



“Torrent Power Limited
Q3 FY '26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to Torrent Power Limited Q3 and FY '26 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 touch-tone phone. Please note that this conference is being recorded.

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

Saurabh Mashruwala: Thank you. Good evening to all of you, and thank you for joining earnings call of Torrent Power for Q3 FY '26. First, I will take you through the performance of the quarter, after which phone lines will be open for the Q&A session. Will explain the performance of the company at PBT levels first, then will take you through the tax expenses separately.

Reported PBT for the quarter stood at INR805 crores as compared to INR630 crores the corresponding quarter of last year, an increase of INR175 crores, that is approx..28% of reported basis. PBT for the corresponding quarter of the last include nonrecurring income of INR77 crores on account of sale of cable business.

Adjusted for this one-off, PBT for the quarter stood at INR805 crores as compared to INR553 crores in the comparable quarter of last year, an increase of INR252 crores, 46% on an adjusted basis. Tax expenses were lower during the quarter as favorable regulatory orders received during the quarter are eligible for the tax exemption.

Business-wise factors contributing to the performance of the quarter are as follows. First, contribution from thermal generation business reported an increase of INR163 crores, mainly on account of 3 factors. First, receipt of favorable orders from the regulators. Second, there were contribution from sale of Merchant Power and LNG by INR75 crores. And foreign currency fluctuation other expenses resulting into the higher expenses to the extent of INR35 crores.

Second, contribution from the distribution business increased by INR106 crores, mainly on account of 3 factors. First, improvement in T&D losses at distribution franchise units, partially offset by the higher T&D losses in the licensed distribution business. Second, additionally, contribution from licensed distribution business was supported by the increase in ROE and ROCE on account of capitalization of the assets and higher rate of returns on equity as per the new tariff regulations and other incentives. Third, receipt of favorable orders from the regulator by INR41 crores.

For business contribution from renewable generation increased by INR24 crores, mainly on account of higher PLF from the existing wind power projects due to better wind resources, coupled with the contribution made by the newly commissioned solar capacity of 285 megawatts. Fourth, other factors contributed lower profitability was on account of 2 factors. First, increase in miscellaneous expenses and depreciation, partially offset by reduction in finance costs on the back of pre-repayment made in Q4 of FY '25. This completes the explanation of the financial performance during the quarter.

Moving onto the projects update. First, during the quarter, RE pipeline increased by 500 megawatt. For 1.6 gigawatt thermal project power purchase agreement -- power supply agreement has been executed with the MP Power Management Company Limited. Contract for balance of plant & machinery has been awarded for the projects.

With the progressive commissioning of 360-megawatt MSEDCL project, aggregate installed generation capacity of the company stood at 5 gigawatt as on December 31, '25, comprising of 2.7 gigawatt gas-based project, close to 2 gigawatt of renewable capacity and 362 megawatt of coal-based capacity. Pipeline projects at the end of the quarters includes 4 gigawatt renewable capacity, 3 gigawatt of pump storage capacity, 1.6 coal-based capacity and 2 transmission projects at Khavda and Solapur.

Further details on the pipeline projects have been summarized in our latest investor presentation available on the website. That's all for the company's quarter. Now I request coordinator to open the Q&A session. We wish everybody to stay safe and healthy. Thank you. Handing over to the operator.

Moderator: Thank you so much, sir. Ladies and gentlemen, we'll begin with the question-and-answer session. Our first question comes from the line of Sucrit D Patil from Eyesight Fintrade Private Limited.

Sucrit D Patil: I have 2 questions. My first question to Mr. Saurabh is, Torrent Power has expanded across the generation, distribution and renewables. Growth often brings some pressure on cost and cash flow. Going forward, how will you balance investing in new renewable projects with keeping debt and margins under control? What clear signals will tell you it's time to slow expansion and focus more on the financial discipline. I want to understand your point of view on this.

Saurabh Mashruwala: Yes. In terms of financial discipline, if you look at our leverage ratio, we are quite comfortable. For example, our net debt-to-equity ratio is 0.40 as on March '25 and net debt to EBITDA is 1.41. So company is under leverage company right now. And with this investment, we are -- our leverage ratio will remain comfortable, I would say, in terms of our current investment plan. So we are maintaining financial discipline and improving our return on equity and ROCE going forward once we implement all these projects in pipeline right now.

