



“Torrent Power Limited
Q4 FY’23 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Torrent Power Limited Q4 FY23 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, Chief Financial Officer, Torrent Power Ltd. Thank you and over to you.

Saurabh Mashruwala: Thank you so much. Good morning to all of you. Thank you for joining the earnings call of Torrent Power Limited for Q4 FY23. First, I will take you to the performance of the quarter, after which one-lines will be open for Q&A session. We will explain the performance of the company at PBT level first, and we will take the tax expenses separately thereafter.

Reported PBT for the quarter before excess items stood at INR668 crores as compared to INR597 crores in the corresponding quarter last year, an increased by INR71 crores about 12% on a reported basis. To understand the underlying performance of the company, we will take you through the non-recurring items first in the quarter.

While there are no non-recurring items for the current quarter, there were some non-recurring items comparable quarter of last year. There are five non-recurring items in Q4 FY22. First, reversal of provision for the outflow date at franchise distribution business of INR16 crores due to better collection efficiency and increased vigilance activity within this quarter.

Second, reversal of partial provision of INR28 crores out of total provision of INR161 crores made for 499 MW SECI III wind project during FY20 as performance bank guarantee issued as a security for the development of transmission line has been released by the PGCIL.

Third, reversal of partial provision of INR29 crores out of total provision of INR51 crores made for 115 MW 55 projects during FY20, as a project development work has initiated. Fourth, a credit of INR34 crores recognized as liquidated damage for 126 MW [MSEDCL] wind power project on account of settlement with the EPC contractor. The last, INR11 crores which is due to renewal projects acquired during Q4 FY22 and contributed partially during the quarter. All put together, net non-recurring credit was above INR118 crores in Q4 FY22.

Asjusted for above one-off, PBT for the quarter stood at INR668 crores compared to INR479 crores in the comparable quarter of last year, which is higher by about INR189 crores, that is about 39%.

I will now take you through the key highlights on the improvement in PBT of INR189 crores for the current quarter.

The improvement in the operating profits on account of mainly three factor;

First, improvement in overall contribution of distribution business, which improved by INR190 crores. Both license distribution and franchise distribution business reported improvement due to following reasons. There are four reasons for the improvement, both for license as well as

franchise distribution business. First, improvement in T&E losses in license as well as franchise business by due to and has contributed an additional INR48 crores.

Improvement in the volume as well as tariff in distribution franchise area contributed about INR19 crores. Higher return on equity as well as solar incentive in distribution license business has also contributed INR33 crores. The last contribution for the new acquisitions, which is the Daman and Diu, has contributed an additional INR100 crores during the course of current quarter.

The second reason is the improvement in distribution business was partially offset by lower contribution of INR19 crores from the gas-based power project. There are three reasons for the lower contribution in the gas-based power project. They are first, gas prices, which were elevated during the first nine months of the year, have gone down below \$10 per MMBtu, resulting in the lower profitability from trading of LNG during the quarter by INR30 crores compared to the corresponding quarter of last year.

Second, additionally, the contribution from long-term PPA were lower by INR23 crores during the quarter, resulting in the lower fuel savings, partially offset by lower O&M cost. Third, the depreciation charge was lower by INR37 crores for the gas-based power plant on account of one-time impairment charges incurred in Q4 of last year in DGen, and reduction in depreciation rate in SUGEN. The third reason is the renewable business of the company witnessed an increased contribution of INR25 crores.

So, moving on to the after-tax numbers, the consolidated profit after tax reported for the quarter is INR488 crores as compared to loss of INR484 crores in the corresponding quarter of last year, which is higher by INR972 crores. Last year, loss numbers increased debit on account of impairment charges in the quarter of INR1,300 crores and related reversal in deferred tax liability of INR372 crores. So net charges for the P&L was INR928 crores.

Adjusted for this impairment provision, PAT for the quarter stand at INR488 crores versus INR444 crores of corresponding quarter last year, which is higher by INR44 crores about 10%. Now moving into the operational performance of the company, distribution business witnessed a year-on-year improvement in the demand of about 6%.

P&L losses have also witnessed a marked improvement for FY23 across all locations, mainly due to the continuous focus on the loss reduction as well as recovery activities. This completes the overview of the quarterly financial as well as operating performance of the company. Now moving on to the – give you a update on the current projects which are under pipeline.

First, commission of 115 MW SECI-V project has been slightly delayed due to delay in construction of EHV lines due to factors beyond the control of the company and same is expected to get commissioned by end of June 23. Necessary application for extension of SOD has been also made to the SECI.

TPL 300 MW solar project, as informed in the last call, is set to commission by end of this fiscal '24. PPA for 300 MW SECI-12 wind project was executed in March 23. ETC contract for

development of the project has been awarded to Suzlon. SCOD date of the project is expected in March 25.

Moving on to the distribution segment, the company has made application for grant of parallel distribution license in various areas of Maharashtra including Thane and Palghar, Pune and Nagpur. MACD an incumbent licensee and will continue to remain as a licensee. Once the license is granted, it is expected to take 3 to 6 months' time. Consumer in this area will have option to choose any one of the licensees for the power supply. That's all for this quarter.

