



“Torrent Power Limited Q3 FY'25 - Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY25 Earnings Conference Call of Torrent Power Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Saurabh Mashruwala – CFO and Executive Director. Thank you. And over to you, sir.

**Saurabh Mashruwala:** Thank you so much. Good evening to all of you and thank you for joining Torrent Power Earning Call for Q3 FY25.

First, I will take you through the “Performance of the Quarter” after which online will be open for “Q&A Session.”

First, Performance of the Company at PBT level first, and then we will take you to the Tax Expenses separately.

PBT for the quarter stood at Rs. 630 crores as compared with Rs. 513 crores in the corresponding quarter of last year, an increase of Rs. 117 crores, which is a growth of about 23% on a reported basis. PBT For the current quarter includes non-recurring credit of about Rs. 77 crores on account of sale of investment of cable business. Adjusted for the above non-recurring-item, adjusted for the PBT for the quarter stood at Rs. 553 crores as compared to Rs. 513 crores in a comparable quarter of last year, is higher by Rs. 40 crores, a growth of about 8%.

Businesswise factors contributing to the performance of are as follows: There are four factors which is impacting the performance:

1. Contribution from the thermal generation business increased by about Rs. 70 crores mainly on account of higher contribution of the sale of merchant power and LNG by 37 crores. Cold weather condition compared to the corresponding quarter last year impacted the demand, which was higher by approximately 4% in the current quarter.
2. Non-cash adjustment, on account of foreign exchange variation, is about 33 crores.
3. Contribution for distribution business improved by about 40 crores mainly due to higher volume, increase in ROI and capitalization of CAPEX as well as solar and other O&M incentives.

4. Contribution from renewable generation increased by about 18 crores on account of lower PLF, mainly from the existing wind power projects due to lower wind speed and lower contribution from the capacity of 300 MW renewable plant commissioned during the quarter.
  5. Balance deviation is on account of other income, finance costs and depreciation.
- This completes the explanation of the financial performance during the quarter.

Moving on to the “Project Updates”:

First, 300 MW solar project got fully commissioned during the quarter. The aggregate commissioning generation capacity of the company stood at 4.7 GW as on 31st December 2024, comprising of 2.7 GW gas-based project, 1.7 GW of renewable capacity and 362 MW of coal-based capacity.

Pipeline project as at the end of the quarter includes 3 GW of renewable energy project, we got a pump storage project, two transmission projects at Khavda as well as Solapur.

Further details on the Pipeline projects have been summarized in our latest investor presentation available on the website.

Moving on to the new ventures:

Company’s pilot project on green hydrogen blending with the CNG in UP, one of the largest private sector blending projects in India, is commissioned and under trial runs.

That’s all for the quarter. Now, I request to open the line for Q&A Session. We wish everybody to stay safe and healthy. Thank you. Handing over to the operator.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press “\*” and “1” on your touch tone phone. If you wish to remove yourself from the question queue, you may press \* and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Again, if you wish to register for a question, please press “\*” and “1” on your touch tone phone.

Our first question comes from Gaurav Birmiwal from Axis Mutual Funds. Please go ahead.

**Gaurav Birmiwal:**

Thank you for giving me the opportunity. Sir, can you just explain this other income increase? I’m sure you partly explained in your opening remarks, but just for my benefit, from 53 crores last year to 170 crores this year. How do this change?

**Saurabh Mashruwala:**

So, the other income went up from about Rs. 53 crores to Rs. 172 crores because of two reasons. One is as we explained is the one-time gain of sale of cable division of about Rs. 77 crores, one of the

contributors for the increase in other income, and the balance is because of higher treasury income which we have booked during the course of quarter.

**Gaurav Birmiwal:** Understood. Thank you.

**Moderator:** Thank you. Our next question comes from Swati Jhunjhunwala from JM Financial PMS. Please go ahead.

**S Jhunjhunwala:** Yes. Thanks for taking my question. So, if I look at your segmental performance, your generation revenues have down by 10%, but the EBITDA gone up by 50%. Fall in revenue I can understand could be because of lower PLF. But what is the reason for the higher EBIT that you have reported, if you could highlight?

**Saurabh Mashruwala:** Renewable generation or thermal generation you are talking about?

**S Jhunjhunwala:** Sir, the thermal generation that is 1,400 crores in Q3 revenue.

**Saurabh Mashruwala:** 1,400 crores in Q3 as compared with the last quarter of 1,590 crores, that is what you are saying, right?

