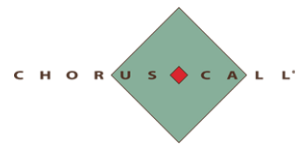




“Torrent Power Limited
Q4 FY24 Results Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Torrent Power Limited Q4 FY '24 Earnings Conference Call. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Saurabh Mashruwala, CFO, from Torrent Power Limited. Thank you, and over to you, sir.

Saurabh Mashruwala: Good evening, all of you, and thank you for joining Torrent Power Earnings Call for Q4 FY '24. First, I will take you through the performance of the quarter as well as for the full year, after which phone lines will be opened for the Q&A session. Let's look at the performance of the company at PBT level.

Reported PBT for the quarter stood at INR617 crores as compared to INR668 crores in the corresponding quarter of last year. Main reason for the lower profit in the current quarter is on account of lower net gains from sale of LNG of INR91 crores compared to the corresponding quarter of the last year.

To better understand the performance of the company, let me take you through the nonrecurring items. During the current quarter, there are no nonrecurring items. Nonrecurring items in the corresponding quarter of last year, that is Q4 FY '23 includes there are 3 nonrecurring items for last quarter -- comparable quarter of last year. First, accounted profit of INR50 crores in license distribution area of the DNH & DD which were reported in the first 3 quarters of FY '23. However, were accounted for during the course of Q4 FY '23.

The deferment of accounting of incentive was due to lack of clarity on eligibility of incentive as FY '23 was the first year of operations for DNH & DD. The regulatory clarity was in place, entire incentive amount pertaining to the FY '23 was accounted in Q4 to align with the applicable regulations. Hence, here I would like to specify that as the entire incentive amount for first quarter FY '23, which was accounted in Q4 of last year. Hence, there is no nonrecurring item for the -- to be considered for the full year accounts.

Second, solar incentive of INR35 crores were booked on account of solar rooftop installation in our license distribution area. And the third item is, as a policy, we account carrying cost as an income only when we have regulatory approvals in place. When the regulator gives a tariff order -- that is when the regulator gives the tariff order. Last year, we had received tariff order on 31st March '23. And hence, the account -- and INR21 crores was accounted as a revenue in FY '23 itself.

In current year, tariff order are deferred due to elections. Hence, we have not recognized any carrying cost income for the Q4 of current year. Net nonrecurring credit was INR106 crores in Q4 of FY '23. And for the above nonrecurring items as well as LNG gains, net PBT for the quarter stood at INR617 crores as compared to INR471 crores in corresponding comparable quarter of last year, which is higher by INR146 crores, i.e. growth of about 31%. Improvement

in profit was on account of improved performance in underlying businesses of thermal as well as renewal generations.

Business factors contributing to the performance of the company are as follows: First, improvement in overall contribution of thermal generation business by INR132 crores, mainly on account of 2 factors. First, net gain on account of higher offtake under the long-term PPA was INR47 crores, gain from sale of merchant power by INR85 crores. During the quarter under consideration, merchant capacity were operational for sale of merchant power for 770 MW NVVN tender for the sale of power and for the sale of power in the exchange as well.

Current demand and supply situation in the electricity market is favourable for generators due to no major investment being made on thermal capacity in the past. The moderation in LNG price globally, it provides us a good opportunity for us to run the -- run our untied gas-based power capacity of 1.5 gigawatt.

The overall PLF of thermal generation improved from 18% to 35% due to better long-term as well as merchant sales. Second is, apart from this, profitability of renewable segment increased by INR26 crores on account of first, improvement in PLF for the wind power project and contribution from the 1.5 MW SECI-V wind project commissioned in July '23, which was partially offset by the lower PLF from the solar power plant.

And the third, above mentioned gains from the generation segment were partially offset by the reduction in the contribution from the distribution business by INR22 crores, mainly on account of 2 factors. First, marginally higher T&D losses, more particularly in Ahmedabad, and higher carrying cost charges on account of increased regulatory gap by INR900 crores.

This completes the explanation of the financial performance during the quarter. I will now summarize the key reason for the yearly financial performance as compared with the last year. Reported PBT for the year stood at INR2,583 crores as compared to INR3,041 crores in FY '23. Major reason for the lower profit during the year is on account of lower gain, net gain, I would say, from the sale of LNG amounting to INR942 crores. There were no nonrecurring current items during the current year.

As explained earlier, nonrecurring item during the FY '23 were on account of solar incentives of INR35 crores and carrying cost of INR21 crores, totalling INR56 crores. Adjusted for the above 2 items basically, LNG gain as well as this, INR56 crores nonrecurring items. PBT for the current quarter stood at INR2,583 crores compared to adjusted PBT of INR2,043 crores of previous years, resulting in loss of INR540 crores that is a growth of 26%.

Apart from this, underlying business across coal generation, gas generation, renewable generation showed improvement in the profit during the year. This completes the explanation of the financial performance during the year.

Moving on, we will now give a brief update on the project under pipelines. 3 GW capacity on DC basis of renewable power projects are in pipeline, which includes following projects. First, 420 MW solar project having PPA capacity of 300 MW with our own DISCOM, it is likely to

be commissioned by end of this quarter. As mentioned in the last quarter, the project is expected to have improved return profile considering the recent reduction in solar module prices in interest market. The project cost is expected to be INR1,800 crores.