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

Moderator: The first question comes from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Good morning, sir. Congratulations on a very remarkable performance on distribution side of business. My first question is, can you please give us a break up of the revenue especially for Dadra and Nagar Haveli – Sorry Daman and Diu, revenues, EBITDA and profit for this fiscal?

Saurabh Mashruwala: For the full year, the revenue is about close to INR6,000 crores and MUs are about close to 10,000 MUs.

Mohit Kumar: Is there on the EBITDA and PAT, sir?

Saurabh Mashruwala: Profit as you see here is about INR100 crores per quarter. That is what we said in the conference call.

Mohit Kumar: For the year, sir? For the year, for the fiscal year?

Saurabh Mashruwala: 140, PBT.

Mohit Kumar: Understood, sir. My second question is on the breakup which you usually give for the EBITDA into the four segments. For the fiscal year, if you can give us that?

Saurabh Mashruwala: For the fiscal year, you can note it down. The gas-based power plant has made EBITDA INR1,500 crores against INR900 crores last year. Renewable is about INR850 crores against last year about INR650 crores. License distribution is close to about INR1,800 crores against INR1,438 crores last year. Franchise distribution is about INR1,030 crores against last year of INR760. And overall EBITDA is INR5,140 crores as against INR3,826 crores.

Mohit Kumar: Understood, sir. My third question is on the given that the gas prices have declined materially, how do you think about tying up the gas now?

Saurabh Mashruwala: You are right that the gas prices have declined substantially as compared with what we have witnessed in the Q1 and Q2 quarters. It is now sub \$10 available for MMBTU. And we expect if you look at the storage capacity in Europe, it has also started going up. So we expect the gas price will further come down somewhere around in the month of June, July kind of a thing. So then it will be right time at that point of time to tie up the further cargoes. So we are waiting still,

we are further waiting for the gas price to further fall, decline. And I think in a couple of months' time we will start tying up the cargoes. That is what our expectation is.

Mohit Kumar: How much is long term tie up as of now for FY24?

Saurabh Mashruwala: We have gas available from IOC and RIR relies on KGD6, which amount to about 25% requirement. And we have every next three years, we have three cargoes tie up for each of the years, which amount to about 20%. So about 45% to 50% tie up is already there.

Mohit Kumar: Understood, sir. Thank you. All the best.

Moderator: Thank you. Next question comes from the line of Rahul Modi from Nippon Asset Management. Please go ahead.

Rahul Modi: Good morning, sir. Thank you very much for taking this question and congratulations for a good set of numbers. I just wanted your medium term view on how we are progressing the various projects which are there under construction in renewables. And in terms of strategy going forward over the next probably three to four years in terms of renewables, whether we are looking at inorganic expansion or participating in BISP, CNI, all of that. Thank you.

Saurabh Mashruwala: Yes, see, our strategy is very clear. We want to focus more on the distribution as well as renewable segment and as well as transmission also. So focusing on we are willing, means in renewable side, yes, we have some 700 megawatt of projects in the pipeline. We are also actively looking at the inorganic acquisition as well as greenfield projects also. So plan is to, as we explained earlier also, the plan is to reach to about five gigawatt of capacity next three to five years' time.

So we'll continue to focus on the renewable segment. At the same time, we also will focus on the distribution also because they are core of our business, important business for us. And as we explained earlier also in the last call, we have participated in Maharashtra for a couple of locations, which will take some time. We have to wait about, there is some process involved with the regulator. So that will take about three to six months' time. So we will focus more on the distribution as well as renewable assets also.

Rahul Modi: So one question also I had on, you know, apparently we've been allotted some land for green hydrogen in Gujarat. Some thoughts on that, please?

Saurabh Mashruwala: Yes, it's the land we have allocated, a large piece of land is allocated. So we plan to set up a renewable project there also. So it will be various key projects and state discount projects for the renewable segment.

Rahul Modi: So this is not for green hydrogen, but for RE projects itself?

Saurabh Mashruwala: Yes, RE as well as green hydrogen, both.

Rahul Modi: So, but RE you will set up, will it be in tandem or you will first go in for, so this is just land. You will only start putting up capacities once you get PPAs or you win bids or, you know, likes and so forth?