**S Jhunjhunwala:** Right, right. Right.

**Saurabh Mashruwala:** Yes. So, generation basically is linked with my fuel prices. What fuel prices I have contracted based on the net generation will come. But yes, in terms of MUs, it was lower, but see in generation there are two contributors. One is the merchant sale as well as LNG sale which has improved the performance of the thermal generation business for the current quarter as compared to the last comparable quarter.

**S Jhunjhunwala:** Understood. But sir, merchant sale wouldn't it be lower? I'm assuming, given that DGEN this time was at a similar PLF of 4%, which is minimal. So, wouldn't merchant sale anyway be lower during the quarter?

**Saurabh Mashruwala:** We are selling merchant power not only from the DGEN also, but from the SUGEN also we are able to sell. So, both has contributed the higher contribution in EBIT I would say as compared to the last quarter, both merchant sale as well as we are able to sell LNG also during the course of current quarter.

**S Jhunjhunwala:** Understood. And can you highlight any reason why this EBIT is higher at 300 crores versus 228 crores in Q3 FY'24?

- Saurabh Mashruwala:** See, that is what I am saying. It's a higher merchant sale as well as LNG sale plus we also book some foreign exchange gain also during the course of current quarter. These are the three reasons through which our thermal generation EBITDA is higher.
- S Jhunjunwala:** Understood. And sir, can you highlight the CAPEX that you have done in nine months in generation versus CNG versus the renewable?
- Saurabh Mashruwala:** Yes, so nine months CAPEX, can I give the cumulative number of nine month or the quarter?
- S Jhunjunwala:** The nine months what, sir?
- Saurabh Mashruwala:** Nine months, the license distribution, we are able to incur CAPEX of about 915 crores, franchisee is about 176 crores, transmission CAPEX is 138 crores. So, about 1,250 crores of CAPEX we have incurred in license, franchise, as well as the transmission business, nine months number.
- S Jhunjunwala:** And what would be that for renewable CAPEX, sir?
- Saurabh Mashruwala:** Renewable was about 1,300 crores for the nine months number.
- S Jhunjunwala:** Understood. And sir, if you can highlight any CAPEX guidance for next year, what you're planning to do on in-license versus franchisee versus transmission?
- Saurabh Mashruwala:** The same CAPEX guideline we maintain for the next year also, about 2,000 crores of total CAPEX, out of this about 250 crores will be franchisee and about 1,750 crores for the license distribution business. That is what we maintain the same guideline for the next year also.
- S Jhunjunwala:** Sure. And renewable and transmission, any guidance for that, sir?
- Saurabh Mashruwala:** It's difficult for renewable and transmission, but as per the milestone of the project, CAPEX will be incurred for the renewable as well as transmission project.
- S Jhunjunwala:** Sure. Alright. I'll come back in the queue.
- Moderator:** Thank you. The next question comes from Anuj Upadhyay from Investec. Please go ahead.
- Anuj Upadhyay:** Yes. Hi. Thanks for the opportunity. You mentioned apart from the merchant, we also did LNG trading. How much income you earn through that?
- Saurabh Mashruwala:** We will not be able to share the break up, but these are the LNG sale, merchant as well as some FOREX gain. These are the three contributors for the improvement of the thermal generation profit.
- Anuj Upadhyay:** It wasn't a significant one?

**Saurabh Mashruwala:** Sorry?

**Anuj Upadhyay:** It wasn't a significant one, I mean, total was around 17 crores through the merchant, LNG and other, all put together how much, sir?

**Saurabh Mashruwala:** See, last quarter about 228 crores, this quarter about 300 crores, about 75 increase is there, which is mainly coming from these three factors – merchant, LNG as well as some FOREX gain.

**Anuj Upadhyay:** Okay. And any update on the Sec. 11 for gas-based station, sir, our assumptions how things going to play out in the current fiscal year?

**Saurabh Mashruwala:** The government has started working on meeting the summer demand. So, they will hopefully come out with a guideline about the Crunch Period demand as well as Sec. 11. It's too early to talk about it, because we are in the month of starting February. They have started discussions with the various generators about meeting the Crunch Period demand as Sec. 11. And both are based on the fuel costs available at that point of time. We're hoping the same kind of a scheme will be available for the summer period also.

**Anuj Upadhyay:** Okay. And any pipeline of the project commissioning for '26, '27 would be helpful sir?

**Rishi Shah:** So, Anuj, I think if you refer our investor presentation, we have broadly given the commissioning timelines for all the projects for the renewable generation.