Second, 300 MW SECI XII projects, SECI XII wind power project, PPA of which was executed in the end of March '23, a turnkey EPC contract for development of the project has been awarded to Suzlon. The SCOD of project is expected to be December '25. The project cost is expected to be INR2,500 crores.

A 200 MW merchant hybrid project comprising of 120- MW wind and 75 MW solar is being developed under the Airpower wind farm. The project implementation is on track. And the plant is expected to be commissioned progressively by December '25. As the power from the power project will be sold directly in the merchant market, it will start generating revenue right from the first part of the commissioning, as evacuation infrastructure is already in place. The project cost is expected to be INR1,400 crores.

Fourth, 825 MW hybrid project, having PPA capacity of 450 MW with our own DISCOM, comprising of 486 MW of wind power projects, 339 MW of solar project was awarded through bidding process, at fixed tariff of INR3.65 for 25 years. LOA for the project has been awarded, and PPA for the project is actually likely to be executed in the current quarter. SCOD of the project, is 24 months from the PPA date is likely to be implemented with a project cost of INR5,500 crores.

Fifth, 368 MW hybrid power project comprising of 224-MW wind as well as 144 MW solar project was awarded through bidding process conducted by the Indian Railway, for a fixed tariff of INR4.25 for 25 years. LOA for the project has been awarded and PPA to the project is likely to be executed in the current quarter. SCOD of the project is 24 months from the date of PPA and likely to be implemented with a project cost of INR2,600 crores.

Sixth, 425 MW solar projects having PPA capacity of 306 MWs was awarded through a bidding process, conducted by MSEDCL, at fixed tariff of INR3.10 for the period of 25 years. LOA for the project has been awarded and PPA for the project has been executed. SCOD of the project is September '25 and is likely to be implemented with a project cost of INR1,550 crores.

Seven, 100 MWs wind power project awarded through competitive bidding conducted by SECI XVI at fixed tariff of INR3.60 for the period of 25 years. LOA for the project has been awarded and PPA for the project is likely to be executed in the current quarter. SCOD of the project will be 24 months from the date of PPA is likely to be commissioned -- implemented with a project cost of INR925 crores.

The last, 8 number, under C&I portfolio company has 435-MW projects under development, comprising of 395 MWs of solar and 40 MW of wind capacities. 34 MWs of this 435 MW capacity has already been commissioned at the end of the year, and balance capacity is likely to be commissioned progressively within next 2 years period. The project cost is expected to be about INR1,900 crores.

Apart from renewable energy projects, the company has been working on developing 2 transmission projects, which are as follows: First, Khavda transmission project under Torrent Power Grid, which is joint venture between Torrent Power and Power Grid Corporation Limited, which has been awarded to the company on a nomination basis under regular tariff mechanism, post-tax ROE equivalent to 15% plus incentives. The project cost is expected to be INR800 crores.

The second, Solapur Transmission project under new SPV, which was won by the company through tariff based competitive bidding process conducted by -- conducted in Q4 FY '24 at an annual fixed cost of INR50 crores per annum for 35 years. The project cost is expected to be INR470 crores. With the above said investment in renewable as well as transmission projects. The company has investment plan close to about INR20,000 crores in next 2 to 3 years per year.

Moving on to the new venture. First, the company pilot project on green hydrogen with CNG in UP, 1 of the largest private sector blending project in India, which was expected to be commissioned by end of March '24, has been delayed and is now going to be commissioned very soon.

Further, the company has got allocation of 18 Ktpa of green hydrogen project under SECI PLI scheme, PLI tender, at the average PLI of 28.89 per Kg. Technical feasibility has been done and detailed business plan is under preparation for this project. With respect to pump storage hydro project in Maharashtra, as informed earlier, currently, we are -- currently, we have signed MOU with the Maharashtra for 3 pump storage hydro projects with a total capacity of 5.7 gigawatts expected to be commissioned in 5 years per year for the investment of INR27,000 crores.

Also, MoEF has granted terms of reference for 2 sites of 4.2 gigawatts and DPR is under preparation for these 2 projects, depending on the central and state government policy, we plan to develop the PS -- this pump storage hydro project. Similar opportunities are being explored in other states like UP, Gujarat, MP and Rajasthan. We have initiated the process of obtaining requisite approval. This could be offered either as a storage solution or providing the high CUF, high RTC renewable power solutions. That's all for this quarter.

Now I will request coordinator to open the line in Q&A session. For Q&A session, we wish everybody to stay safe and healthy. Thank you. Handing over to the operator.

Moderator: The first question is from the line of Satyadeep Jain from AMBIT Capital.

Satyadeep: A couple of questions. One on the agreement you have with NVVN. how much units sold under the -- under that agreement in this quarter?

Saurabh Mashruwala: So we have started supplying and minimum guaranteed quantity is already completed with NVVN.

Satyadeep: Any -- is it possible to specify what -- how many units?.