- Saurabh Mashruwala:** Absolutely. Absolutely.
- Rahul Modi:** And how much, sir, how much land have we got in terms of megawattage? What can we put up there?
- Saurabh Mashruwala:** About 600, 6000 hectares we got in Gujarat. So it's a very large piece of land we got. So we'll develop the project as and when we tie up the PPAs.
- Rahul Modi:** So it's fair to assume that is primarily for solar and it will be what, 2,000 megawatts? 3,000 megawatts?
- Saurabh Mashruwala:** Yes, about 3,000 megawatts.
- Rahul Modi:** Okay. And that will be solar?
- Saurabh Mashruwala:** Solar and wind both, it's a hybrid kind of approach.
- Rahul Modi:** Okay. Okay. Sure, sir. Thank you. Thank you.
- Moderator:** Thank you. Next question comes from the line of Mohit Kumar from ICICI Securities. Please go ahead.
- Mohit Kumar:** Yes, sir. My question was, sir, how much of, what is the consideration for the land which you have got from Gujarat?
- Saurabh Mashruwala:** 6,000 hectares.
- Mohit Kumar:** No, sir, consideration for the land, how much you need to pay, per annum basis or it was an upfront number?
- Saurabh Mashruwala:** I don't have the numbers right now. We can give offline.
- Mohit Kumar:** Understood, sir. Thank you, sir. That was the question.
- Moderator:** Thank you. Next question comes from the line of Amit Bhide from Morgan Stanley. Please go ahead.
- Amit Bhide:** Hello, sir. Good morning. I just wanted to understand what's happening on the gas EBITDA. Last year the gas EBITDA was around INR462 crores for the quarter. Right now, as you said, it's 15,000 for the year. Removing the RLNG gains, it hardly comes out to be INR213 crores for the quarter. So what exactly is the difference between last year 462 and 213 this year on the gas waste land? The thermal plants, totally, gas waste coal. So have you earned lower incentives? What has changed by the way?
- Saurabh Mashruwala:** So as we give the last year, full year gas EBITDA was out INR1,500 crores compared to INR900 crores this year. And the Q4, if you look at the numbers, we made EBITDA about INR200 crores in gas waste power projects compared to 282 crores last year. Yes, gas EBITDA is lower for the current quarter.

- Amit Bhide:** So what are the reasons for this change? Can you just highlight it?
- Saurabh Mashruwala:** ELF is low. Profit from the gas is also low as compared with the Q4 of last year.
- Amit Bhide:** But then I guess you mentioned that there's minimal gain on RLNG this time. I guess it is that last time it was INR50 crores. And this time, as you mentioned, there's a difference of 30?
- Saurabh Mashruwala:** So this quarter is lower by INR30 crores.
- Amit Bhide:** Last year Q4, I think it was INR50 crores. INR30 crores lower. So it is only INR20 crores this time. So that explains?
- Saurabh Mashruwala:** Last quarter it was INR120 crores. This quarter it is about INR90 crores.
- Amit Bhide:** OK, still 282 and 200 difference, INR82 crores of that 30 is explained. Remaining 52?
- Saurabh Mashruwala:** Remaining 52 will be the lower fuel gain, about INR25 crores because of lower generation.
- Amit Bhide:** Right. Got it. That was my question. Thank you.
- Moderator:** Thank you. Next question comes from the line of Bharani Vijay Kumar from Spark Capital. Please go ahead.
- Bharani Vijay Kumar:** So I just want to know the EBITDA contribution from RLNG scale for the full year FY23.
- Saurabh Mashruwala:** It was about close to INR7 crores to INR8 crores for the full year.
- Bharani Vijay Kumar:** INR7 crores-INR8 crores. OK. And just to reconfirm the yearly EBITDA number, renewables you said 850 crores this year versus INR650 crores last year, right? EBITDA from renewables, INR850 crores this year versus INR650 crores last year.
- Saurabh Mashruwala:** INR850 crores versus INR662 crores last year, yes.
- Bharani Vijay Kumar:** And license distribution, INR1,800 crores versus INR1,238 crores last year. Is that right?
- Saurabh Mashruwala:** INR1,800 crores versus INR1,400 crores. INR1,438 crores last year.
- Bharani Vijay Kumar:** Okay, sir. And coming to this gas that we are – sorry, gas power that we are supplying during this summer peak from say – so which are the plants from which we are supplying? And of course, the tariff is in the public domain, but how much would be the contribution on a per unit basis?
- Saurabh Mashruwala:** The contribution – see, we are supplying from our DGN Power Project as well as CIGEN Power Project. And we will come back on the contribution thing then later on offline. We do not have numbers right now.
- Bharani Vijay Kumar:** No problem. So, this will be happening only for the three-month period, right?
- Saurabh Mashruwala:** Up to June 15, I would say.

- Bharani Vijay Kumar:** Okay. Any likelihood that it will be extended?
- Saurabh Mashruwala:** It all depends on the summer, how the summer is going on. So how is the demand working out going forward? It all depends on the demand as well as demand supply situations.
- Bharani Vijay Kumar:** Okay, sir. Thank you so much. All the best.
- Moderator:** Thank you. Next question comes from the line of Nikhil from Allianz Bernstein. Please go ahead.
- Nikhil:** Yes, thank you for the opportunity. My first question is on the distribution opportunities being explored in Maharashtra. Would it be possible for you to share some more color on that? Is the infra owned by the incumbent and the PPAs? Are they transferred? Are they not transferred? How does this work?
- Saurabh Mashruwala:** Maharashtra distribution, you are saying?
- Nikhil:** Yes, the opportunity in Maharashtra, you said in distribution?
- Saurabh Mashruwala:** Yes, it's too early to talk about, we have applied for the couple of areas, so regulator is evaluating our applications. It requires some process at the regulated end, so it requires about three to six months' time. Once we have some visibility on these applications, so we will update once, it is a process basically, regulators are undertaking the process, so it requires about 3 to 6 minutes time.
- Rishi shah:** So just to add what Saurabh Bhai told, it would be a parallel license, so we are supposed to build up our own network and source our own power. So there will not be any sharing of PPA or usage of any network. Even if we will have to use, it will have to be as per the willing charges what we'll have to pay. Effectively, it's a parallel license, a second license.
- Nikhil:** Oh, that's helpful. Thank you. A related question on the same front on a competitive distribution model, government has been working for a long time. Any further progress you have seen from a government perspective on it? I mean they have been trying to update the act, but any progress that you have heard on beyond?
- Rishi Shah:** I think government will be putting up in the coming session of parliament, nothing more than that.
- Nikhil:** Understood. And one last question on the renewable opportunities, there was this press news I think early this year on Torrent exploring acquiring assets from Renew Power. Are those discussions still ongoing, possible to share any views on those?
- Saurabh Mashruwala:** Still under evaluation, there is no concrete, there is no firm answer on this, but it is still under evaluation right now.
- Nikhil:** Correct. Thank you so much. That's all.
- Moderator:** Thank you. Next question comes from the line of Harsh Dole from IIFL. Please go ahead.