**Anuj Upadhyay:** Okay, fine. And lastly on the PSP side, we mentioned in the presentation that 8 GW of what we have signed, so these are all farm projects where the LOA, everything has been done or -

**Saurabh Mashruwala:** Eight GW is not signed, two GW is signed; however, 8 GW site is available with us, we have identified the project, but out of which 2 GW of PPA we have signed.

**Anuj Upadhyay:** PSP you're referring to?

**Saurabh Mashruwala:** Yes, PSP we are referring.

**Anuj Upadhyay:** Got it. Got. So, has LOA been done over there?

**Saurabh Mashruwala:** Facility agreement also we have signed for the 2 GW with MSSEDCL.

**Anuj Upadhyay:** Great, sir. And lastly, sir, is a very small project which is an airpower which we intend to go ahead for the merchant basis. I just want to understand how the financial closure can happen on a merchant basis – is it through the completely internal funding or we're also seeking some debt funding through external sources, sir?

- Saurabh Mashruwala:** No, no, we will try to do 70:30 debt-equity ratio of funding. But it's a merchant projects and you know the merchant market is very good, but even for renewable project also. So, we will do the mix of debt and equity for the merchant projects.
- Anuj Upadhyay:** Okay. But there is no consent or restriction as such from the financial institution to lend even if the project is on a merchant basis?
- Rishi Shah:** Anuj, I think if you look at the consolidated balance sheet, we have a very strong consolidated balance sheet. Bankers typically look at various ways of comfort which corporate can provide to lend for a particular project. So, there are various ways and means to fund this. We can borrow in Torrent Power level and use it for this project, or we can borrow in the subsidiary itself by giving some comfort from the parent. So, basically, bankers will look at some sort of security. You are right that since it's a merchant power, PPA is not there, bankers will have some apprehensions, but which can be mitigated through these avenues.
- Saurabh Mashruwala:** So, we will provide a comfort from the Torrent Power and we will either be borrowed direct in Torrent Power or we will provide some comfort and do the funding. It's not a challenge I would say. And project profile is good, merchant territory is also good, so should not be a problem in funding the project.
- Anuj Upadhyay:** That's helpful, sir. And lastly, if you can throw us on update on the parallel licensing or the upcoming opportunity in UP, any view from your side would be helpful, sir?
- Saurabh Mashruwala:** So, UP government has started the process. So, obviously we are the key players in UP since we have presence in Agra. So, we are very keen to participate in the process. We are awaiting the formal process to be launched by the UP government. This year we have started the process.
- Anuj Upadhyay:** That's it, sir. Thank you and wish you a good luck.
- Moderator:** Thank you. Next question comes from Mohit Kumar from ICICI Securities. Please go ahead.
- Mohit Kumar:** Yes. Thanks for the opportunity, sir. The first question is, is it possible to help us with the revenues, EBITDA, and PAT for Torrent Green Energy Limited for the nine months? I think that's the new entity which you formed right now.
- Rishi Shah:** So, Mohit, as of now, Torrent Green Energy does not have any operations. We are in the process of transferring the businesses from Torrent Power to Torrent Green, which is yet to take effect. So, as of now, there are no operations there.
- Mohit Kumar:** Understood. Understood.

- Saurabh Mashruwala:** If you look at the consolidated picture number segment wise numbers we have given in terms of generation, in terms of distribution and renewables also. So, numbers, won't change on a consolidated basis, whether it is a part of Torrent Power or Torrent Green.
- Mohit Kumar:** Understood. The second question is on the Bhiwandi franchisee. You have mentioned that the Bhiwandi franchise agreement is extendable up to five years. Is there any such option available in Agra?
- Saurabh Mashruwala:** Agra, no such option because it is up to 2030, currently it is available. So, at appropriate time we will initiate the discussion because if you look at the latest development in UP, government is very keen to privatize the discom. So, considering those factors and having presence in Agra, we will discuss at around 2030 for the further extension.
- Mohit Kumar:** The last question is on the PSP. Of course, you have won the PSP. I think it has been now five, six months since you have signed the PPA. Have you started construction or if not, when are we looking to start the construction of our EPC contract?
- Saurabh Mashruwala:** In case of PSP project, generally when it is required for approval, you do your DPR and all those things, you mobilize the sites and everything. So, post 1.5-years, the construction activity will start. So, currently we are the phase of getting approvals, getting the DPR papers and we've been waiting by the Ministry of Environment and Forest. Those process is going on right now.
- Mohit Kumar:** What is the timeline under the PPA, which will start supplying power?
- Saurabh Mashruwala:** After four years from the signing of the PPA, we have to start supplying the power.
- Mohit Kumar:** Understood, Sir. Thank you and all the best.
- Moderator:** Thank you. Next question comes from Satyadeep Jain from Ambit Capital. Please go ahead.
- Satyadeep Jain:** Hi, thank you. Just wanted to understand the user proceeds from the QIP, if I look at the CAPEX you outlined is about 19,000 crores when we look at discom, CAPEX also that you mentioned in transmission, the annual CAPEX. Given the equity contribution is typically 25%, 30%, you seem to have enough internal cash to be able to fund this project. What is the intent use of funds for this QIP? That's the first question.
- Saurabh Mashruwala:** Sorry?
- Satyadeep Jain:** What's the intended use of funds from QIP?



