased level of operating activities. The demand in both license

as well as the franchise distribution areas has improved by about 38%, as compared with the comparable quarter of last year, but yet it has not reached the pre-COVID level of FY2019-2020. The demand is still lower in Q1 mainly because of the second wave of COVID and we expect by year-end demand will likely be at pre-COVID level FY2019-2020.

Moving on to the PAT numbers, consolidated PAT reported for the quarter was Rs.209 Crores as compared with Rs.368 Crores. This Rs.368 Crores includes the one off item of about Rs. 283 Crores on pre-PAT level. Profit was lower by about Rs.159 Crores that is lower by 43%. This completes the overview of the quarterly performance of the company.

Now we will give the update about the renewable projects in the pipeline. On the 30th July, 2021 the company entered into security purchase agreement with the Lightsource Group to acquire 50 MW of solar projects located in Maharashtra, Solapur area. We will provide key details of the acquisition. The enterprise value of the project is about Rs.317 Crores which is subject to closing price adjustment. The Enterprise value comprises of Rs.196 Crores of debt and about Rs.121 Crores of equity contribution that will include the cash and cash equivalent of Rs.22 Crores. The net equity investment will be about Rs.99 Crores. The initial project cost of this project was about Rs.6.25 Crores per megawatt on AC capacity basis. The project has 25 year PPA with SECI with balance life of about 22 years and the contracted tariff is Rs.4.43 per unit and the average PLF of last three is about 21.6% on the AC capacity basis. Going forward we expect some saving in O&M cost so that it further improves the IRR. We expect the transaction will be completed in the next 60 days time.

Further we will provide the update about the three projects that are in the pipeline. First SECI 5 project, which we have won in the SECI 5 bidding. In March 2021, SECI gave us an extension of the COD for this project up to Feb 2022. The project size is 115 megawatts. Earlier COD for the project was July 2020 so taking into consideration extension given by the SECI we are working on avenues to revise the project. We had abandoned this project in FY2020 and now since extension is given by the SECI, we are trying to revive the project.

As you know, we have signed two PPAs in solar ; 100 MW with GUVNL and 300 MW with our own distribution arm, TPLD land acquisition for both the projects is in progress and we expect order to be placed for modules in coming months. As far as AP project is concerned, we are L1, but currently the project is subjudiced.

With respect to the takeover of the licensed distribution business of Union Territory Dadra & Nagar Haveli and Daman & Diu, wherein we have emerged as the successful bidder for 51% stake, we would like to update that Supreme Court has vacated the stay enforced by the Mumbai High Court on the tender process and the matter will now be heard by the Supreme Court very shortly.

This completes the update about the upcoming projects that are in the pipeline. Now I would request the coordinator to start the Q&A session. Thank you so much. Handing over to the operator.

- Moderator:** Thank you very much Sir. Ladies and gentleman, we will now begin the question and answer session. Ladies and gentleman, we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Good morning Sir and thanks for the opportunity. Sir my first question is it possible to give us the breakup of EBIT or EBITDA segment wise especially Q-O-Q?
- Saurabh Mashruwala:** I will give the breakup of EBIT compared on the basis on Q1 FY2022 versus Q1 FY2021. The gas based generation has reported EBIT of Rs.17 Crores compared to Rs.92 Crores last year and renewable projects current quarter the number is Rs.106 Crores versus Rs.115 Crores last year. For license distribution business the EBIT is about Rs.209 Crores for the current quarter compared to Rs.188 Crores for the comparative quarter of last year. The franchise business has significant improvement as we discussed because of lower T&D losses, so the number for the quarter is about Rs.141 Crores versus Rs.16 Crores last year. And on overall basis before one-off the EBIT is Rs.447 Crores versus Rs.391 Crores so an incremental EBIT of Rs.56 Crores for the current quarter.
- Mohit Kumar:** Sir my question was primarily because I was trying to understand why is there a decline in Q-O-Q in EBITDA given the fact that there is no sharp decline in the businesses especially Q-O-Q?
- Saurabh Mashruwala:** That we explained it is because last Q1 we have recognized about Rs.288 Crores of one-off item.
- Mohit Kumar:** No Sir Q4 versus Q1?
- Saurabh Mashruwala:** Q4 and Q1 is not comparable because in our business there are seasonal variations. Also volumes are lower in Q4 and high Q1 because of seasonal variation. And the effects of T&D losses are also different so in our kind of business exact comparison of specific quarter with the current quarter is not possible. So that is why we always make a comparison with the comparable quarter of the last year.
- Mohit Kumar:** Understood Sir. Secondly, on this you just mentioned that you are trying to revive SECI project, so are we reviving the entire basket of projects which we have bid I think SECI V which I believe was substantial number? Are we reviewing only part of the year capacity?
- Saurabh Mashruwala:** There are two projects in SECI, 499 MW and 115 MW. We are reviving the 115 megawatt project
- Mohit Kumar:** You are not reviving the other one is that the reason? Is it particularly bad IRR?
- Saurabh Mashruwala:** No extension is one and there are land issues also in the 499 MW project. For 115 MW project we were able to sort all issues.
- Mohit Kumar:** Understood Sir and lastly Sir on the Dadra & Nagar Haveli what are the steps which are pending post that you will be able to take over the asset?