Harsh Dole: Thanks, Saurabh bhai, Rishi bhai. I had actually quite a few questions. First is with regards to our Ahmedabad and Surat circle, I believe there has not been any tariff increase. In that case, how do we intend to earn the incremental ROE towards the capex that we have done or planning to do? That's point number one. Point number two was I heard that we have made almost 140 crores of PBT in the DNH circle. That's almost 14% ROE on a full year basis. Any one-offs in that particular circle? Third was we heard in news that you are likely to bid for the coal-based plant of SKS in terms of acquiring it at NCLT. Any U-turn in terms of our strategy of not putting up additional capital for generation?

Saurabh Mashruwala: The first question about the distribution, Ahmedabad and Surat distribution. So yes, tariff hike is not given, but the regulator always passes on the tariff, fuel costs and power purchase costs increased by FPPPA. On a regular basis, we are getting the increase in terms of FPPPA. So that is available to us on a regular basis, on a quarterly basis, I would say. Second question is on the Daman and Diu, we made 140 crores PBT.

There are no one-offs. It is fully from the distribution activities only. And mainly coming out of the saving in O&M as well as the T&D losses, reduction in T&D losses and as well as the return on equity also. So the third question is SKS. On SKS, yes, we have bid for SKS. We have participated in the bidding. So there are four players currently in the race. So our Torrent power, Jindal Steel Power, Vantage Point and the Sharda Energy. Four bidders are there.

As per our understanding, the bidders are very close right now. And as per our information, the lenders are, there are two lenders. BOB is the lead lender and SBI is the second lender. And currently the resolution plan, everybody, all bidders have provided the signed resolution plan. And currently the voting is being done on the plans by the lenders.

Rishi Shah: So just to add what Saurabh said on the first question, I think your question was more on the capital cost. So effectively what happens is, though tariff has not been increased, regulator has allowed capitalization which we have asked for. It effectively happens that your volume also increases on a year-on-year basis.

So as per what we have, the capex which is done and what they have allowed, there is no requirement of increasing the fixed charge because of capitalization, because the units are also increasing. So effectively we are getting the pass-through of the fixed cost on the capex which we have done and there is no reason for the regulator to increase the tariff because of that.

Harshvardhan Dole: Clear, very clear. Thank you. I'm quite pleased to see, in the very first year of taking over DNH, we have managed to swing it around and get almost 14% ROE. Now how sustainable is this and what kind of growth in this number should we model going forward because when we started off, it was perceived that the base is significantly low and therefore the concerns emerged that we have overpaid for the asset. So how have you been able to turn this around and swing this kind of profitability? Thank you.

Saurabh Mashruwala: So we have worked around the distributed distribution network. Distribution loss in the first year itself is 1.59%, which is significantly lower than the normative one. And our view is that it's

sustainable. This kind of a number is sustainable going forward also because of our work on the distribution reduction and distribution losses. And O&M expense is also well under control.

Rishi Shah: Just to add, Harsh, is that basically it's an industrial area. So effectively if I benchmark it with our industrial area, which is the Dahej SEZ, we are working at 0.5% T&D losses. So effectively there is still headroom available for us to reduce the T&D losses. But on the other side, regulator may also keep on changing the normative norms.

So both put together, we feel that these are sustainable numbers and going forward there will also be some element of capex which we'll be putting in, which will give us incremental ROE on that capex. So as far as current numbers are concerned, we feel that they are sustainable over a period of time.

Moderator: Thank you. Next question comes from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: Good morning, sir. I've got two questions. You just heard about the SKS facility that we are trying to acquire. So does this facility have any power types and if not, how do you intend to use this power plant?

Saurabh Mashruwala: So it has a PPA of about 200 megawatts and for merchant market is very good. We can use it our own distribution and we can sell in the merchant market also.

Nikhil Abhyankar: So you don't intend to tie it up with PPAs?

Saurabh Mashruwala: We are going to do it. Once we win the bid, yes, we are going to tie it up in the long term basis.

Nikhil Abhyankar: Okay. And so can you give us the breakup of capital expense for FY '24 and also a guidance for FY '24?