**Saurabh Mashruwala:** As per the PPD document which we have filed and submitted, so 3,500 crores QIP, of which about 25% is for general corporate purpose and 75% of further repayments are debt. So, currently we are prepaying the debt, and you know the internal accruals are there, once we need the money for the funding of this upcoming project of RE and PSP, we will raise the debt also at that point of. So, currently we have used the QIP of 75% for the prepayment of debt and we have released the debt.

**Satyadeep Jain:** Just wanted to understand from capital allocation perspective, Torrent is already compared to a lot of other peers and the balance sheet was already well managed and you look at equity contributions for future projects. If you put that more equity, it hurts the IRR. Are you looking at lower debt contribution in future projects in order to maybe have more safety cushion or the entire uses, 75 is for repaying the existing debt you had?

**Saurabh Mashruwala:** So, if you look at our project under pipeline, we have about 19,000 crores RE project under pipeline for which CAPEX will be incurred over the next two to three years. Plus, we have our distribution CAPEX, every year we generally spend about 2,000 crores, another 6,000 crores, there are small transmission projects, there is a pump storage project also, we signed the PPA also, 12,000, 13,000 crore CAPEX is there. Our CAPEX outgo in the next four, five years I would say all put together will be about 35,000 to 40,000 crores. So, every year generally we generate about 2,000 crores free cash flows, which is available for funding the 30% equity of the project. Apart from this QIP money plus internal accruals, we are able to fund this about 40,000 crores CAPEX in the next five years period. So, QIP money will get invested in those upcoming projects.

**Satyadeep Jain:** You raised cash now and the PSP will come as per your own because you need to go through DPR and all this. So, the outlay for PSP will not most likely start in the next one and half, two years. You've already raised the QIP money. Are you going to deploy it somewhere for the next one and a half years, two years before PSP kicks in, that because your internal cash flow seems to be sufficient to meet your CAPEX for the next two years at least.

**Saurabh Mashruwala:** So, we are prepaid the debt from the QIP money. So, we have reduced the debt. So, once we deploy the money in this renewable project and pump storage project, we start raising the money for the funding of this project. Currently, as of now, we have prepaid the debt from this QIP money.

**Satyadeep Jain:** In that QIP, 75% of that you use to repay the existing debt on the balance sheet?

**Saurabh Mashruwala:** Yes.

**Satyadeep Jain:** Okay. And sir, I just wanted to understand on the long term take or pay contract you have for LNG. I think last year somewhere you were looking at maybe contracting more cargoes versus what you have. What is some of these take or pay contract that you signed, are they coming up for expiry sometime? I think last time we did mention you are looking to increase the quantum of those contracts. Is that still the thought process?

