



“Torrent Power Limited  
Q3 FY2022 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY2022 Earnings Conference Call of Torrent Power Limited hosted by IIFL Securities 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. Harshvardhan Dole from IIFL Securities Limited. Thank you and over to you Sir!

**Harshvardhan Dole:** Thank you Sean. Greetings everyone. On behalf of IIFL Securities, I welcome you all for the Q3 FY2022 earnings call of Torrent Power. Firstly, I would like to congratulate the management for good performance and notably stepping up the dividend payout, thank you very much, Sir. Today to discuss the results in detail and share the performance outlook, we have the senior management team of Torrent Power represented by Mr. Saurabh Mashruwala, VP, Finance, Mr. Rishi Shah, GM Finance and Mr. Jayprakash Khanwani, AGM, Finance. I would now hand over the call to Saurabh Bhai for initial comments post which the floor will be opened for Q&A. Over to you, Sir!

**Saurabh Mashruwala:** Good morning to all of you and thank you for joining the earnings call of Torrent Power for Q3 FY2022. First, I will take you through the performance for the quarter after which phone lines will be open for Q&A session. I will explain the performance of the quarter at PBT level first and thereafter discuss the tax expenses separately. Reported PBT for the quarter stood at 509 Crores as compared to 399 Crores in corresponding quarter last year with the increase of about 110 Crores about 28% on a reported basis. There were no one off items during the course of the current quarter, but you would recollect the reported PBT of corresponding quarter of last year was carrying two one off items.

First, there was a reversal of provision of doubtful debt in franchise distribution businesses of about 31 Crores due to better collection efficiency and increased vigilance activity during corresponding quarter last year and second there was net reversal of about 5 Crores against the fuel cost. All put together net non-recurring credit was about 36 Crores for Q3 FY 2021. Adjusted for these one-offs, PBT for the quarter stood at 509 Crores compared to 363 Crores in the comparable quarter last year, which is higher by about 146 Crores of about 40% increase. The improvements of operating profit is mainly coming from three reasons.

There are four factors contributing to a gain of about 85 Crores for gas power plants. First a gain from sale of LNG of 107 Crores, since LNG prices were elevated during the quarter, it made commercial sense to sell LNG instead of converting into electricity. Second is, higher profitability from the merchant power business of about 37 Crores. Wherein we sold 66 MUs at the contribution of Rs.6.70, which has earned about 44 Crores of merchant gains against 48 MUs for comparable quarter of last year at contribution of 1.40 and we made 7 Crores, the differential gain about 37 Crores is made during the course of this quarter.

We either sell LNG or merchant power, which is interchangeable so during the course of this quarter we sold both. The gains were partially offset by reduction in contribution of about 9 Crores. This was on an account of lower fuel savings due to lower PLFs which is partially offset by the reduction in routine O&M spends further, O&M expenses increased by about 50 Crores for scheduled major maintenance which we generally carry out every 3 years and there are fixed cost recovery. So in summary due to above factors gas power plants profitability improved by about 85 Crores on net basis.

Moving to the performance of a distribution business, pursuant to restoration of industrial demand which was impacted last year due to COVID-19., there was a reduction in T&D losses resulting in a gain of about 19 Crores. Third item is reduction in finance cost for the quarter about 33 Crores due to lower rate of interest and reduction average cost of average debt for the quarter. The interest was lower by about 20 basis point during the course of the quarter as comparable similar quarter last year. Debt as on December 31, 2021 was lower at 7528 Crores as compared to 8374 Crores as on 31<sup>st</sup> December 2020, which is lower by about 850 Crores. On the operative performance of the quarter distribution business witnessed normalization in demand with increase of about 4% on a year-on-year basis due to opening of industrial as well commercial units after COVID-19 second wave. Demand of Q3 2022 witnessed about 2% increase over the p pre-COVID period and a year as a whole is expected to end with a demand rising to the pre-COVID level of FY2020. Moving on to the PAT numbers, PAT reported for the quarter is 369 Crores as compared to 320 Crores reported in corresponding quarter last year, this is higher about 59 Crores of about 15%. This completes the overview of the quarter financial and operating performance of the company.