Saurabh Mashruwala: So for full year distribution, capex was about close to INR1,800 crores and franchise distribution is about INR250 crores. So distribution put together is about, all capex put together is about INR2,000 crores. Same guidance we will maintain for the next year also. INR2,000 crores capex we are maintaining. Out of INR1,700 crores is the license distribution and about INR250 crores to INR300 crores is the franchise distribution area.

Nikhil Abhyankar: Okay. And so for the Daman license area, do we have any long term tie-ups for any power plant and do we procure any short term power as well?

Saurabh Mashruwala: Daman and Diu area? Yes, they have some tie-up with NTPC. So some for long term tie-up and balance power they are procuring from the open, on a bilateral basis.

Rishi Shah: Bilateral as well as from exchange also.

Nikhil Abhyankar: Quantify for long-term time?

- Management:** It also has some short term tie-ups which effectively comes from central utilities from the likes of nuclear power corporation and other central utilities wherein they sell on a short term basis to DD&DNH. So this would be the whole mix of power purchase arrangement in DD&DNH.
- Nikhil Abhyankar:** So can you just give us the breakup of long term and short term? How much you procure?
- Rishi Shah:** Sure. We do not have numbers as of now. We will give it to you offline.
- Nikhil Abhyankar:** Just in percentage ballpark figure. No problem.
- Rishi Shah:** We will get to you offline.
- Moderator:** Thank you. Next question comes from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Good morning, sir. Thank you for taking my question. My first question would be on EBITDA. Can you please give us the breakup of EBITDA for the fourth quarter?
- Saurabh Mashruwala:** So fourth quarter EBITDA gas price per object was for current quarter is INR207 crores versus INR282 crores. Renewable is about INR200 crores versus INR150 crores last year. License distribution is about INR535 versus INR421 crores last year. Franchisee about INR235 crores versus INR167 crores last year. And overall EBITDA is about INR1,200 crores versus INR1,088 crores last year.
- Jiten Rushi:** Sir, what would be from the new distribution franchise of the Dadra and Nagar EBITDA for Q4?
- Saurabh Mashruwala:** EBITDA for Q4.
- Jiten Rushi:** Sir you said PBT is INR140 crores for the full year, right?
- Saurabh Mashruwala:** Yes, but we have a combined number. So I'm just looking at the break up. We will give it to you offline. We don't have the currently breakup of the EBITDA. We have a constant number of license distribution.
- Jiten Rushi:** So basically, sir, in the gas business, you said INR90 crores is from the trading gains this year - this quarter?
- Saurabh Mashruwala:** INR30 crores. Lower trading gain was lower by INR30 crores.
- Jiten Rushi:** So how much is the actual trading gain in Q4?
- Saurabh Mashruwala:** INR90 crores.
- Jiten Rushi:** INR90 crores.
- Saurabh Mashruwala:** Yes, that is INR90 crores. And last year it was INR120 crores.
- Jiten Rushi:** Last year same. I'm sorry, in Q3 it was like almost INR397 crores?
- Saurabh Mashruwala:** Sorry, come again?

- Jiten Rushi:** Last quarter Q3 it was INR397 crores and this quarter is INR90 crores. And full year you said INR780 crores -- INR700 crores?
- Saurabh Mashruwala:** So coming to the EBITDA number of Q4, of Daman and Diu, it is about INR107 crores for Daman and Diu, Q4 number. And full year is about INR173 crores.
- Jiten Rushi:** So these are sustainable numbers?
- Saurabh Mashruwala:** Yes.
- Jiten Rushi:** Sir, the interest cost has also gone down this quarter. For any reason, because the debt level does not change?
- Saurabh Mashruwala:** It has gone up in fact. It has gone up. It has gone up.
- Jiten Rushi:** Q4 it is INR189 crores while in Q3 it was INR220 crores. I'm asking about sequential decrease in interest cost?
- Saurabh Mashruwala:** So the debt level has gone up by almost INR1700 crores.
- Jiten Rushi:** Sir, this is a sequential number. No, no, this is a sequential number, not the yearly number. That's what I'm asking.
- Saurabh Mashruwala:** Yes, we'll come back to you on that. Thank you.
- Moderator:** Next question comes from the line of Aniket Mittal from SBI Mutual Funds. Please go ahead.
- Aniket Mittal:** Yes, thank you for the opportunity. A few questions. So firstly on the distribution franchise, I think for Bhiwandi and Agra we've seen a very sharp reduction this year. T&D losses over there are sub 10% levels. So going forward, how do you look at these numbers in terms of the loss reduction from year on and where do you think this can settle down?
- Saurabh Mashruwala:** See, every year you can see the numbers are coming down. So same plan, not in the same direction, but same proportion I would say, but it will continue. So it is coming to the sub 10 numbers and if you look at the Bhiwandi – Ahmedabad and Surat kind of area, it's a five. So we expect that the loss reduction will further will be there going forward also, maybe not in the same proportion what we have achieved so far, but 0.50% to point 0.75% reduction we can assume going forward for a couple of years.
- Aniket Mittal:** And similarly for SMK, because over the past two years we've seen a very sharp reduction from 45 now coming to 33. How would that trajectory look like?
- Saurabh Mashruwala:** That will going to happen. Every year we expect a 4% to 5% reduction in SMK T&D losses also. Same plan will continue for going forward also for SMK.
- Aniket Mittal:** Just one last question, for the 715 megawatts of renewables that we have under construction, what is the total capex for that and how much of that have we already incurred?