- Saurabh Mashruwala:** The Supreme Court has heard the case. At the same time, the government is also trying to work on the issue of the LOA, so once the LOA is available then hand over process will start.
- Mohit Kumar:** Understood Sir. Thank you Sir. All the best. Thank you.
- Moderator:** Thank you very much. Our next question is from the line of Ankit Patel from L&T Mutual Fund. Please go ahead.
- Ankit Patel:** My question is regarding the solar PPA at Rs.1.99 and Rs.2.22 could you tell us what kind of returns you expect from these projects because these tariffs seem to be going down continuously and this will be one of the lowest tariffs? What kind of returns Sir do you expect from these projects?
- Saurabh Mashruwala:** In the earlier call, we said that we are expecting low teen IRR from these projects and we are consistently watching about the model prices, which are higher currently. So we have some time available. We expect the module prices will correct to the normal level.
- Ankit Patel:** Thanks.
- Moderator:** Thank you. The next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.
- Subhadip Mitra:** Good morning. Thank you for the opportunity. A couple of data related queries. I think these are points, you have already touched upon but I think I missed the numbers? You mentioned that the adjusted PAT for the current quarter is Rs.294 Crores versus Rs.185 Crores last year? Is that PBT level or PAT level?
- Saurabh Mashruwala:** We talked about the PBT numbers. Adjusted PBT number of current quarter is Rs.294 Crores versus Rs.185 Crores of the last year, which is about an increase of about Rs.109 Crores roughly 59%.
- Subhadip Mitra:** Secondly, I think you also mentioned the generation EBIT? If you can just repeat those numbers I think I missed that?
- Saurabh Mashruwala:** Gas based generation is about Rs.17 Crores for the current quarter and the comparable quarter of last year Rs.92 Crores.
- Subhadip Mitra:** Here the fall is largely due to?
- Saurabh Mashruwala:** can you please repeat.
- Subhadip Mitra:** The reduction that you are seeing in this year on generation EBIT Rs.17 Crores negative what would be the reason?

- Saurabh Mashruwala:** The merchant sale was impacted because of the lower price during the course of the quarter. So merchant sales were lower and we lost about Rs.35 Crores contribution compared to the quarter of last year. The merchant sales impact was about Rs.35 Crores and then there was a PPA with the PTC of about 75 megawatt. There is condition in the contract that they have a right to reduce up to 50 megawatts so about lower fixed cost is Rs.4 Crores for this quarter. Also increased level of activity has led to increased expenses in the SUGEN as well as UNOSUGEN plant also.
- Subhadip Mitra:** This is with regard to the O&M related I think you mentioned Rs.13 Crores?
- Saurabh Mashruwala:** Yes O&M related cost.
- Subhadip Mitra:** Secondly with regard to the solar projects that you mentioned the expectation of mid teens IRR so in both these projects the 100 megawatt GUVNL and the 300 megawatt plant, the annual orders, the module orders, etc., has yet not been placed correct?
- Saurabh Mashruwala:** It is not yet placed.
- Subhadip Mitra:** What would be the deadline for the COD of these projects and let us say the deadline by which we need to order the modules?
- Rishi Shah:** Subhadip, the deadline as per current COD is July 2022, we are closely watching the module prices in the market. We are also expecting there could be an extension given to us by GUVNL in which case we will have adequate time for ordering the modules. So we are expecting that both these factors combining there should be a time available for us to book the modules and salvage the project.
- Subhadip Mitra:** Understood. Typically, you need to order the modules at least six months before we get the scheduled COD?
- Saurabh Mashruwala:** Four to six months is the time where you should order the modules typically. That can be squeezed also depending on what is the state of readiness with respect to other things.
- Subhadip Mitra:** Last question on my part would be regarding this 115 MW SECI 5 base so here what you are mentioning is that the land and transmission and other related activities are already in place, which is the reason why you are looking at salvaging this?
- Saurabh Mashruwala:** Yes COD is extended plus necessary permissions are in place and land is also identified.
- Subhadip Mitra:** Has the land been acquired and handed over?
- Saurabh Mashruwala:** Land is identified and we are in the process of acquiring the land.