Now I will move on to the update on the current projects under pipelines. First, 115 megawatt of SECI 5 project has received an extension in SCOD from February 2022 to September 2022, so we got some additional time for the commissioning. EPC contract has already been awarded and the project will be commissioned during course of FY2023. Second, SCOD of 100 megawatt GUVNL project got extended up to October 2022 from July 2022, so here also we got some additional time to commission the project.

Third, SCOD 300 megawatt TPLD project is also extended up to December 2022 from November 2022. The bidding process 100 megawatt AP project wherein we were L1 was cancelled. We expect to take over license distribution business of union territory of Daman and Diu, as informed in the last call the restriction imposed by the Mumbai High Court on tender process has been vacated by the Supreme Court. And accordingly Union Cabinet on November 24, 2021 has approved the formation of a Company to prioritize the distribution business of Daman and Diu in sale of equity shares to newly formed company, the highest bidder that is Torrent Power. The last one is acquisition transaction executed with CESC and Lightsource is expected to be completed in the course of Q4. That is all for the quarter. Now, I would request coordinator to open the line for Q&A session. We wish everybody to stay safe and healthy. Thank you so much.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.

**Aniket Mittal:** Thank you for the opportunity. Just a few questions on the gas based portfolio, I think we had even that side till December 2021, but used that more on LNG trading and merchant rather on the long-term period, so if you could just highlight your strategy going forward on this front and how are we placed in terms gas supplies for the coming fiscal year that would be helpful?

**Saurabh Mashruwala:** Thank you, Aniket. We have existing tie-ups with IOCL and Reliance which is meeting about 25% or 30% of requirement of SUGEN and UNOSUGEN plants as of now. And for balance we are contracting short term to medium term LNG from the international market. We floated tenders for 5 years from calendar year 2022 to 2026. It is a 34 cargo tender out of which we have contracted so far 3 cargoes each for a 2023 to 2026, which we will cover about another 25% of the requirement from calendar year 2023 to 2026. The total of all put together this would cover 50% of the requirement. As far as current financial year is concerned, we are waiting since the gas prices are elevated at the moment. Though it has cooled down, as it was hovering about \$38 last quarter and now has come down to about \$22, we expect that post winter the price will come down further. That is also what we heard that Russia has also started supplying more quantity to Europe, which has impacted the current price of LNG in the international market. So post winter we expect the price of gas to come down and then we will contract the gas for the next fiscal year. That is what the current position as far as gas is concerned.

**Aniket Mittal:** Sir, just to understand the impact of the lower PLF on this quarter, I think you mentioned the number of 9 Crores so that 9 Crores pertains to only the efficiency saving, is that understanding correct?

**Saurabh Mashruwala:** Yes, it is efficiency saving. Lower PLF mean lower O&M cost, So it will compensate fuel gain loss, so 9 Crores net of fuel gain which we have lost and it is compensated by the lower O&M cost.

**Aniket Mittal:** Sir, what would be the component for the loss of efficiency if you could just highlight that too for the quarter?

**Saurabh Mashruwala:** As of now I do not have that breakup, but the net impact is about 9 Crores for the quarter.

**Aniket Mittal:** Understood, no sort of impact because of fuel availability or tie-up not being there on a fixed charged that we foresee?

**Saurabh Mashruwala:** Not at this moment.

**Aniket Mittal:** Just one last question, sort of heading into Q4 if I look at the data for January, our SUGEN plant is operating at a PLF of 25% and UNOSUGEN is largely shut, would you say that this is the fair representation of our current supply or I will put it another way, till the time let us say gas prices remain

elevated and we are unable to tie supply, is it fair to assume that SUGEN is operated to 25% PLF and UNOSUGEN would largely be shut?

**Saurabh Mashruwala:** for the time being, yes, because we have to source gas for the next fiscal, which we expect that post winter the price will be minimal I would say, so we will start tie-up gas in the next fiscal.

**Aniket Mittal:** So until that time this would largely be the PLF?

**Saurabh Mashruwala:** Yes.

**Aniket Mittal:** Thank you so much for taking my questions and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

**Rahul Modi:** Thank you, Sir and congratulations for good numbers despite the challenging environment. So one of the questions which I have was in terms of the LNG that you have currently you mentioned that we tied up almost 50%, so what would be the average cost of LNG that you all be tied up till date for gas project?