- Rishi Shah:** So I think the total capex would be around INR5,000 crores for 715 megawatts, out of which 115 megawatts we are expected to commission by June end of this year, for which a majority of the capex has already been spent. As far as another 600 megawatts is concerned, the SCODs are 2024 and 2025. So significant work is yet to be done. So I'll say out of INR5,000 crores, around INR800 crores to INR1,000 crores would have been spent as of now and majority spent will happen in next two years.
- Moderator:** Thank you. Next question comes from the line of Subhadip Mitra from Nuvama. Please go ahead.
- Subhadip Mitra:** Good morning and thank you for the opportunity. My questions are, more on, focusing on how do you see the future growth panning out in terms of new areas and apologize if we've already answered these questions, I joined a little bit late. So firstly, in terms of the renewable side, I mean, with more bidding expected to happen over the current year and beyond, is there a revised target in terms of, how much you plan to win? Or are there any, targets in terms of new acquisitions, etcetera?
- Saurabh Mashruwala:** For say, there is no revised target to win, but our goal is to reach about 5 gigawatt in next 3 to 5 years' time. And we explore various opportunity in greenfield area as well as inorganically also. So we don't have target for the year, but yes, the medium term target is about to reach 5 gigawatt in next 3 to 5 years' time.
- Rishi Shah:** Also we have to be take into consideration that these targets are not sacrosanct . It will depend on whether we are able to get better returns from these projects.
- Subhadip Mitra:** Understood. Secondly, in terms of the C&I or the corporate PPA market, which has been opening up over the last 12 to 18 months, any plans on that side?
- Saurabh Mashruwala:** So we are actively in fact working on it. Currently we executed about 20 megawatt PPAs. And going forward, this is the area where we will actively work on it.
- Subhadip Mitra:** Okay. With regard to the fusion plant and the open capacity over there, are there any thoughts on, at what gas prices do you actually see possibility of having longer term PPAs signed?
- Saurabh Mashruwala:** So longer term PPA looks difficult because generally the current trend is to have a short term PPA. So the about \$6, \$7 kind of a gas available, I think it's powerfully more affordable to sell in the short term markets.
- Rishi Shah:** And Subhadip, again, if you want to have a long term PPA, it would be a fixed cost or a fixed tariff PPA, which would be difficult for us to enter into because I will not be able to hedge my gas prices in terms of price. So doing a long term PPA would be slightly riskier for us if it is a fixed tariff PPA for a gas based power plant.
- Subhadip Mitra:** Understood. Lastly, in terms of the distribution business, do you see any near-term opportunities there or is it that we need, Electricity Act amendments to come in before this area opens up?

- Saurabh Mashruwala:** We have, as you know, have applied for the parallel license in Maharashtra. So that opportunity is always available. So we don't have to wait for the Electricity Act to be amended. So opportunity is always available for the second licensing and we are exploring those opportunities in Maharashtra also as well as in Gujarat also.
- Subhadip Mitra:** So for the Maharashtra parallel license, is there any movement on that front or an expectation that this can get awarded anytime soon?
- Saurabh Mashruwala:** So it's a regulatory process, requires some time for the regulator also to consider our application. So expect next three to six months we have some visibility on this front.
- Moderator:** Thank you. Next question comes from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Yes. Good morning. Thanks for the opportunity. My first question is what is the total regulatory asset at the end of FY '23 in your distribution license business and how has the figure moved from FY '22?
- Saurabh Mashruwala:** So regulatory asset as of March '23 will be about close to about INR1,900 crores, which is accounted for. And there are some dispute going on with the regulators on a particular carrying cost, which is about close to about INR650 crores.
- Sumit Kishore:** So INR650 crores is not part of INR1,900 crores?
- Saurabh Mashruwala:** No, it is not part of INR1,900 crores.
- Sumit Kishore:** 1,900 crores is part of your balance sheet. What was this number last year?
- Saurabh Mashruwala:** Yes.
- Sumit Kishore:** What was this number in FY'23?
- Saurabh Mashruwala:** Number was about INR1,300 crores.
- Sumit Kishore:** Okay. The increase has been driven mainly by Ahmedabad?
- Saurabh Mashruwala:** Ahmedabad as well as Surat.
- Sumit Kishore:** Okay. So based on your assessment of how regulatory orders may pan out, do you see this figure further increasing in FY '24?
- Saurabh Mashruwala:** I think it should not increase if you look at the prices right now, be it of gas or for merchant markets. We feel that this figure should not increase because essentially this increase is mainly because of last year there was merchant prices were very high, because of which the numbers have been elevated.
- Going forward, if prices remain at these levels, we expect that there should be some reduction in the regulatory asset. Just to remind you that this again will carry the carrying cost. So

effectively there is no impact on the P&L per se. Just about the cash flow mismatch which happens here.