- Subhadip Mitra:** That is it from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Thank you for the opportunity. Sir I wanted to understand basically on this Lightsource deal we read somewhere that it has some VGF benefits as well so could you please quantify this number?
- Saurabh Mashruwala:** It is about Rs.8 Crores to Rs.9 Crores.
- Apoorva Bahadur:** Rs.89 Crores?
- Saurabh Mashruwala:** No, Rs.8 Crores to Rs.9 Crores.
- Apoorva Bahadur:** Rs.8 Crores to Rs.9 Crores and by when do expect to earn that?
- Saurabh Mashruwala:** As per the terms of the SPA, as and when we receive VGF amount we will have to pass it on to the seller.
- Apoorva Bahadur:** Okay so we will not retain it?
- Saurabh Mashruwala:** We are not going to retain it.
- Apoorva Bahadur:** Sir secondly on basically this AMGEN expiry coming up so do we expect an extension over there given that the government is focused on improving and lending of large cities?
- Saurabh Mashruwala:** We are not sure right now but we are in discussion with the regulators so we hope extension will be granted. Basically it is challenging for the Ahmedabad distribution area so we are in continuous touch with the government. We are hoping that further extension will be granted for this project.
- Apoorva Bahadur:** It will be for a shorter term or a medium term, three to five years, we will wait for that. Another question on this module per se is for our two solar projects so will these be impacted by the ALMM as well because we can now only purchase from this approved list? Is that hindering us in any aspect in terms of obtaining the best price modules?
- Saurabh Mashruwala:** Apurva if you can see right now module prices across the globe are elevated as of now because of certain factors but particularly this list is not hindering us. The major pain point is the elevated prices.
- Apoorva Bahadur:** If it comes down then probably so basically the suppliers with whom we whom we would like to work do you see them on this list?
- Saurabh Mashruwala:** Yes.

- Apoorva Bahadur:** Perfect. If I may just squeeze in one more question is that from the gas price and how large of a quantity do you have tied up right now?
- Saurabh Mashruwala:** For the current year FY2022, we are largely protected, 70% of requirement is tied up. Some quantity is still left to tied up, but we are largely protected and the current increase in the spot price in our view is not sustainable. We are trying to contract for the next year and thereafter. So we will work on contracting for the next year and thereafter.
- Apoorva Bahadur:** So we will basically wait for the prices to normalize and then we will go for further tie up?
- Saurabh Mashruwala:** Yes.
- Apoorva Bahadur:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sitaraman from Spark Capital. Please go ahead.
- Sitaraman:** Thank you Sir. Sir can you give the merchant units sold in number of units this quarter and in 1Q FY2021 and also the average cost and average realization for these merchant sales?
- Saurabh Mashruwala:** Merchant volume last year was 921 MUs last quarter last year similar quarter and the current year is about 139 MUs.
- Sitaraman:** Okay and average cost and average realization for merchant sales?
- Saurabh Mashruwala:** We can see the contribution. Our average contribution was last about Rs.0.38 and current year is about Rs.0.02 .
- Sitaraman:** Thank you and Sir on the segment wise EBITDA front it will be helpful if you give because for comparable purpose you have been giving earlier so for comparable purpose and book purpose it will be helpful so if possible can you share that Sir?
- Saurabh Mashruwala:** Yes. We can give the EBITDA breakup of Q1 of current year FY2022 versus Q1 of FY2021. For Gas based generation EBITDA was current quarter Rs.129 Crores versus Rs.204 Crores. Further, the EBITDA for renewable generation was Rs.175 Crores versus Rs.185 Crores. And for license distribution businesses Ahmedabad, Surat, Gandhinagar and Dahej the number is Rs.322 Crores versus Rs.292 Crores. Our franchise distribution business, which has turnaround and which has reported quite good numbers for the current quarter Rs.168 Crores versus Rs.39 Crores. And overall EBITDA before one-off is Rs.776 Crores versus Rs.707 Crores and on reported basis Rs.764 Crores versus Rs.1004 Crores.
- Sitaraman:** Thank you Sir.