**Saurabh Mashruwala:** See, LNG tied up is linked with the brent slope .It is a floating price and we will convert this floating price to fixed price at appropriate time. This is what we did earlier also, in last year we converted all our cargoes to the fixed price,

**Rahul Modi:** So, any number you want to put on this for our understanding, how do we see, you can give us the slope you expected to go?

**Saurabh Mashruwala:** It would be 11% to 11.5% slope.

**Rahul Modi:** And in terms of dollar what could be the amount?

**Saurabh Mashruwala:** It is on brent.

**Rahul Modi:** Sir, Second question is, can give us some updates on the solar project you have already given, now on a realistic basis what is your stand going forward because obviously when we bid that the variable price is now the module prices have gone up significantly so any view on how viable the projects are now and what is our strategy going forward, thank you?

**Saurabh Mashruwala:** As far as new projects are concerned, we are participating in the bidding. As the module price has gone we are bidding considering the higher module prices .

**Rahul Modi:** Sir, on the tenders that have already be discovered we won?

- Saurabh Mashruwala:** We are waiting for the module price to come down. and the government is well aware about this situation and they have extend the SCODD date also so we got some additional time to do the contracts for the module. We are waiting for the opportunity to contract the modules.
- Rahul Modi:** Sir, this 40% VCV which has been introduced now so how will it be passed on, on the tariff, with our capacities we qualified for passing, the custom duty which has been introduced in the module imports from the April 1, 2022?
- Saurabh Mashruwala:** They generally are pass through.
- Rishi Shah:** Rahul, just to add here, when we had bid for this contract the module prices were completely different and in last 9 months to 12 months they have shot off the roof. This is a major issue on the international module prices so unless that comes down we may not be able to do this projects. So effectively we are watching on the module prices, as and when it comes down we would want to do this project, it all depends on the module prices internationally.
- Rahul Modi:** Sir, one more question I had in these bids that we have done, now everything incrementally the government is talking about following in ALMM approach, so these bids are you forced to use domestic modules in any case or you can still import this is not?
- Saurabh Mashruwala:** It is open, we can use the domestic modules also. It depends on the price at what we are getting the modules.
- Rahul Modi:** Fair points. Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Thank you for the opportunity. Sir, wanted to understand on this gas availability side now that we have sold the available cargos, what will be the availability for gas power plants in Q4 and for the financial in FY2022 and also what is the kind of under recovery that you are seeing on a fixed cost basis?
- Saurabh Mashruwala:** As we explained in the beginning of the call to the question of Aniket, we have contracted gas for calendar 2023 to 2026, about 50% is already tied up. Currently we have about 25% to 30% tie-up from the IOCL as well as Reliance so Q4. We do not have tie-ups beyond this, but we are waiting that post winter our view is that gas price will come down. They have started to come down in fact so post that we will tie-up for the next financial year.
- Apoorva Bahadur:** Sir, what would be the expected hit on fixed cost recovery in Q4 then and also how much was the availability lower in Q3?

- Saurabh Mashruwala:** Fixed cost for SUGEN is concerned is it pass through so there is no question of impact on the P&L as far as fixed cost are concern.
- Apoorva Bahadur:** Even without the gas we were able to maintain the availability?
- Saurabh Mashruwala:** Gas is available and we can even source also, so the plant is available.
- Rishi Shah:** The question is more about pricing and not availability of gas, so gas is amply available at a certain price, so fixed cost recovery is not an issue here.
- Saurabh Mashruwala:** Fixed cost is based on the plant availability.
- Apoorva Bahadur:** Fair enough, I mean that even in UNOSUGEN it would not be a problem?
- Saurabh Mashruwala:** Yes, that is what we are saying, UNOSUGEN it would not be a problem. The plant is available for the supply of that in power.
- Apoorva Bahadur:** Fair enough. Thank you and I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Thanks a lot for this opportunity. My first question is regarding the segment wise breakup of EBITDA numbers for the quarter and 9 months, could you please share that?
- Saurabh Mashruwala:** I can give you quarterly numbers of EBITDA. For gas current quarter EBITDA was about 300 Crores versus comparable quarter of 218 Crores. And renewables is about 114 Crores versus 129 Crores. The EBITDA for licensed distribution about 352 Crores versus 327 Crores and franchise distribution about 206 Crores versus 197 Crores. And overall EBITDA 988 Crores versus 860 Crores. This is before one off, after one off reported EBITDA is about 1000 Crores for the quarter versus 908 Crores for the comparable quarter of last year.
- Sumit Kishore:** My next question is regarding your distribution franchise with this we have seen a reduction in the level of the losses across this circle would you say that there is further scope as far as the reduction is concerned or we reach the level where are currently?
- Saurabh Mashruwala:** If you look at the current level for example, for our distribution business as far as loss is concerned we are improving. In fact currently on a YTD basis for example, Bhiwandi reporting is about 12% T&D loss, Agra is about same level and SMK being the new circle is about 50% so scope for further improvement in all these three areas.