Sumit Kishore: Okay, just to understand this better, how much carrying cost are you recognizing right now as a percentage of the regulatory asset?

Saurabh Mashruwala: So as per the norms, it is SBI one year MCLR.

Sumit Kishore: SBI one year MCLR. And in the increase in regulatory asset, how much was driven because of carrying costs? So INR1,300 crores going to INR1,900 crores, how much was because of carrying costs?

Saurabh Mashruwala: On a ballpark number, it will be around INR100 crores to INR150 crores, but I will get back to you with the exact numbers.

Sumit Kishore: Sure, my second question is on the other end, Nagar Haveli distribution business there. The INR140 crores PBT, how much of the PBT is coming from wind and cost savings and other incentives because of T&D loss reduction and how much is on account of ROE?

Saurabh Mashruwala: So I mean, we will not be able to give you the exact numbers. I will try to give you the ballpark. So as far as regulatory equity is concerned, it is around INR150 crores as of now, on which 15% or 15.5% is available. As far as T&D is concerned, normative is around 4%, 4.5% against which we have recorded 1.6%. So that savings are available and for O&M we will have to give it to you offline. We do not have that number as of now.

Sumit Kishore: So this is the, we can make our assumptions. Thank you.

Moderator: Thank you. Next question comes from the line of Anuj Upadhyay from Investec. Please go ahead.

Anuj Upadhyay: Yes, hi. Thanks for the opportunity. Just two questions. One is a confirmation on the console capex for FY '24. You mentioned on a distribution front it could be close to INR3,000 crores-plus, we have another INR4,000-odd crores to be spent on renewables. So would it be fair to assume a near about INR4,000 crores for console capex for both FY '24 and FY '25?

Saurabh Mashruwala: INR4,000 crores for renewable capex will happen over a period of two years' time.

Anuj Upadhyay: Right. So INR2,000 crores on distribution and INR2,000 crores on renewables. So would it be fair to assume?

Saurabh Mashruwala: So I will say, INR2,000 crores of distribution capex, FY '24, it would be INR2,000 crores. Going forward then it will slightly taper off for FY '25 and going forward.

Anuj Upadhyay: Okay. And secondly, any plan to venture into new business segments, say like, battery storage or pump hypo storage? There was news hovering earlier that we are also aiming to venture into the PSP segment. So any confirmation or anything which you want to elaborate on this?

- Saurabh Mashruwala:** We are working on it, but it is at a very initial stage to talk about all these new areas. So as far as pump hydro and battery storage are concerned, we are working on that but it would be too premature to comment anything on that. As far as new segments being adding up, I think we touched upon C&I as a new segment which we are now started working on and wherein we have tied up 20 megawatts and we will improve on it going forward.
- Anuj Upadhyay:** Okay. Any internal targets, or what scale you want to reach up to?
- Saurabh Mashruwala:** Generally, we do not give targets. But we have a target of reaching to our 5 gigawatt in next three to five years' time.
- Anuj Upadhyay:** No, no. This is about C&I, sir. For C&I, I am asking.
- Saurabh Mashruwala:** No, sir. No separate target for C&I.
- Anuj Upadhyay:** Okay. That is it. Thanks a lot.
- Moderator:** Thank you. Next question comes from the line of Devam Modi from Ardeko. Please go ahead.
- Devam Modi:** Thank you, sir, for the opportunity. Just wanted to check that are we exploring any opportunity to sell renewable power in the group captive arrangement? And there are several small companies we think have been set up subsidiaries have been set up under Torrent Power, so is there any angle of group captive sale and with renewable power and what is the purpose of setting up those companies?
- Saurabh Mashruwala:** So as we discussed, C&I projects are basically for group captive projects, and the subsidiaries which have been set up are mainly for C&I projects or you can say, group captive projects.
- Devam Modi:** So what is the kind of volume we are targeting over there?
- Saurabh Mashruwala:** As I said, we do not give any targets per se. Currently, we have 20 megawatts and we hope to have a larger pool of C&I projects but we will not be able to give any targets per se.
- Devam Modi:** Sure and what is the -- I mean generally there has been a thought process which has been running in the last few years that as renewable power increases in the grid there will be a need to balance it with gas-based power but that has not happened so much till now at least as per our awareness. So if you can just highlight if that angle can come in at some point of time and what is the possibility of bundling gas-based power with renewable and providing let's say, more holistic quality power?
- Saurabh Mashruwala:** I think that's a long-term question which needs to be answered. I think there are two approaches here. One is bundling gas-based power plant with renewable and providing an RTC power or having a battery storage and giving an RTC power. So it is too premature right now to say, which technology or which approach would be going forward. But India has 24 gigawatts of gas-based power plants, which can be effectively utilized for managing the intermittency of the grid. Now how it will be utilized right now, there is no clarity on that.