- Saurabh Mashruwala:** No. But the guaranteed quantity -- minimum guarantee quantity offtake, it's already completed. They offtake all minimum guaranteed quantities so far. So minimum commitment is completed.
- Satyadeep:** The entire -- I think -- I believe it was 38 crores units or something.
- Saurabh Mashruwala:** 388 MUs is a minimum quantity they have to take, which we have supplied to them.
- Satyadeep:** Okay. And second was under the merchant power sale, just wanted to understand the Section 11. I think in the previous call, you had indicated, I believe, INR6 variable cost at that time, the LNG prices, how would you look at -- how would the Section 11 work in terms of benchmark cost? And what kind of margin could you generate on that?
- Saurabh Mashruwala:** Currently, the section -- under Section 11, the government started -- gave the schedule till 31st of May. So we have started supplying under Section 11 since last 10 days' time, 10 days. They have started lifting the power by the government. And they have given a schedule up to the end of this month. So we are supplying -- we have started supplying under Section 11 merchant power.
- Satyadeep:** What is the -- since you're already supplying any -- is it possible to quantify what is the benchmark cost that you're supplying at?
- Saurabh Mashruwala:** It is about INR10 currently. We are supplying about INR10, around INR10.
- Satyadeep:** Okay...
- Saurabh Mashruwala:** They have benchmark with the GAIL LNG costs. They have benchmark with GAIL LNG costs.
- Satyadeep:** And your own costs, variable costs, as you indicated last quarter was about INR6. Is it fair to assume basically a INR4 spread right now from that merchant power sale?
- Saurabh Mashruwala:** Basically, it's a markup of 20%. If you look at the scheme, a markup of 20% is available as compared with the -- so it's not that significant, I would say.
- Satyadeep:** Okay. And just very quickly on the DISCOM, I noticed the demand growth in some of the distribution entities, franchise and license was relatively lower, including negative trend Y-o-Y. What was driving that?
- Saurabh Mashruwala:** This demand actually remains strong. In fact, we are seeing about 4%, 5% growth in our demand and merchant market is also going to be strong -- remains strong. That is what our expectation is.
- Satyadeep:** I was trying to understand from the Bhiwandi, Agra and Dadar and Nagar Haveli, all these entities Y-o-Y, demand looks very soft, including negative in certain areas. Any particular reason why?
- Saurabh Mashruwala:** In Q4, generally demand is okay, but Q1 being a summer month, is expected to be -- yes, Q4 is expected to be -- remain strong, Q1.

- Satyadeep:** Okay. Even though Y-o-Y demand growth in Q4 was flat to down, Q1 should pick up pace?
- Rishi Shah:** So I think Bhiwandi only was down. If you look at Agra or if you look at SMK, both were up, typically, Bhiwandi is more of an industrial area. So on a quarterly basis, there will be some deviations on a quarter-on-quarter basis. But if you look at the trajectory per se, we don't feel that there should be any dip in demand.
- Moderator:** The next question is from the line of Ketan Jain from Aventus.
- Ketan Jain:** My first question...
- Moderator:** Sorry to interrupt. Mr. Jain, your line is not clear.
- Ketan Jain:** So I wanted to ask, sir, what is the EBITDA from merchant sales and LNG sales in FY '24 compared to FY '23?
- Saurabh Mashruwala:** So there is no specific EBITDA we generally give. We give EBITDA numbers now in segment reporting right now. So if you look at the EBITDA for Q4 for generation business, basically, we have reported about INR324 crores EBITDA for generation business. Renewable is about INR228 crores and transmission and distribution is about INR673 crores. Total EBITDA for the Q4 is about INR1,200 crores.
- Ketan Jain:** Sir, can you break down the generation? How much is it from merchant and how much is from LNG?
- Saurabh Mashruwala:** So we can -- we are able to report total EBITDA of generation projects. So there is no separate numbers available for the merchant.
- Ketan Jain:** Okay. Sir, my next question is, what is the expected PLF for DGEN for FY '25? And what is the variable cost for DGEN right now?
- Saurabh Mashruwala:** So guidance for '25 for DGEN, we are not able to provide. So -- but it all depends on the merchant market, which is -- the demand is going to be very strong. So we expect that the higher utilization of DGEN power going forward.
- Ketan Jain:** Basically, any upwards of 20%, sir?
- Rishi Shah:** So I think we are not giving any guidance per se. But if you look at last 2 years or 3 years, the PLF from our gas-based power plants have been improving, mainly coming from our long-term PPAs, which we have and also from the merchant market.
- And if I look at, going forward, demand-supply situation, we expect the demand should remain strong compared to the supply, which again -- which is available in the country. So we expect all the power plants in the country to show higher PLF. Now exact guidance per se, we are not giving as of now.