- Moderator:** Thank you. The next question is from the line of Aniket Mittal from Motilal Oswal Financial Services. Please go ahead.
- Aniket Mittal:** Thank you for the opportunity Sir. My first question is there some distribution part especially on DF? Just to understand what is the overall demand looking like and the collections looking like for this fiscal and from an FY2022 perspective how do you see the full year demand and AT&C losses over there?
- Saurabh Mashruwala:** The decrease in demand for the current quarter because of the second wave was down by 13% with comparable quarter of FY2019-2020. For the quarter, it has improved by about 37% as compared with comparable quarter of last year. Q1 we have not reaching to the pre-COVID level demand. We expect the year as whole we cherish greater recovery during the next three quarters and most likely we will be reporting the numbers on a pre-COVID level as far as demand is concerned.
- Rishi Shah:** So Aniket just to add on what Saurabh Bhai said if you look at a month-on-month basis, May was a particularly bad month in this quarter because of lockdowns related to second wave. If you look at June and July, numbers are improving, and our expectation is by the end of this year we would have arrested the degrowth compared to FY 2020 in terms of volumes are concerned.
- Ankit Mittal:** In terms of the AT&C loss trajectory would that again be similar to pre COVID levels by the end of this year?
- Saurabh Mashruwala:** I think we expect something better than the pre-COVID level. AT&C losses if you see this quarter also they are in line and going forward there should be some improvement in AT&C losses.
- Ankit Mittal:** Just on the provision part if I look at over the past one year. I think now we have done around 130 Crores of excess provision, including the 21 Crores for this quarter. Just in terms of collection of this excess provision, how do we see that turning out? As the situation let us say in Bhiwandi, Agra improved, so that you can get 130 Crores recouped in this year itself.
- Saurabh Mashruwala:** We expect this about 130 crores, 50% provision pertains to SMK, we expect Bhiwandi and Agra to recover it in next three quarters. SMK being a newly takeover area, we are working for it. Some time will be required to recover the amount there. At least Bhiwandi and Agra we are hoping that the next three quarters we are able to recover the material amount I would say.
- Ankit Mittal:** Just one question, to dive into this DF business increase that we see, you mentioned the EBITDA has come at around 168 Crores versus 39 Crores for the last year. Now this increase in EBITDA, would it be possible to break this up as in how much of this would be because of demand increase and how much of this is because of lower T&D losses?
- Saurabh Mashruwala:** You are talking of Bhiwandi and Agra, right?

- Ankit Mittal:** At an overall level your DF EBITDA is coming at 168 versus 39 Crores last year roughly about 120 Crores. Can this be broken up into how much it is because of lower T&D loss and how much it is because of higher demand?
- Saurabh Mashruwala:** Lower T&D loss is about 133 Crores improvement as compared to quarter of last year.
- Ankit Mittal:** So the large improvement is only because of lower T&D loss.
- Saurabh Mashruwala:** Yes exactly.
- Ankit Mittal:** But the demand has also increased 38% YOY.
- Saurabh Mashruwala:** Demand has also increased. At the same time tariff was lower also in case of Bhiwandi and Agra so lower tariff also has affected the contribution so gain is coming out of T&D losses.
- Ankit Mittal:** Just one question before I join back in the queue. See on the SECI 5 project and the SECI3 project we have the certain provisions as well now that we are taking this SECI 5 project possibly looking at taking the SECI 5 project backhaul, does that provision gets reversed and if you could just repeat in terms of the timeline also what is the extension that we have got for SECI 5.
- Saurabh Mashruwala:** SECI 5 we have got an extension till February 2022. As far as provisions write back, once we will enter into commercial agreement we will decide at that point in time to write back the provisions.
- Ankit Mittal:** Thank you. I will join back in the queue for further questions.
- Moderator:** Thank you. The next question is from the line of Noel from Ashika Group please go ahead.
- Noel:** Actually, just one thing I just want to clarify regarding the gas linkage for the current financial year. I think Sir you had mentioned that 70% of the requirement has already been tied up. So this would be about what rate to a dollar?
- Saurabh Mashruwala:** It is about \$4.36 MMBTU.
- Noel:** The future bookings have not been made because the current rates are on the higher side and regions are unsustainable so we expect them to lower down?
- Saurabh Mashruwala:** Our view is that these prices are not sustainable and we expect the prices will come down. We are working on other options to take care of the scenario which has emerged because of higher gas prices but we have still some time available with us to work on this. So we will update everybody once we have finalized the strategy on which we want to book gas for the future years.