Sucrit D Patil: My second question to Mr. Shah is, again, along the similar lines, I just want to understand your plan of action basically in this. Fuel costs and regulatory changes can impact -- can have some impact on the profits, I believe. What financial disciplines do you use to protect the returns? Like, for example, do you have a minimum margin requirement, a debt ratio that you won't cross or cash cycle targets in mind? How do you -- how do these rules shape your investment and decision-making process? I want to understand that.

Saurabh Mashruwala: Generally, the new projects being financed at 70-30 or maybe 75-25 debt equity ratio. So that is what typically we do the financing. In terms of -- if you look at the sector per se, there are lots of investment opportunity going up because of going up by the sectors. And yes, we do have investment plan, but we are mindful of our financial metrics, I would say, in terms of debt equity ratio and net debt to EBITDA ratio. And which is very comfortable and we will -- if you look at

the peers also going aggressively. So definitely, our ratios will be the lower as the peers and we'll be comfortable with those kind of ratios, leverage ratios.

- Moderator:** Our next question comes from the line of Sumit Kishore from Axis Capital.
- Sumit Kishore:** First, I think it's been a fairly strong P&L performance in the quarter. I just want to understand a few numbers here. You mentioned that there is increased contribution from gas-based power plants because of some regulatory benefit as well as a higher merchant and LNG sale contribution in the quarter. So what is the size of the regulatory benefit? And we hadn't seen much merchant generation in Q3 based on the PLF numbers. So is that INR75 crores number that you mentioned mainly coming from LNG gains. That's the first question.
- Saurabh Mashruwala:** So the contribution from the merchant is lower in this quarter. It's not higher, I would say. That is what we would like to clarify. So it's lower basically by INR75 crores as compared with the comparable quarter of last year. We got some favorable orders from the regulator, which has, I would say, added the bottom line of the company by about close to about INR270 crores.
- Sumit Kishore:** Okay. So that basically explains the extent of positive surprise, INR270 crores.
- Saurabh Mashruwala:** Yes.
- Sumit Kishore:** Why -- what was the regulatory item about?
- Saurabh Mashruwala:** It is one of the generation projects.
- Sumit Kishore:** Which one SUGEN, UNOSUGEN, DGEN is not -- I mean...
- Saurabh Mashruwala:** It's a gas-based generation project. We've got it...
- Sumit Kishore:** Which gas-based generation project, SUGEN OR UNOSUGEN?
- Saurabh Mashruwala:** UNOSUGEN project.
- Sumit Kishore:** And why did this regulatory benefit crop up? What is the background? This is explaining the entire profit beat in the quarter.
- Saurabh Mashruwala:** We'll explain after the call. We will explain it.
- Sumit Kishore:** Okay. The second question is related to capex. So basically, in renewable, so far this financial year, in 9-month period, what is the capex that you have incurred? And what is your CWIP in renewable as of December end? And has there been any pickup in pace of capex in renewable in third quarter?
- Saurabh Mashruwala:** Yes, there has been pickup in the capex also in the third quarter because we have to implement many projects together. So there has been pickup in the capex in last 1 or 2 quarters. And this pace will continue going forward also because we have pipeline of renewable projects and there's a renewable project, pump project and coal project is going to be implemented. So there is a pickup in capex also.