- Ketan Jain:** Okay. Okay. Understood, sir. And assuming around INR7 to INR8 of variable cost for DGEN, is that right, sir?
- Rishi Shah:** It all depends on gas LNG prices.
- Ketan Jain:** If gas prices are stable right now, like as per current prices.
- Rishi Shah:** \$10 to \$11 per se is typically a variable cost of [INR6, INR6.5 22:17] So see, merchant EBITDA, you can assume about INR85 crores for the Q4.
- Ketan Jain:** Okay. Okay. sir, is there any other agreement we are looking to sign like we signed with NTPC? Is there any other agreement we're looking to sign, short term?
- Saurabh Mashruwala:** We are supplying the merchant market and the short-term contract we are doing on a regular basis.
- Moderator:** The next question is from the line of Swati Jhunjunwala from JM Financial.
- Swati Jhunjunwala:** So I just wanted to know, first, was there any particular reason why there was a higher T&D loss in Ahmedabad?
- Saurabh Mashruwala:** It's a seasonal variation. So there is no particular, I would say, reason, I would say. Sometimes it happens -- seasonal variation -- because of seasonal variation, it has happened. There is no specific reason.
- Swati Jhunjunwala:** Understood. And second on capex. So can you highlight what is the capex for FY'24. And if you could break it up segment wise?
- Saurabh Mashruwala:** Capex for the full year, I can give you the full year numbers, license distribution business of Ahmedabad, Surat, Dahej and Dholera, we have incurred about INR1,666 capex. Our franchisee distribution incurred INR243 crores capex. And balance capex is of INR106 crores. Total capex for the -- other than renewal I would say, about INR2,000 crores.
- Swati Jhunjunwala:** Understood. So the balance INR106 crores, it would be for what?
- Saurabh Mashruwala:** For other like AMGEN our coal-based projects and other areas, we have incurred capex, for the license and franchisee distribution area. Sugen also some gases project, some capex incurred, coal-based project, some capex is incurred.
- Swati Jhunjunwala:** Understood. And sir, can you give the net generation number for FY '24, because I think that is not there in PPT this time?
- Saurabh Mashruwala:** Which number?
- Swati Jhunjunwala:** The net generation for each plant.
- Saurabh Mashruwala:** We will give off-line number. We'll give offline.

- Moderator:** The next question is from the line of Sumit Kishore from Axis Capital.
- Sumit Kishore:** My first one is on the capex target for FY '25, '26 and if you could split it into renewables, the transmission projects that you are doing as well as the regulated and franchisee distribution business?
- Saurabh Mashruwala:** Sumit, as far as capex is concerned for our distribution license and franchisees, we give INR2,000 crores capex guidance. And this guidance is continuing about INR1,750 crores for the license and INR250 crores for the franchisee distribution area. As far as renewables and transmission is concerned, so guidance is about INR20,000 crores capex plan we have, so at least for next 2, 3 years. So major capex is going to be happening in the next 2 years, I would say, out of this INR20,000 crores capex.
- Sumit Kishore:** Okay. So it would also depend on when the 0 date starts and the PPA gets signed for some of the pipeline...
- Saurabh Mashruwala:** Exactly. Exactly. So there is our road map available for at least 2, 3 years. We have clear visibility of 3 GW projects in pipeline right now. So the capex is about INR20,000 crores is going to happen in the next 2, 3 years, per year.
- Sumit Kishore:** And this is over and above your normal capex for...
- Saurabh Mashruwala:** This is over and above our INR2,000 crores of normal capex, which we incur every year for our distribution area.
- Sumit Kishore:** Very clear. In your presentation this time, you have used the terminology of installed capacity, which includes solar in DC terms. Just wondering whether -- we used to speak about a 5 GW target for RE over the medium term. I mean, did you think about solar in DC terms or AC terms because...
- Saurabh Mashruwala:** So there are now lots of -- we are doing many projects on the hybrid basis basically, high CUF basis, we are targeting high CUF supply. So supply is -- we are oversizing capacity because of the high CUF requirement. So things are changing. It's not the plain vanilla solar and wind projects. So -- and -- so we have to install larger capacity. So we are talking about the DC capacity from this quarter onwards. DC capacity will be much higher than the contractor capacity.
- Sumit Kishore:** DC would be because of the AC-DC conversion ratio, but oversizing would still require you to set up more capacity in AC terms as well versus, say, the nameplate of 100 MW for round-the-clock project is my understanding. So how should we look at it? I mean these -- you have mentioned in an asterisk on slide, which shows renewable energy projects in pipeline at AC for wind and DC for solar.
- Rishi Shah:** So, Sumit, basically, you're right. AC-DC difference would be on 2 accounts. One is because of conversion losses, which happens, you'll have to have higher DC capacity so that you get the contracted AC capacity. And on the -- and the second one is on higher DC capacity, so that you

meet the CUF requirements for the project. So basically, when we take up a hybrid project, we look at how PLF are coming up, and then we decide on the overloading, which also factors in the AC-DC conversion losses also.

So when you say that 5 GW of our target, basically, when we say that, that was our aspiration to go to 5 GW. Now you can say it is an AC capacity or you can say the DC capacity. It all depends on how much projects we are able to win at our returns. So it can go higher also from this number if you look at DC capacity basis.

Sumit Kishore: From a balance sheet standpoint, how are you thinking about net debt to EBITDA metrics? Or what is the balance sheet bandwidth in terms of taking up new projects over and above the aspiration that you have on capex. On the earning side in terms of projects on hand. That's for pump storage hydro, I'm assuming when do you do groundbreaking because you're looking at substantial capex over the 5-year time frame. So some color there would also help.