- Noel:** That is the only thing I just want to clarify. My other questions have been answered. Thank you.
- Moderator:** Thank you. Next question is from the line of Dhruv from HDFC Asset Management. Please go ahead.
- Dhruv:** Thank you very much. This SECI 5 project, you say the extension is till February 2022 which is almost six to seven months from now. Do you think the project can be completed in this short time?
- Rishi Shah:** Dhruv, just to give you an example, we had couple of projects in Karnataka. Jodhpur, and Latur, we did that in three to four months time, so I think six months is sufficient time and we are already working on various aspects of that. We are confident that we will be able to do that in six to eight months' time.
- Dhruv:** So you have already tied up the machinery and everything?
- Saurabh Mashruwala:** We are close to that.
- Dhruv:** So the tariff remains the same. The tariff was I think 2.76 that remains the same?
- Saurabh Mashruwala:** That remains the same. Everything else remains the same.
- Dhruv:** When you had bid this project the expectation was that equipment cost will be declining but now I believe given how prices have moved even the BOS prices, the cost escalation would be quite significant now?
- Rishi Shah:** Compared to cost escalations there are other factors that have played in favor of us in terms of let us say interest cost. At that point in time, interest cost was higher, now if you see interest costs have gone down significantly. We are working on land aspect also, so we can expect we would be getting low teens IRRs out of this project and can salvage this project.
- Dhruv:** Sir what would be the approximate capital cost here?
- Saurabh Mashruwala:** 800 Crores.
- Dhruv:** Sir second question was on the capex for the regulated business this year what is the target for this year?
- Saurabh Mashruwala:** Dhruv the expectation remains the same 1,500 Crores for the entire year DL and DF put together. distribution license should be 1,200 Crores but there should be some improvement in 1200 Crores because of lower capex which we did in last year, there could be some spillover there.
- Dhruv:** Upwards of 1,200 Crores.
- Saurabh Mashruwala:** Yes.

- Dhruv:** Sir last small thing was on O&M, there is 13 Crores increase in O&M, so is it a base effect which has happened or this is just something which has come in this quarter. I mean are the service contracts reset, so that it is close for?
- Saurabh Mashruwala:** It is because of the increased level of activity.
- Dhruv:** So there is no base effect, I mean this is just for this quarter.
- Saurabh Mashruwala:** Yes, increased level of activity has increased the expenses.
- Dhruv:** Thank you so much.
- 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. Majority of the questions have been answered. Two from my end one is related to your SMK losses, it still hovers around 33% odd. So any roadmap, what we target for next one or two years and what kind of capex we plan to incur in the SMK area to bring it down?
- Saurabh Mashruwala:** SMK is our new area which we took it over from first of March 2021 at the time when COVID-19 started. So last one year we are not able to do much work in the SMK area, but going forward in fact we have started changing the network in the SMK area, so in next five years I would say we will reach to a very different level of AT&C losses in SMK area.
- Rishi Shah:** Just to add what Saurabh Bhai has said is that it was unfortunate for us to get it hand over to us as a new area at the time of COVID, wherein everything was locked down because of which we have wasted one year to implement necessary things that we wanted to do in the area. So effectively last year we have not been able to do very meaningful amount of work which we would have done and that is why you are seeing higher pains coming out of that region, but going forward we would be able to follow what we have done in Bhiwandi in Agra.
- Saurabh Mashruwala:** We can give some example. For example, Q1 FY2021, T&D losses was about 53% and currently this Q1 was about 43%. We have achieved about 10% reduction in the T&D loss in the SMK area. So this kind of a reduction we have achieved in last one year without investing so much in the capex and network building. In the next four, five years, we will work on the network building and the T&D losses substantially next year will come down.
- Anuj Upadhyay:** Any number if you can quantify on the losses for the SMK during the quarter?
- Saurabh Mashruwala:** We would not be able to give segment, EBIT wise numbers.