- Saurabh Mashruwala:** Yes, as of now till 2027, every year three cargos we have contracted per year. We are currently evaluating tie-ing up further cargos. So, at appropriate time, we will do the tie-up. So, in fact, we have launched the tender in the month of August for the further type of the cargo. We are in the process of doing it at this moment.
- Satyadeep Jain:** No thought of increasing the quantum of take or pay, right, whatever number of cargos you had the same cargo you will have in future?
- Rishi Shah:** I think what Saurabh ji told was that we are looking at tie-ing up additional cargos because if you remember we did tie up cargos for three years in the international market which is getting over this year. So, from next year, we don't have a firm tie-up. We are looking at tying up for a longer period higher number of cargos. So, we would definitely want to tie-up the cargos as and when the opportunity is available to tie that up.
- Satyadeep Jain:** Okay. Just one quick question. On the airpower merchant project, every quarter this seems to be pushed out for the last several quarters. What is causing the delay -- is it something specific to this project because it seems to be based on internal cash flows, so what is causing the delay in this?
- Saurabh Mashruwala:** There is no delay I would say per se. We are on track in terms of implementing the project.
- Satyadeep Jain:** Maybe if I look at the trajectory, every quarter this gets pushed out by another quarter. There's nothing specific to this project?
- Rishi Shah:** I think we are working on. So, I think last time what we said was it was likely by September '25 and now we are saying by December '25 So, typically what happens in such kind of projects is that what we put out is the entire project commissioning date. It will happen progressively and since this does not have a PPA, any windmill or any solar module commission will start selling power. So, this is pushed out by one quarter because of certain reasons in terms of certain connectivity and land-related issues, but that would be for a smaller part of it, when we put out this remark, it is for the entire project. So, it does not mean that we will not do the project, project will start getting commissioned not from the entirety by September '25.
- Saurabh Mashruwala:** Progressively it will get commissioned.
- Satyadeep Jain:** Okay. Thank you and wish you all the best.
- Saurabh Mashruwala:** Thank you.
- Moderator:** Thank you. The next question comes from the line of line of Bharani from Avendus Spark. Please go ahead.

- Bharani:** Yes. Good evening. So, I have a conceptual question wherein Agra already is in DVVNL, which is put up for privatization or at least that is what the government is working towards. Now, if someone other than Torrent wins this DVVNL, how will be our operation work, meaning if it is continuing to be with us?
- Saurabh Mashruwala:** No impact. How can we ever be impacted, because we have a contract that we have up to 2030. By that time there won't be an impact.
- Rishi Shah:** So, I think, Bharani, we are a franchisee there, we are not a licensee there. What UP government is thinking about is giving the license out. So, anybody who wins that will become a licensee. So, instead of DVVNL, anybody who wins that will become the licensee. So, that contract will get shifted.
- Bharani:** The client will change for us, correct?
- Rishi Shah:** Correct. That's right.
- Saurabh Mashruwala:** Yes, because we it's a minor contract, it won't have impact up to 2030 till the contract is over.
- Bharani:** Okay. Is there any, say, renewal clause in this contract for Agra?
- Saurabh Mashruwala:** We will discuss at that point of time because as of now 2030 is about five years away I would say. We will discuss near to the contract expiry date for Agra like what we did in the case of Bhiwandi.
- Bharani:** Okay. Okay. Fine. My second question is on this thermal generation segment EBITDA. So, from merchant sales, what is the gain in this particular quarter specifically?
- Saurabh Mashruwala:** So, as we said earlier in the call, we will not able to provide to the breakup the merchant and the LNG sales, but this 75 crores incremental contribution is coming from the three items. One is the higher merchant sales contributions, by higher LNG sales contributions and some bit of FOREX gain also.
- Bharani:** Okay. So, like from merchant sales like in the month of April, May, June, that is first quarter, we benefited due to Sec. 11, but now we will be selling in the open market if I'm not wrong, correct?
- Saurabh Mashruwala:** Sorry. Can you please repeat it again?
- Bharani:** We will be selling the merchant power in the open market.
- Saurabh Mashruwala:** Yes, yes, we are selling over exchange I would say.
- Bharani:** And yes, correct. So, because the prices have come down, so we would be obviously targeting to sell only in the evening peak hours, is that how it is or -?

**Saurabh Mashruwala:** Yes, we are targeting the peak hours sales, yes.

**Bharani:** Okay. Okay. Understood. And what is this FOREX gain related to?

**Saurabh Mashruwala:** Basically, if you look at last year. euro rate was higher, this year it was lower. So, basically, gain which we had booked on some of the long-term O&M contracts I would say.

**Bharani:** O&M contract, some third-party vendor is doing on that?

**Rishi Shah:** Yes, yes. So, for our plants, there are one-time contracts which you have signed on a long-term basis. So, on a quarterly basis, there is a provision which is made, but the payable is in euros. So, if euro appreciates against rupee, there is an incremental outflow and that's where it leads to a foreign currency loss on an accounting basis. That's not an actual cash outflow or inflow. And then if it depreciates, it becomes a gain. That's what it is.

**Bharani:** Understood. Understood. Okay. That's it from my side. All the best.

**Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to the management for closing comments.

**Saurabh Mashruwala:** Thank you for joining the Torrent Power Investor Call. We wish everybody to remain 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.