Saurabh Mashruwala: Currently, the focus is on this INR20,000 crores invested in renewable projects -- renewable as well as transmission projects. So our current balance sheet size is -- ratios, I would say, debt equity ratios and net debt-to-EBITDA ratios are well in place, I would say, which will take care of this INR20,000 crores investment. So end up considering the pump storage hydro project is 3, 4 years away from the current -- at least 3 years away from the current date. By that time, we will be ready with our renewable investment, we are done with this current investment.

Sumit Kishore: So when you say 3 years away in terms of financial closure and ground breaking?

Saurabh Mashruwala: At least 2, 2.5 years because we take -- it requires about 2 years for the approval process for the pump storage hydro projects.

Sumit Kishore: Fair enough. My last question on the capping of returns of 20% on the ECR for your gas-based projects, my reading is, the variable cost of the ECR is about, say, INR6.5, and that would imply -- 20% on that would be INR1.2 to INR1.5 per kilowatt hour at the EBITDA level. Is that the right understanding?

Rishi Shah: I think, Sumit, there are other charges also which will have to be loaded on this, like transmission cost of gas, the losses on the SHR and all those will have to be added on to that. Now one thing is that this Section 11 will benchmark gas prices on GAIL benchmark, which implies that our cost might be lower than what GAIL would be selling. We directly purchase from international markets. So there will be some difference or some additional benefit, which should be coming in from that account.

Sumit Kishore: Okay. So basically, the spread could be better than the normal calculation that we do, assuming the variable cost. Because it is benchmark to GAIL. What is the GAIL benchmark rate difference versus your procurement cost?

Rishi Shah: I will let you know. I mean not available as of -- on hand, but I'll just give you one more pointer on this. Is that if you look at CERC norms in terms of SHR and O&M expenses and all, we are much below that in our existing plants, where we have a 2-part PPA. So I think that's a key

pointer for everybody to understand that our cost would be lower than what a normative 120% would be calculating.

So apart from 120%, 2 things we are able to gain. Our cost of gas is lower. Plus fuel efficiency also we are going to get.

Sumit Kishore: My sincere compliments on the traction you have got in securing a pipeline for renewable projects and even transmission projects.

Moderator: The next question is from the line of Mohit Kumar from ICICI Securities Limited.

Mohit Kumar: Sir, I have few questions. The first is on, sir, you have taken approval for the QIP for raising INR5,000 crores. Is there a reason for raising this money? Are you looking to do a very high capex in the medium term, which is over and above this, what we spoke right now?

Saurabh Mashruwala: It's enabling approval we have taken. So there is no real intention at this moment. It's an enabling approval we are taking like what other companies are taking. So current balance sheet size and our debt equity ratio is well and safe right now, which can take care of this INR20,000 crores investment, which we are going to invest in the next 2, 3 years' time. So only thing, it's an enabling approval we are taking. There is no such real concern at this moment.

Rishi Shah: And so Mohit, if you look at it right now, this INR20,000 crores would be over a period of 2 to 3 years, which means my cumulative EBITDA, if I take a run rate of this year also, which is INR5,000 crores. That's a INR15,000 crores EBITDA, which we are talking about, compared to INR20,000 crores of investments over a period of 2 to 3 years. And with current net debt-to-EBITDA of 2.25, we have sufficient balance sheet strength to take care of the capex requirements for these projects, which are under pipeline.

Mohit Kumar: Understood. The second question, is it possible to quantify the EBITDA of the -- your upcoming renewables capacity?

Rishi Shah: I think we have given the capex numbers, we have given the tariff number. So I think it is a very simple mathematical translation there.

Mohit Kumar: So what is your aspiration on the C&I portfolio for renewables? Do you think, there is an opportunity, enough large opportunity to make it a size of 1 gigawatt, 1 or 2 gigawatts in the let's say, 2 to 3 years? Is it possible.

Saurabh Mashruwala: So there is no fixed number, in fact. We have a reasonable start, I would say. What 320-MW C&I portfolio we have built-in. So we are going to expand that portfolio going forward. But there is no specific number we can put. But overall numbers, yes, 5 gigawatts is the current target we are aiming for. So there is no specific target for the C&I capacity at this moment.

Mohit Kumar: Understood. So my last question is on this, on the -- I think you are bidding for a couple of coal projects like SKS Power. If I'm not wrong, I think NCLT has vacated a stay and ordered the

NCLT to take a call in 60 days. I believe it's not in your favour, and I think, we can make a fresh appeal right? Have you appealed or is it, you think it's not?

Saurabh Mashruwala: No. In fact, we are looking at a brownfield project. We are not -- never looking at the greenfield project, coal-based project. Any good opportunities available, yes, we are eager to look at.

Mohit Kumar: Sir, my question was about SKS Power. They were looking to looking to buy from NC process.

Saurabh Mashruwala: So SKS Power is under litigation with the NCLT right now. So litigation, I think, will go on for at least next 2 months' time. Let's see what happens in the litigations.

Moderator: The next question is from the line of Aniket Mittal from SBI Mutual Fund.

Aniket Mittal: Just harping on this INR5,000 crores enabling resolution. If you could just talk about, let's say, from a 3- to 5-year perspective, which are the areas where you are seeing growth for which you may require additional equity?