- Management:** So Sumit, just to add, Q3 renewable projects, we had incurred capex of INR1,750 crores. If I look at the YTD number, it was around INR3,100 crores. So you can understand the increase in the renewal projects capex. So INR3,100 crores YTD, which means 6 months, we would be around INR1,500 crores of capex. In this quarter itself, we have done INR1,700 crores of capex.
- Sumit Kishore:** Excellent. That is what I was looking for, yes. Perfect. So there is a pickup in capex. And given the transmission constraints and everything else put together of the 4.3 gigawatt odd RE pipeline under construction, what should be the phaseout in terms of commissioning, say, fourth quarter and next financial year and the year after that? I mean if you can give us a broad sense that will be useful.
- Saurabh Mashruwala:** So we can give a sense of about -- for the next year, we expect to commission about 1.2 to 1.5 gigawatt next year. I think in a similar pace, we can expect in next year also the year thereafter also.
- Sumit Kishore:** Okay. So this financial year FY '26 will be a fairly weak year in terms of renewable capacity addition relatively?
- Saurabh Mashruwala:** Yes.
- Sumit Kishore:** Yes. Okay. Okay. And just one more question. Power demand growth in the last 15 days has been quite bad. I mean after 22nd of January, it's once again become flattish kind of power demand growth for almost 15-plus days that we last checked. I mean, is that something you all have been noticing is there any specific reason? And is there any probability of Section 11 getting implemented as we enter into a higher demand period this year as well? I mean what is your sense?
- Saurabh Mashruwala:** So one can say that it's an exception kind of a thing, aberration kind of thing, I would say, because if GDP has to grow at 6.5% to 7%, power demand has to grow in a similar line. Otherwise, GDP won't be growing at that particular rate. Two things basically, one is last year, the demand was very, very strong. The base was very strong last year.
- And the second is the extended monsoon in the current year has impacted the power demand. But this cannot be the scenario every year, I would say. So it has to grow in line with the GDP growth, I would say. That is what we can say. So once you ignore the current year, one should see it as an aberration kind of things. And one should not look at the current demand scenario, I would say.
- Sumit Kishore:** Completely agree. Again, it started happening last 15 days, power demand growth is not there. I hope this does not continue.
- Moderator:** Our next question comes from the line of Satyadeep Jain from Ambit Capital.
- Satyadeep Jain:** Just first, I wanted to understand DISCOM performance a little bit. First on the sale of units within DISCOM. So overall, we understand power demand will relatively flattish Y-o-Y in the quarter. When I look at Ahmedabad, Surat and all, most regions you're witnessing decline. Is

that -- what is, in your view, driving that decline? Is it behind the meter? Is there something else that's driving this decline Y-o-Y?

And then maybe can you talk a little bit more about the ROE increase that you've seen historically, if I'm not mistaken, it was 14% saying that this year, there is an increase in ROE for DISCOM that in addition to some one-off of INR41 crores has driven this almost 20% Y-o-Y increase in EBITDA in DISCOM despite a decrease in the purchase of units. Can you explain this power with DISCOM performance?

Saurabh Mashruwala: In terms of demand, yes, definitely demand is lower this quarter. But as I explained earlier in the call that it's an aberration kind of a thing because of the extended monsoon last year, base was very high. So both the combined impact one can see in the demand. But this is treated as aberration because GDP and the power demand has to go in line and hand-in-hand with the in line with the GDP. So it has to be there, demand will definitely come and at least 5%, 6% demand when one can see next year. In terms of...

Satyadeep Jain: I was trying to understand the Torrent Ahmedabad, Surat, we understand the power demand has been muted, but Gujarat has still reported positive Y-o-Y demand growth in third quarter. So what is driving this decline in specific pockets? Is it more residential rooftop or something? Just trying to understand Y-o-Y decline in certain of your...

Saurabh Mashruwala: Satyadeep, if you really look at it, dissect it, Ahmedabad is more of residential, less of commercial because of extended monsoons and winters also pretty good. Typically, this quarter, demand goes down. And this year, particularly because of good winter demand in Ahmedabad has gone down. If you look at Surat. Surat is more of an industrial area. But again, that has been impacted because of the diamond industry, not being in shape. Textiles also not being going good because of which Surat also has been impacted.

If you look at D&H, it has shown some growth. But again, because of the industrial activity, it has not shown the growth which it used to report around 3% to 4%. So I think there are mixed factors involved in each area, you'll have to look at from how the mix is there between industrial, commercial and residential.

Satyadeep Jain: Okay. And in terms of increase in regulated return and one-offs, can you maybe...

Saurabh Mashruwala: Just going back to your earlier question, you said that demand has gone down, but your ROEs have increased. So first of all, I just want to clarify that our profitability is not actually dependent on the unit growth for license distribution businesses. It is more dependent on the capitalization, which we do as we get ROEs.

So there is no correlation between the demand and our return -- profitability, I would say. And second thing, regarding the carrying cost order, if you look at our regulatory asset, yes, on regulatory asset we do earn some carrying costs, but we account for the carrying cost, when it is approved by the regulators. So this kind of order we keep on coming, I would say. That is what we can say right now.