- Devam Modi:** Okay, sure. And finally, just what is the further -- I understand, we have announced some acquisitions. These are in solar and wind. These are not part of the current capacities which are being commissioned or which are already set up. So what is that quantum which is going to come in and what is the payout that will happen towards the grid?
- Saurabh Mashruwala:** So new acquisitions whatever we announced were in last year, so no new acquisitions we have announced.
- Devam Modi:** So those acquisitions which you announced are already part of the current pay?
- Saurabh Mashruwala:** Yes, absolutely. It was three acquisitions we did in the last year and one acquisition we did in the Q1 of the current year. So these are our acquisitions factor in the current numbers.
- Devam Modi:** Okay, sure. That's it from my side. Thank you.
- Moderator:** Thank you. Next question comes from the line of Bhavin Vithlani from SBI Mutual Funds. Please go ahead.
- Bhavin Vithlani:** Yes, thank you for the opportunity and congratulations for good numbers. So a couple of questions. Pardon me, if this has been repeated. What is the capex that we are now expecting in the newly acquired distribution license in DNH?
- Saurabh Mashruwala:** So DNH we plan to incur about at least INR500 crores capex in next couple of years, three to five years I would say. So that is what the plan is.
- Bhavin Vithlani:** So INR500 crores per annum or INR500 crores cumulatively?
- Rishi Shah:** No, no cumulative capex. See it's not that large an area. So capex numbers would not be that large in this area. Also, starting would be higher numbers of capex and then it will go down. As Saurabh said, INR500 crores would be spent over a period of three to five years on a cumulative basis. But for the near term it would be higher and it will gradually go down.
- Bhavin Vithlani:** Okay and what is the kind of capex that we should be expecting in Ahmedabad and Surat after '25 onwards?
- Saurabh Mashruwala:** After '25 onwards I think, we should consider about INR750 crores to INR1,000 crores capex in Ahmedabad and Surat.
- Bhavin Vithlani:** Okay. Just a last question. When you look at the PLFs of wind and especially they have been trending down. So I'm referring to slide 22 at the bottom left chart. From 30% in 2019 they have come down to 24%. If you could give some more color on this and if I am correct, the underlying assumption is a 35% PLF for the newly constructed assets.
- Saurabh Mashruwala:** No I think last couple of years wind has shown a reduction in the PLF because of the wind resource not being so robust. But I think, we are now seeing it is improving and we are hopeful that it should improve in next couple of years.

- Bhavin Vithlani:** So at what level you make a 12% IRR in the newly constructed assets? So what is the assumption of PLF?
- Saurabh Mashruwala:** Okay, so I think it will depend on site-to-site. When you say newly constructed asset, we are working on 115 megawatt which is expected to get commissioned in June of this year. So next month basically. That is with PLF assumptions would be around 35% to 40%.
- Bhavin Vithlani:** Okay sure. Thank you so much for taking my questions.
- Moderator:** Thank you. Next question comes from the line of Riya Mehta from Aequitas Investment.
- Riya Mehta:** Thank you for giving me an opportunity. My first question is regarding the falling gas prices. How do we stand to benefit from this and from when?
- Saurabh Mashruwala:** Falling gas price will help us to buy more gas for our gas power project, which is supplying gas to our own distribution area. So we don't have referred to the outside power purchase and distribution will help our distribution area to lower the overall power -- overall basket of power purchase and which will help to recover -- the even regulatory assets also.
- Riya Mehta:** So we would see this impact coming from next quarter and by how much quantum would this impact?
- Saurabh Mashruwala:** So I think, as far as profitability is concerned, the incremental profitability comes from merchant power from the gas based power plants. Now typically in India, we -- H1 is the, has the highest volumes or demand for the power is concerned. This year we may not see a major improvement in the merchant selling because of high gas prices from our gas-based power plants. Going forward, we expect that gas price will soften further, wherein we would want to tie-up on a long term basis or at least for a medium term basis for our own distribution requirements, which will help us to reduce our overall cost of supplying power to Ahmedabad, Surat and our own license distribution areas. And that will help us to reduce our regulatory assets.
- So as far as profitability is concerned, it does not impact our profitability because variable cost is a pass through for us. But it will help us to lower the cost of power which will in turn help us to recover the regulatory assets which have been built up last year.
- Riya Mehta:** Right. So as far as the merchant power is concerned, this year we won't get the benefit in H1 but next year maybe because of low gas prices and the potential agreements which we would get into, we would help it in maybe FY '25 H1.
- Saurabh Mashruwala:** I think, it is too early to comment because all these long term prices are variable price contracts, they are not fixed price contracts. So again, next year we will have to see what is the situation as far as price of gas is concerned and what is the merchant prices which are available. So it is a very opportunistic play and you will not be able to give a guidance on it.
- Riya Mehta:** Why would we not be able to procure lower gas prices for the current H1?

Saurabh Mashruwala: Because prices were higher. So effectively it takes one month for you to procure gas. Even if you order it now, it will take 15 days to 30 days depending on where the cargo is to get that LNG and then you don't know what would be the merchant prices one month down the line.

Riya Mehta: Okay. Got it. Thank you so much for your elaborate answer.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Saurabh Mashruwala: Thank you very much for joining Torrent Power's earnings call. So we wish everybody to stay safe and healthy. Thank you so much. We meet once again in the next quarter. 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.