Saurabh Mashruwala: Growth as far as the current investment is concerned, we are well in place, I would say, balance still is available so -- to take care of this requirement. So upcoming RE project any further project, these pump storage hydro projects, may require additional funding. So we'll see at that point of time what kind of -- and this INR20,000 crores investment will also start generating EBITDA also. So it depends on the -- I would say, at what point of time we have to -- it's enabling resolution. Nothing I would say is fixed right now on the QIP side. It's an enabling resolution we are taking.

Aniket Mittal: Okay. But this would largely entail in terms of your thought process would largely be within the renewables and pump hydro, would you say, those 2 areas is where you could possibly report?

Rishi Shah: Aniket right now with renewable pipeline, I think, we are well capitalized for funding those projects. Additionally, in pump storage or in green hydrogen, if additional opportunities come in, and we decide to do financial investment in those. At that point in time, considering the balance sheet and the cash flow, we'll have to really look at it whether it makes sense to raise equity at that point in time first.

On the second part, we are also looking at a lot of acquisition opportunities. If some good opportunity is available and whether it is a larger one. At that point in time, it becomes operationally very difficult for you to go and take approvals. So that's why these enabling resolutions are being taken. So if you look at our group companies also, we have been taking enabling resolutions for a long time, not a single rupee of equity has been raised. Unless there is a need and justification for raising of equity, I think, we would -- as a group will not be doing equity raise.

Aniket Mittal: Okay. That's helpful. Just 2 smaller questions, and this was pertaining to the opening remarks you've made. In one of your opening remarks, you mentioned about INR50 crores worth of incentives that the DNH & DD had earned last year. What are these incentives pertaining to, if you could throw some light there?

- Saurabh Mashruwala:** So basically, it was -- DNH & DD was the first year of operation last year. And we were not sure about the -- basically incentive coming from the T&D losses, O&M expenses, which we are not sure in the first 3 quarters, whether it will accrue to us or not. We got the clarity in the fourth quarter where the clarity was available that the incentive is available to us. So that is what we have recognized in Q4 last year.
- Aniket Mittal:** Okay. But where do you -- on what sort of line item or loans, are you earning these incentives?
- Saurabh Mashruwala:** O&M and T&D loss.
- Rishi Shah:** Aniket, just to clarify all these incentives are available, we were not sure what would be passed on to us and what would have to be kept. And that's why those incentives were not booked in Q1, Q2 and Q3. Once we got that clarity, we had booked in Q4 itself, which was pertaining -- INR50 crores was pertaining to Q1, Q2 and Q3. So if you look at the -- for the full year, there is no normalization. But for the Q4 of last year, that was onetime INR50 crores gain, which was booked.
- Aniket Mittal:** Got it. Just one last question. On a Y-o-Y basis, when you compare Q4 to Q4, what's the change in, let's say, the profit that you earned from LNG and merchant for the delta, if you can just give me that.
- Saurabh Mashruwala:** So LNG we said -- merchant, we said about INR85 crores profit we have made in the Q4.
- Aniket Mittal:** Okay. And what would have this been in Q4 of last year?
- Saurabh Mashruwala:** Q4 of last year was -- it's not significant, I would...
- Aniket Mittal:** Okay. And what would be the delta in LNG sale?
- Saurabh Mashruwala:** INR85 crores are delta items.
- Aniket Mittal:** For delta -- and in terms of LNG sale, what's the delta on a Y-o-Y basis?
- Saurabh Mashruwala:** INR942 crores for the full year.
- Aniket Mittal:** This is on the...
- Saurabh Mashruwala:** LNG side.
- Aniket Mittal:** In terms of EBITDA on a 4Q basis, what would this number be on a Y-o-Y?
- Saurabh Mashruwala:** Yes, it's an EBITDA basis.
- Aniket Mittal:** Okay. So full year, INR942 crores.
- Saurabh Mashruwala:** Yes.
- Moderator:** The next follow-up question is from the line of Mohit Kumar from ICICI Securities.

- Mohit Kumar:** So my question, is it possible to give us revenues and profit from Daman and Diu distribution in FY '24?
- Saurabh Mashruwala:** So we present the number of distribution together. So Daman and Diu PBT that I would say -- we can give separate number of subsidiary companies. So PBT is about INR184 crores for the current year.
- Mohit Kumar:** Okay. Understood, sir. My second question is on the Shil and Kalwa. I think we have gone to 30%. But I think you've also made a remark in the presentation that you can reach 12% -- is it - - and what is your opinion, in how much time we can reach 12%? Is it 3 years, 4 years, some broad indication, sir.
- Saurabh Mashruwala:** So every year, if you look at the past performance, 3%, 4% improvement we are able to bring in. This run rate one can assume for the next couple of years also.
- Mohit Kumar:** My last question is on the parallel licenses. I think you had applied for a few of the licenses in Maharashtra, if I'm not wrong. Sir, any update or time lines which you can think the regulator can take a call on this?
- Saurabh Mashruwala:** As of now, there is no update. In fact, we have addressed all questions and queries of the regulator, MERC. So we hope that post-election, they may take the call on this particular item. Maybe they wait for the Maharashtra election to get over.
- Moderator:** The next question is from the line of Dhruv Muchhal from HDFC Asset Management Company.
- Dhruv Muchhal:** The renewable details are very helpful in the presentation. So just 1 question I had is the project cost, if I look at the specific project costs, for example, from some of our wind projects comes to about INR8 crores, INR9 crores per MW. That seems to be on a higher side. So what am I missing, sir? Is it -- there is a lot of conservatism built in or the cost is actually this high?
- Saurabh Mashruwala:** It's a reasonable cost. We try to -- when we incur the costs, we'll see. This is the reasonable cost, which we have estimated.
- Rishi Shah:** So there are some contingencies built in, Dhruv, as of now. But as far as our estimates are concerned, I think we should end up around this cost. There could be some savings, what has been built in the contingencies. But as of now, we can take this as a cost.
- Dhruv Muchhal:** Okay. So based on your assessment, these are the costs which is -- I mean, on ground execution, these costs will get reflected. I mean the cost will be around these numbers on actual execution.
- Saurabh Mashruwala:** Yes.
- Dhruv Muchhal:** But even in solar, you have taken, for example, the TPLD solar, the cost is about INR6 crores per MW. So even in solar, your costs are a bit high, it seems. So I'm just trying to understand what could be driving this.