- Anuj Upadhyay:** Next question is on the distribution opportunity Sir. We are saying already the number and you are seeing this down, Court level, but any other states where we are saying distribution, license fee?
- Saurabh Mashruwala:** We are open to new Union Territories that will be offered for privatization by the government. So bidding is going to come for the other Union Territories, and other state government also like UP are also contemplating to go for the privatization, so we are open to the new area that will come up for the bidding.
- Anuj Upadhyay:** Thanks Sir. That is it from my end.
- Moderator:** Thank you. The next question is from the line of Aniket Mittal from Motilal Oswal Financial Services. Please go ahead.
- Aniket Mittal:** Thank you for the opportunity once again. Just one understanding on this 25 megawatt reduction in TBCP actually with Madhya Pradesh that has happened, I just wanted to get some color in the terms of PPA, you also mentioned that this could, there is a further back down for another 25 megawatt that can happen, so if you could provide some color as to what led to this revenue and have you going forward over here?
- Saurabh Mashruwala:** As per the contract the PPA was 75 MW, they have right to reduce by 25 megawatt that is what it has happened in the current year.
- Aniket Mittal:** One question on the gas tie up, you mentioned that round 70% of your FY2022 volume has been tied up, just to understand what would be the inherent PLF assumption that you are making for newer SUGEN projects when you say 70% has been tied up?
- Saurabh Mashruwala:** 65% kind of PLF assumptions.
- Aniket Mittal:** For both SUGEN and AMGEN?
- Saurabh Mashruwala:** Yes. 65% in Ahmedabad distribution and Surat distribution.
- Rishi Shah:** That is the 65% PLF of the entire plant.
- Aniket Mittal:** Of the tied up capacity is what you are saying?
- Saurabh Mashruwala:** Entire plant.
- Aniket Mittal:** Entire plant for SUGEN and AMGEN and with respect to SMK, just to understand the impact has come on the DF, what is the profitability impact for every 1% T&D reduction over there?

- Rishi Shah:** Right now it is difficult to quantify, but on a ballpark number 5 Crores to 6 Crores should be the improvement, but it is too early to comment as of now.
- Aniket Mittal:** Thank you Sir.
- Moderator:** Thank you. Harsh, yes you may please go ahead with your questions.
- Harshvardhan Dole:** With the expected changes in the electricity act, lot of growth avenues will open up and that clubbed with the Rs.3 lakh Crores capex scheme which has been announced by the Central Government quite likely that is areas such as smart metering and offering ancillary services or even managing this smart meters for lot of these distribution companies open up for private player, would you think that this is the growth area for us and if yes, how are we gearing for that have you identified these areas where we would like to go and implement these smart metering projects that is part one and part number two is basically in terms of offering the ancillary services such as EV charging etc at least in the licensed areas if you can just update what progress have been made and what revenue model should we adopt here? Thank you.
- Saurabh Mashruwala:** As far as the delicensing thing is concerned, we look at it as a great opportunity for players like us. We are very good in distribution business, it is a very good opportunity for us because we can expand in our existing area of Ahmedabad, Surat and other areas. Further we can go to the new areas. so there are lots of inefficiency in distribution sectors currently, so we can tap these areas and we can expand in other areas also. So we as far as Torrent Power is concerned, we see this as great opportunity for us to go beyond our territory.
- Harshvardhan Dole:** Any comments on the smart metering initiative whether we would like to be vendors for some of these Discoms or that area we will just let it go?
- Saurabh Mashruwala:** We have not worked on it, as of now but as and when opportunity comes we will work on it.
- Harshvardhan Dole:** Any update on the EV charging infrastructure etc., at least in the license area, any thoughts on that?
- Saurabh Mashruwala:** Right now, we have not worked on it.
- Harshvardhan Dole:** Zaid, I think there are few questions in the queue. Why do not you take them?
- Moderator:** Thank you. Next question is a followup from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Thank you for the opportunity once again. Sir, my question is related to gas prices. Gas prices are elevated, so when do you expect in because we are going to tie up or gas contract for the next year or

do you see it and second related is that does the higher gas prices affect our ability to recover fix charges especially in UNOSUGEN given that I think there was some gapping?