- Moderator:** Sir, participant has left the queue. Our next question comes from the line of Dhruv Muchhal from HDFC AMC.
- Dhruv Muchhal:** Sir, most of my questions are asked by Sumit and Satya, but just probably some follow-ups. Sir, in the opening remarks, you mentioned distribution profitability has also improved because of higher capitalization and higher ROE. So is there some change in ROE rates in any of these circles?
- Saurabh Mashruwala:** Yes, it's 14% to 15.5%, 15% to 15.5%.
- Dhruv Muchhal:** Okay. In Gujarat, it has moved from 14% to 15.5%.
- Saurabh Mashruwala:** Yes, ROCE basically.
- Dhruv Muchhal:** Okay. And this will be applicable for the next tariff period or 3 to 5 years? Or is it only for a single?
- Saurabh Mashruwala:** MYT regulation, as per MYT regulation.
- Dhruv Muchhal:** MYT regulation, okay. Perfect. Got it. And sir, does it also apply to your thermal asset AMGEN or only for distribution?
- Saurabh Mashruwala:** No.
- Dhruv Muchhal:** It's only for distribution, okay. And sir, second is on the renewable.
- Saurabh Mashruwala:** Dhruv, just to correct, it would also apply for AMGEN because it's part of distribution.
- Dhruv Muchhal:** It's part of distribution. Okay. Perfect. And the next question is on the renewable execution. Now you have a decent pipeline of wind assets and hybrid assets to be executed based on your PPT to be executed in FY '27. So you have, I think SECI XV then TPL-L project and REMCL project. So we are hearing a lot of challenges in the sector because both a mix of transmission issues and mix of wind execution issues.
- And your near-term visibility is primarily driven by wind and hybrid. So if you can help us a bit more in terms of probably, I don't know, the proportion of land that you have acquired, the quantum of transmission, which is available with you already, which gives you visibility that this 1.2, 1.5 gigawatt can actually happen?
- Saurabh Mashruwala:** In terms of land, we are reasonably okay. Land is not the issue. Only thing -- maybe the ROW issue everybody is facing, we may face, but we have to handle those issues, and we have to implement our execution plan.
- Dhruv Muchhal:** Okay. So because it's a mix of wind and transmission where it seems the challenge is generally even higher than solar and transmission. So I just wanted to understand the comfort on the commissioning targets?

- Saurabh Mashruwala:** We are comfortable, I would say, in terms of implementing 1.2 to 1.5 gigawatt projects next year at this moment.
- Dhruv Muchhal:** Okay. So probably the equipment would get available, the wind equipments. But on transmission, do you have the transmission access already or it's in the applied stage and it is pending commissioning?
- Saurabh Mashruwala:** Connectivity is all available for most of the projects, I would say.
- Dhruv Muchhal:** Okay. The physical substation probably is already commissioned?
- Saurabh Mashruwala:** That is to be...
- Management:** So I think, Dhruv, there are 2 parts to it. One is that you have the connectivity, which is yet to be commissioned. So some of our projects will have connectivity to those substations, which are already commissioned. Some of our projects are having connectivity where augmentation or a new substation is getting commissioned. So it will be a mix of both.
- Dhruv Muchhal:** Okay. But based on your assessment on individual substation wise and project wise, you are reasonably certain of 1.2, 1.5 gigawatt?
- Saurabh Mashruwala:** Yes, yes.
- Dhruv Muchhal:** Okay. And sir, generally, we have seen -- I mean, generally, in the industry, the bidding activity is low, if you commission 1.2 this year or 1.2 next year, you're already done through your contracted pipeline, including the C&I projects, of course. You've already done through and even the merchant capacity. So how do we see -- how are you looking at the visibility beyond that, given it's -- I mean, we consider this as a platform business. So how about visibility beyond, say, next 2 years?
- Saurabh Mashruwala:** So we are bidding for most of the projects, I would say, but we restrict ourselves with our threshold IRR. If you look at the last Q3, we added about 500 -megawatt additional incremental capacity. So we keep on bidding and we keep on aiming for the higher capacities also going forward.
- Dhruv Muchhal:** Sir, I was wondering, can you probably get more aggressive in the C&I project side until the utility building happens or that's a limited market and probably...
- Management:** Dhruv, we are already aggressive. So effectively, we are there in all the bids or majority of the C&I consumers. It's all about the commercial aspect of it. If commercials are feasible, we will definitely want to lock in capacity. As we have stated earlier also, I think our aspiration is to reach a 10 gigawatts of renewable capacities, which we look at it.
- If commercials are favorable, we will definitely want to lock in those. In past also, we have seen that 1, 1.5 years, the capacities were not growing, suddenly in 6 months, we would have -- we had built up 3 gigawatts of capacity. So those opportunities are available in the market as and when available, we'll be able to catch that.