- Rishi Shah:** So solar, what you're doing is on a contracted capacity. So if I look at on a 420-MW basis, it is not that high.
- Dhruv Muchhal:** Okay. We used to think the costs would be -- I mean, even considering the duty, I mean, the Chinese duty of what it's the cost would not be more than INR4.5 crores per MW on an AC level, but our is about INR6 crores. So just trying to...
- Rishi Shah:** So I think what we are doing is -- no, I think this is a fair estimate of what we understand the cost would be.
- Dhruv Muchhal:** Okay. And you would have -- because these are under PPA, so you would have contracted. So for example, wind, you would have already contracted. So these cost estimates are quite reasonable -- contracted your supplies effectively.
- Saurabh Mashruwala:** So TPLD solar project of 300 MW is on the verge of commissioning, I would say.
- Moderator:** The next question is from the line of Sumit Kishore from Axis Capital.
- Sumit Kishore:** Could you tell us the regulatory assets as of FY '24 in your distribution areas? And how has that figure changed versus FY '23.
- Saurabh Mashruwala:** So regulatory asset for the year has gone up by about INR900 crores. And the numbers I can -- number is about INR2,670 crores as compared with the earlier number INR1,724 crores.
- Sumit Kishore:** That's a fairly significant increase, I would say, on regulatory assets, even on a percentage basis, where is this concentrated -- and could you give some color?
- Saurabh Mashruwala:** It is mainly coming from the DNH & DD, which will come down during the course of the current year.
- Sumit Kishore:** So the Dadhara Nagar Valley were not allowed some tariff hike, which was rightfully.
- Saurabh Mashruwala:** Yes, it is going to come in the -- very soon, I would say.
- Sumit Kishore:** Okay. And are you booking carrying cost on this 26 on the regulatory assets.
- Saurabh Mashruwala:** We are booking carry cost based on the receipt of the order, not on accrual basis.
- Sumit Kishore:** Right.
- Rishi Shah:** Effectively, Sumit, what happens is that cost is already incurred in terms of interest cost, but that -- I mean that carrying cost is not booked as an income and that's why there is also a conservatism in the numbers.
- Sumit Kishore:** So it is not booked on an accrual basis, it is booked on actual cash.
- Saurabh Mashruwala:** Carrying costs as far as carrying cost is concerned.

- Sumit Kishore:** Yes. It is not booked on an accrual basis?
- Rishi Shah:** Yes.
- Sumit Kishore:** Okay. No, that's good to know. Okay. And so basically, there's no increase which is happening in Ahmedabad or Surat. I mean those are going as usual.
- Rishi Shah:** No, no, there is an increase. There is an increase in Ahmedabad also and there is -- so basically, volumes because of volume share volumes in Ahmedabad there is an increase in Ahmedabad, major part is in DNH & DD. But there is an increase in Ahmedabad also.
- Sumit Kishore:** Okay. And second question, your -- what is the total capex broadly you expect in the -- for the capex that you have to do under the PLI -- sorry, not the PLI, I think, the SECI PLI scheme -- yes, SECI site scheme.
- Saurabh Mashruwala:** So basically, the plan is in the preparation. So we are not any -- we are not putting any numbers at this moment.
- Sumit Kishore:** Okay. So this is for 18,000 tons per annum green nitrogen manufacture, yes.
- Saurabh Mashruwala:** Yes.
- Sumit Kishore:** Okay. And just conceptually to understand when you think about pump storage hydro. capex is some time away in terms of starting. But that is just -- that does not include the capex you would require for sort of charging the water battery. As in the renewable capacity that would be required to pump the water up is not included in your...
- Saurabh Mashruwala:** Correct. Absolutely.
- Sumit Kishore:** And so conceptually, you would think about doing that capex yourself or buying it from the grid, what is the thought, because that is also going to be substantial capex?
- Rishi Shah:** That I mean, as of now, we have not finalized on what sort of model we'll be going into. Once we have visibility on approvals coming in, I think at that point in time, we'll start looking at how we want to lock in ourselves, whether you want to do a lease model or we want to lower RTC supply, which will be through this storage solution. That will depend -- I mean that will give capex estimates also because if you do an RTC power, then renewable also will have to be put up.
- Moderator:** The next question is from the line of Bhavin Vithlani from SBI Mutual Fund.
- Bhavin Vithlani:** I just missed the initial part. Can you help you, let's say, you reported an EBIT of INR5,140 crores last year and INR4,900 crores this year. If you could help me out with a, what was the LNG in your EBITDA last year? And what is it this year? And likewise, what was the merchant income last year and what is it current year? So I want to know basically the thing is the type, if you can help me with that?