Saurabh Mashruwala: Our view is that current gas price is not sustainable and as we informed that the current year we are mostly protected because 70% requirement we have covered some 30% is still to be covered. But it is okay, on average basis we are well protected for the current year and we have to sign the contract for the next year and thereafter. So we feel that the gas prices will soften and we have the opportunity to cover the gas for the future years. Further RIL is also coming up with the bidding and domestic gas is also being getting available, so almost 20% gas we are able to use the domestic gas for UNOSUGEN. So as far as UNOSUGEN is concerned, since domestic gas is available at a reasonable rate, we expect that we will remain competitive in in terms of gas prices..

Mohit Kumar: What is the kind opportunity for gas has been available through the other gases in the near future. Do you have any numbers especially in FY2022?

Saurabh Mashruwala: We do not have those numbers as of now.

Mohit Kumar: Thank you and all the best.

Moderator: Thank you. Next question is a follow up from the line of Aniket Mittal from Motilal Oswal Financial Services. Please go ahead.

Aniket Mittal: Thank you for the opportunity once again. My question actually was on this Lightsource acquisition and I just wanted to understand your thought process over there. Is there now some sort of an internal target that you are building on renewables or is the existing bids from SECI that is coming and extremely competitive that is why I was looking at, just some color may be on what made you look at this acquisition and our plans we growth on the renewable portfolio would be helpful?

Rishi Shah: We do not give any guidance per se on the growth as far as renewables is concerned. But we keep on looking at opportunities that fits into our parameters. As far as this particular acquisition is concerned, it provides good equity IRRs in terms of the capacity and tariff which we have got. Going forward we will keep on looking at opportunities available and we will also keep on looking at new biddings which come up, but as far as guidance is concerned, we would not be giving any guidance .

Saurabh Mashruwala: The growth will come from inorganic as well as organic also in renewables.

Aniket Mittal: That is helpful. You did mention that the O&M expenses are fairly high, because if I look at the FY2020 financials, the EBITDA margins were at only 83%, so just wanted to understand what is the scope really in terms of improving the O&M and what sort of margins, can we bond this up to?

- Saurabh Mashruwala:** I think we will not be able to comment on it as of now, post consummation we will give you a better picture on what we are looking at an this O&M expenses.
- Aniket Mittal:** One last question on Dholera I understand there is a very long-term plan in place over there of around Rs.1200 Crores over the year, but how is the total sort of planning out right now and from next two to three year perspective, what is the capex that you are looking at over there?
- Saurabh Mashruwala:** Dholera, people have started to make the enquiries. We have been told that the Tata has acquired the land for the battery project, plus ReNew is also planning to setup their facilities, so we expect the demand will come in Dholera and many units will come up in the Dholera area.
- Aniket Mittal:** In terms of capex because I think over tenure you got Rs.1200 Crores plan over there, but how could this possibly face out?
- Rishi Shah:** It will depend on the kind of industries that are coming up. We would like to invest once we see visibility of the demand that is coming up. So I think it is a game of how demand will be there and then will start doing capex so Rs.1,200 Crores or Rs.1,000 Crores over a period of 10 to 12 years. It is difficult to put a number to it as of now, but as and when we see visibility in demand, we will start putting up required infrastructure in place.
- Saurabh Mashruwala:** As of the basic network we have built on, so we expect the demand to come and then we will make further investment in Dholera.
- Aniket Mittal:** As of now there is no investment of capex in the Dholera project, right?
- Saurabh Mashruwala:** Incurring capex, but that is for the basic network.
- Rishi Shah:** There is a small capex which we are doing to setup a basic network which will provide construction power to whatever industries which we are coming up.
- Aniket Mittal:** It is just on the capex front, could you tell me what was the overall capex for this quarter?
- Saurabh Mashruwala:** Quarter we spent about Rs.250 Crores.
- Aniket Mittal:** Thank you.
- Harshvardhan Dole:** I think, Zaid, we have completely run out of time. I would like to request Saurabh Bhai to make closing comments if at all any and then if you can pass on the line to me.
- Saurabh Mashruwala:** Thank you very much for joining the call. We wish everybody safe and healthy. Thank you so much all for giving us the opportunity to present our company, Torrent Power. Thank you so much.



*Torrent Power
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Harshvardhan Dole: Thank you, ladies and gentlemen for logging on to the call. I would like to thank Torrent Power for giving us this opportunity to host this call. In case some of your questions still remain unanswered, you can drop line to me or Rishi Bhai or to the IR team and we will get that answer. Thank you very much and have a lovely weekend.

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.