- Dhruv Muchhal:** Sure. And just one clarification. The 1.2, 1.4 is at the AC level, or is it the DC level? Is it megawatt peak or megawatt?
- Saurabh Mashruwala:** DC level.
- Dhruv Muchhal:** This is at DC level, okay.
- Moderator:** Our next question comes from the line of Satyadeep Jain from Ambit Capital.
- Satyadeep Jain:** Sorry, I got disconnected. One question on the PSP. In the presentation, you mentioned October '28 as the SCOD. Just wanted to understand that it looks aggressive given it's 2.5 years from now. How do you look at this time line versus typically what we are hearing in the -- was seeing and hearing in the industry from others? And where are you in terms of preparedness to get this executed in 2.5 years?
- Saurabh Mashruwala:** See, we are preparing ourselves for the execution contract, major contract, I would say, has been given for the PSP project. So maybe delay may happen. But as of now, all contracts, key contracts have been given.
- Satyadeep Jain:** So October '28 is the deadline as per the agreement with MSEDCL, right?
- Saurabh Mashruwala:** Yes.
- Satyadeep Jain:** And there can be extension to this base, so they can be...
- Saurabh Mashruwala:** There can be an extension.
- Satyadeep Jain:** For how long, what is the agreement typically say about extension? Does it have to be because of some particular reasons or?
- Saurabh Mashruwala:** Transmission capacity is not available kind of a thing, where substation may not be ready. So those kind of thing will get the extension.
- Satyadeep Jain:** Okay. DISCOM, again, so ROE, you mentioned this, I also want to understand, is there -- there's a one-off that you talked about in DISCOM. So is that INR41 crores at the PAT level and the INR270 crores you mentioned in generation is also at the PAT level. Can you explain?
- Saurabh Mashruwala:** These are all PBT level. PBT level.
- Satyadeep Jain:** So INR270 crores in generation, UNOSUGEN is PBT and this INR41 crores in DISCOM is also PBT.
- Saurabh Mashruwala:** Yes, yes.
- Satyadeep Jain:** And just on this 1 or 2 RE projects where you're seeking SCOD extension. Is that mainly because of lack of transmission for these projects? Everything is installed on ground, you're just waiting for transmission or something else?

- Management:** So if you are seeing the transmission project is getting delayed, if you put up everything on ground, effectively, you're incurring indirect cost, which nobody will reimburse you to. So you will always calibrate your implementation based on your expectation of transmission being commissioned.
- Saurabh Mashruwala:** So for execution of all the project is in line with the transmission is coming basically with the transmission line.
- Satyadeep Jain:** So these 2 projects where you're seeking extension, the SECI XII and the MSEDCL one, maybe how much delay are you looking at here? And this is all transmission in which location is this?
- Rishi Shah:** No, no. So I think project by project, there are different issues. If you look at MSEDCL, we have already commissioned part of it. It is only some part of it, which is pending, which is not because of transmission. It is because of some other factors, okay. As far as SECI XII is concerned, it's because of transmission not being ready, the evacuation part of it not being ready. So every project will have its own nuances because of which there are certain pluses and minuses.
- Satyadeep Jain:** Okay. So -- but as of now, you don't -- you must have some visibility on SECI XII or this you expect in FY '27, correct?
- Rishi Shah:** Yes. Yes, absolutely.
- Saurabh Mashruwala:** FY '27, yes.
- Moderator:** Our next question comes from the line of Atul Tiwari from JPMorgan.
- Atul Tiwari:** So first, I wanted to check whether in this quarter, you booked any income from the NVVN contract. Because I suppose there was some take and pay and the contract was supposed have finished by October.
- Saurabh Mashruwala:** So no, the contract was over by September Q2. So we have not booked any income in Q3.
- Atul Tiwari:** And sir, this INR270 crores to what period does it relate to the slips only this year or past few years? And what part of this will be recurring going ahead?
- Saurabh Mashruwala:** Past year, basically.
- Rishi Shah:** It is not recurring, it is one time.
- Moderator:** Our next question comes from the line of Ketan Jain from Avendus Spark.
- Ketan Jain:** Sir, just on the clarification on the previous question. Even the INR41 crores favorable order in distribution is also onetime or is it recurring?
- Saurabh Mashruwala:** If you look at -- as I explained on my call earlier, we are carrying some regulatory assets and that regulatory asset is carrying the carrying costs. So we keep on getting these kind of orders, favorable orders on carrying costs on a regular basis. That is what we can say right now.