Rishi Shah: So LNG delta is INR942 crores.

Bhavin Vithlani: Okay. If you could help me with the absolute number last year? And what was it this year that would be helpful.

Rishi Shah: We are not sharing that, Bhavin, but on a delta basis, INR942 crores is what we can tell because we have been giving delta numbers for the last 2 years.

Bhavin Vithlani: So there is a drop of INR900 crores...

Rishi Shah: Correct. That's right.

Bhavin Vithlani: Okay. So there is a decline of INR900 and how about the merchant, if you could help me with that?

Rishi Shah: Merchant would be around INR400 crores.

Bhavin Vithlani: Okay. And that's an increase.

Rishi Shah: Yes.

Bhavin Vithlani: Okay. Second question is -- just looking through your presentation. So in the past conversations, you recall, there was a mention of another circle where you've got the parallel licenses. Is that also something that the regulator has finalized, which was closer to Ahmedabad or is that in the works with GERC.

Saurabh Mashruwala: This will be MBSIR. So it's near Mehsana, Becharaji. So that -- so we have started work there.

Rishi Shah: It's in very initial stage as of now, and that's why it has not been given in the presentation. We have just started work there.

Bhavin Vithlani: Okay. Any clue, let's say, if you could give some indication in terms of the size of the consumption in that in MW terms or some end use term, just to get the order of magnitude in terms of the importance of that circle.

Rishi Shah: It's a special investment region. And as of now, we don't have details on exact consumption. We'll let you know once we have a sufficient amount of details available.

Bhavin Vithlani: Sure. And second is you have the license in Dholera, and we've seen a couple of semiconductor plants announced their plants in Dholera. If you could -- I mean, have they approached you in terms of what the kind of power requirement, they would need? What is the kind of -- consequently, what the kind of investment that we need to put in Dholera.

Saurabh Mashruwala: Initially, the construction power requirement will be there. So exact volume of power requirement will be estimated going forward. Initial requirement with the construction power only.

- Rishi Shah:** So they are also right now firming up their plans -- and that's how where it is difficult to give what would be the estimate or what would be their plans of drawing power from the grid.
- Moderator:** Thank you. Sir, we have a last minute question from Mr. Barani Vijaykumar. Should we take that?
- Barani Vijaykumar:** So my first question is just a clarity on this delta on merchant sale EBITDA in FY '24, you said INR400 crores delta increase, right?
- Saurabh Mashruwala:** Yes.
- Barani Vijaykumar:** Okay, INR400 crores, okay. And the second question is on the Section 11 and the PPA with the NVVNL. So can I get some idea of the capacities there that is contract with NVVNL you also mentioned some minimum guaranteed number, 388. So is that crores units, million units? Like how does it work?
- Saurabh Mashruwala:** Yes, 388 million units we have already supplied. We have already offtake -- the offtake has completed. We have started since last 10 days and the schedule is given approved 31st of May by the government.
- Barani Vijaykumar:** So this 388 million units per quarter or per month? Or how was it?
- Saurabh Mashruwala:** The total MUs we have to supply, minimum guaranteed units that we have supplied.
- Barani Vijaykumar:** So for what time frame?
- Rishi Shah:** Contract is for 770 MWs. Minimum offtake guaranteed is 20% and the contract is till, I think, 15th of June, which can be extended for another 3 months.
- Barani Vijaykumar:** Okay. So 388 million units, pro rata for, say, whatever time was there for -- in the fourth quarter, we have supplied is what you're talking.
- Rishi Shah:** Yes.
- Barani Vijaykumar:** 388 is minimum guaranteed for the full contract period till 15 June.
- Saurabh Mashruwala:** The current quarter, we have to supply basically 388 million units.
- Rishi Shah:** So I think this contract started on fifth of March -- 15th of March. And till date, we have supplied the minimum contracted capacity. So some part of the supplies happened in -- within the 15 days of March and some part happened in April and May in late.
- Barani Vijaykumar:** Which is the 20% of 770 MWs.
- Saurabh Mashruwala:** Yes.
- Barani Vijaykumar:** Okay. And over and above the 770 MW, how much are we supplying in the Section 11 in quantum terms?

Rishi Shah: It would be difficult. Too early to comment on that, it just started. Ten days back it has started. We have got schedule. So I think it is better. We comment that on post Q1 results.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to Mr. Saurabh Mashruwala for closing comments.

Saurabh Mashruwala: Thank you, everybody, for joining Torrent Power earnings call. We wish everybody to stay safe and healthy. Thank you so much.

Moderator: Thank you. On behalf of Torrent Power Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Saurabh Mashruwala: Thank you so much. Thank you.