Ketan Jain: Pertaining to Ahmedabad and Surat?

Saurabh Mashruwala: Ahmedabad and Surat, yes.

Ketan Jain: Sir, can you give us -- you gave the capex for RE, if you could provide us the total capex in terms of licensee franchisee and RE separately?

Saurabh Mashruwala: You want for this quarter or the cumulative YTD basis?

Ketan Jain: Cumulative 9 months.

Saurabh Mashruwala: Cumulative 9 months about INR1,100 crores for license and franchise basically, both put together. And transmission about INR240 crores. Coal project is about INR400crores. PSP, we incurred about INR300 crores. Renewable, as we explained about INR3,100 crores, that is what we've incurred basically capex in 9 months.

Ketan Jain: What did you say after transmission, sir? I couldn't get the number.

Saurabh Mashruwala: Transmission after Transmission thermal project, coal project basically.

Ketan Jain: How much more?

Saurabh Mashruwala: INR400 crores.

Ketan Jain: INR400 crores. Okay. So this is INR4,200, so around INR4,000 crores. So what's the target for FY '26, sir?

Saurabh Mashruwala: Sorry?

Ketan Jain: What is the target capex for FY '26?

Saurabh Mashruwala: We don't give any target for the FY '26.

Ketan Jain: But we will have a similar run rate as in third quarter?

Saurabh Mashruwala: Yes. Our run rate is -- if you look at the Q3, run rate has increased. So similar pace will be there going forward also.

Moderator: Our next question comes from the line of Bharani V. from Avendus Spark.

Bharani V.: Yes. So I just want to clarify one thing. The INR270 crores, negative INR77 crores on the generation side and the INR41 crores on the distribution side, these are all PBT numbers, right?

Saurabh Mashruwala: PBT...

Bharani V.: Can you give a corresponding EBITDA number for these 3, sir, for the third quarter?

Saurabh Mashruwala: It is given even in the -- we give the segment analysis also where the EBITDA numbers has been given.

- Bharani V.:** So the incremental INR270 crores is PBT. So what would be the incremental specifically on this regulatory onetime impact on the EBITDA side?
- Saurabh Mashruwala:** This is the EBITDA numbers only.
- Rishi Shah:** So EBITDA and PBT, there is no difference between this.
- Bharani V.:** Okay. And second question is on -- of course, someone also asked the nature of this favorable regulatory order on UNOSUGEN. Is it possible to explain that?
- Saurabh Mashruwala:** We explained the INR41 crores carrying cost order, which keep on coming because we are carrying regulatory assets.
- Bharani V.:** Sir, my question is on the INR270 crores of favorable regulatory income we booked due to UNOSUGEN. So just if you can explain what was this related to?
- Saurabh Mashruwala:** We'll explain -- we will not able to explain at this moment right now.
- Bharani V.:** Okay. My final question is on this INR41 crores on the distribution side you mentioned. Somewhere I think you also mentioned that the ROE has increased from 14% to 15.5%. Is that something that I heard right?
- Saurabh Mashruwala:** No, that is ROE, the carrying cost order is different.
- Bharani V.:** Okay. So ROE having increased from 14% to 15.5%...
- Saurabh Mashruwala:** ROCE, it is now ROCE basically, not ROE.
- Bharani V.:** So that is neutral, right? Because at the ROE level it will be same, because it's just a different way of compensating, but still the net profitability at the ROE level will still be the same to clarify?
- Rishi Shah:** So Bharani, basically ROCE, I mean 14% or 15.5%, there are certain milestones which regulator has defined. If you are meeting those milestones, you can earn up to 15.5%. So there are different parameters which have been defined.
- Bharani V.:** So, my question is, earlier, we were getting compensated based on ROE, which was 14% regulated...
- Rishi Shah:** The 14% has moved to 15.5%, but the methodology has changed from ROE to ROCE, but 15.5% also is ROE. But there are certain slabs. So if you achieve this much, you can get 25 basis points incremental. If you achieve this much, you can get 50 basis incremental. So 14% or 15.5% both are effectively ROE numbers, but regulator has shifted from ROE to ROCE.
- Bharani V.:** Okay., I will pick it up offline. No problem.
- Moderator:** Our next question comes from the line of Aniket Mittal from SBI Mutual.

- Aniket Mittal:** Just actually, that is non clarification that I wanted. So it's on an all-in basis, given this new MYT order, what's the increase in ROE that we're effectively seeing in Ahmedabad and Surat?
- Rishi Shah:** So Aniket, basically, what we're trying to say is that 14% is an ROE, 15.5% also is an ROE. The methodology has been changed from ROE to ROCE, first point. Second is another regulations, regulator has defined a base ROE or ROCE on equity. Then there are certain milestones based on which your return on equity increases if you achieve those milestones. And the highest one which you get is 15.5%.
- Aniket Mittal:** So are we trending at the highest one? I'm just trying to understand, let's say, the incremental delta in ROE, is it 150 itself for us? Or is it somewhere in the middle?
- Rishi Shah:** We would aim at incremental delta of 150 basis points. Some years, you may not be able to achieve this if you are not achieving those milestones. So it could be slightly lower.
- Aniket Mittal:** The other question I had was just on Bhiwandi. I think the franchise agreement for Bhiwandi is valid till Jan '27, which is about a year away. Just trying to understand what's the discussions over there? How does one think about that franchise agreement going forward?
- Saurabh Mashruwala:** So we are under discussion right now with the MSEDCL for the extension.
- Aniket Mittal:** Okay. Fair. And just one last question. What would be the overall regulatory assets currently on Ahmedabad and Surat right now?
- Saurabh Mashruwala:** Regulatory assets would be, Ahmedabad, Surat would be about around INR3,000 crores.
- Aniket Mittal:** INR3,000 crores, okay. Fair.
- Moderator:** Our next question come from the line of Anuj Upadhyay from Investec.
- Anuj Upadhyay:** Can you elaborate further on the LNG sale agreement, which we have done with the JERA? And with this 0.27 MMTPA, how much of the fuels we have secured across our gas base station and for what period?
- Saurabh Mashruwala:** JERA agreement is about 0.27 MMTPA, which is transferred into the 4 cargoes, starting from 2027 to 2037 for 10 years contract we have executed.
- Anuj Upadhyay:** Okay. So this is 0.27 cumulative, you are saying?
- Saurabh Mashruwala:** Per annum.
- Anuj Upadhyay:** Per annum, which we are doing it. Okay. And with this, how much of the total requirement?
- Saurabh Mashruwala:** So requirement would be about 25% kind of a thing.
- Anuj Upadhyay:** Okay. Okay. And on the pricing front, how exactly these contracts are placed? Are they fixed? Are they flexible?
- Saurabh Mashruwala:** It is linked with the brent.

- Anuj Upadhyay:** Got it. Got it. And second, on the SMK side, any time line by when we can achieve -- we are targeting to achieve a breakeven over there? Or anything on the profitability? So basically, not exactly aware how the profitability have placed over there. It's has been almost like 4 or 5 years we have taken over the circle. So how things are progressing over there in terms of profitability?
- Saurabh Mashruwala:** So in terms of AT&C losses, if you look at, we have reached about 20% level. So we are near to the breakeven, I would say.
- Anuj Upadhyay:** So by next year, we can expect breakeven happening, sir? FY '27?
- Saurabh Mashruwala:** Yes. Yes.
- Anuj Upadhyay:** Okay. And how much capex you would have spent till date on SMK?
- Saurabh Mashruwala:** Currently, we will get back to you on that number, we have to pull up the numbers on a cumulative basis.
- Anuj Upadhyay:** Okay. And any update on the parallel licensing?
- Saurabh Mashruwala:** There is no further update at this moment.
- Moderator:** Our next question comes from the line of Dhruv Muchhal from HDFC AMC.
- Dhruv Muchhal:** Yes. Sorry, I missed the MYT regulation actually. Just to clarify, I was reading the regulation. The change to the return on capital employed method is only applicable for capitalizations post April '25. Is that understanding correct?
- Saurabh Mashruwala:** Yes. Yes.
- Dhruv Muchhal:** So it's basically a prospective change. For the older assets, you continue to earn the ROE as you were earning earlier. Of course, the rate has changed. But for the incremental assets capitalized, it moves to the ROCE model.
- Saurabh Mashruwala:** Absolutely, absolutely. You're absolutely right.
- Dhruv Muchhal:** Perfect, sir, that's the only clarification.
- Moderator:** Our next question comes from the line of Arul Selvan from Bajaj Life Insurance Limited.
- Arul Selvan:** This is a follow-up of the previous question that somebody asked. The question is with respect to the incremental milestones that have to be achieved to get that 150 points delta on the ROE. Could you just give us a sense of what is the nature of those milestones that have to be achieved before we can get that 150 basis points delta?
- Rishi Shah:** Arul, these are all milestones are linked to operational efficiencies like your AT&C loss, your SAIDI, your SAIFI, your other parameters linked to your operational parameters.
- Arul Selvan:** Okay. Okay. And is there any timeline by which you have to achieve that or is it like you get that...

- Saurabh Mashruwala:** It's yearly, based on yearly performance.
- Arul Selvan:** Okay. Okay. I was wondering if there's any normative level that we'll have to achieve every particular year before we're eligible for those incentives.
- Saurabh Mashruwala:** Yes, those normative levels are there. And if we achieve those normative, we get extra incentives.
- Arul Selvan:** Okay. Okay. Secondly, one more question was with respect to, again, the Bhiwandi distribution franchise. Does the existing contracts have any clauses for renewal? Or is it going to be like a fresh sort of a bid that the government has to invite for renewal of the current distribution franchise?
- Rishi Shah:** So if you look at our investor PPT, we have already said that can be extended 5 years upon mutual agreement.
- Saurabh Mashruwala:** Mutual agreement. So it's a mutual discussion going on. But it can be extendable for further period of 5 years.
- Arul Selvan:** Okay. Okay. So hopefully, we should be hearing some news about that before February 2027? I'm just wondering if there's any deemed extension clause, if there's no news on that at all?
- Saurabh Mashruwala:** There is no automatic extension clause, but we need to discuss with MSEDCL.
- Arul Selvan:** Okay. Okay. And lastly, with respect to your parallel licensing, I'm just trying to get a sense of how much could be the amount of capital that you could be investing if the parallel licensing applications are allowed. Any rough sense in terms of..
- Saurabh Mashruwala:** I think it's too early to comment on that. Unless it is awarded, I think we should first get the first thing cleared and then we can discuss on that. And it depends on the area also, how large is the area, how small is the area. So it depend all even on the approval, we are going to get on particular area.
- Moderator:** Our next question comes from the line of Bharani V. from Avendus Spark.
- Bharani V.:** Are there any short-term gas tenders in the market right now? We've heard something coming up from Tamil Nadu. Can you please elaborate if there is any...
- Saurabh Mashruwala:** Very recently, SECI 19 tenders was closed.
- Rishi Shah:** No, I think -- so I think Bharani, we'll not be able to comment on that, I mean, for the future part.
- Bharani V.:** No, I'm just asking, is there any gas tenders, like the NVVN kind of tender that...
- Rishi Shah:** No, not like NVVN tender as of now. But see, as the summer comes in, typically discoms keep on doing short-term contracts for procuring power for their requirements. So that is a normal phenomenon which happens.

Bharani V.: Sure. And there is a possibility that something like NVVN tender comes up for this year too, right?

Saurabh Mashruwala: We will not able to comment at this point of time.

Moderator: Ladies and gentlemen, as there are no further questions, I would like to hand the conference over to Mr. Saurabh Mashruwala, for the closing comments. Thank you, and over to you, sir.

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

Moderator: Thank you so much. Ladies and gentlemen, on behalf of Torrent Power Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.