- Rishi Shah:** To add on what Saurabhbbhai told if you look at our T&D losses in our distribution license businesses they are in the range of 4% to 5%. So there is a significant headroom available for us to reduce losses in these areas also to that levels. Runway is clearly available and over a period of time this should be achievable.
- Saurabh Mashruwala:** So every year we can show the improvement in T&D losses that is what we are working right now in case of Bhiwandi and Agra as well as SMK also.
- Sumit Kishore:** So would you like to spell out some sort of a target say by FY2023, FY2024, this is how the trajectory of the T&D losses in Bhiwandi and Agra will go?
- Rishi Shah:** We do not give any target, Sumit, but as a strategy or as an policy we keep on reducing losses. We do not give any targets or any estimates for the future, but if you look at past history of last 5 years we have been reducing the T&D losses 1.5% to 2%. But as we keep on reducing this, the delta could come down but there will be a reduction in trajectory
- Sumit Kishore:** Fair enough and also finally on this sale of LNG 107 Crores, could you give us a sense of how much gas was sold, what was the procurement price and what price we sell at and in case you have generated electricity at that mandate price of LNG what would have been the tariff?
- Saurabh Mashruwala:** That would be difficult to give, but what we can say that whenever the gas is available for our merchant business we either sell gas or we generate power and sell the power. So based on the opportunity available we take our decision and we will do either of them, either sell LNG or power or we can do both, so it is depending of the opportunities available.
- Sumit Kishore:** Sure, for the coming quarter, how much is the gas availability for Q4 and how much would there again be surplus gas because the gas price are quite elevated even now?
- Saurabh Mashruwala:** For Q4 we cannot give guidance at this moment.
- Sumit Kishore:** Sir, I just wanted to understand in terms of your overall gas availability how are you placed going to Q4?
- Saurabh Mashruwala:** Gas available for about 25% to 30% capacity for Q4.
- Rishi Shah:** Sumit just to add what Saurabhbbhai said Q4 typically is a quarter where demand is also lower. It starts picking up somewhere from March or March mid. So it all depends how the demand is in our distribution license business is for the PPA have been tied up so it is an interplay between both of them how much is gas available and how much is the demand. It is a dynamic scenario wherein one eye is on the demand and the other eye is on the availability of gas.

- Sumit Kishore:** Thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Fund. Please go ahead.
- Nitin Arora:** Sir, just more of a clarification, the gas availability which you are showing you are saying there is more under recovery because even if I am showing the gas at \$15 available at my gas plants, the regulator is allowing it, he is allowing to show the gas prices at 3 times, 4 times pricing, there is no under recovery of fixed cost at your P&L, is that what you are trying to say?
- Saurabh Mashruwala:** Fixed cost is determined by the regulator for example, for 228 Crores fixed cost is determined. That is what we are talking about, that recoveries is about the availability of the plant. Based on plant availability of plant fixed cost is passed through for SUGEN as well as UNOSUGEN.
- Nitin Arora:** So, why I am asking because then in that case the Gujarat regulator which has kept the cap at \$7.5 of gas becomes eventually invalid, right because he is allowing you to show the availability at \$15, then \$7.5 that would not come into the picture you must see in that way, so that also should have been going forward even if I show a zero plant I will still get a fixed cost recovery at UNOSUGEN, is that the right way to look at it, that it is allowing you today at four times pricing?
- Saurabh Mashruwala:** We have to demonstrate the availability of Gas based on which fixed cost will be available.
- Nitin Arora:** Got it, thank you.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Thank you for the opportunity. Just to harp on the question asked by Nitin earlier, so in case of UNOSUGEN there was a cap that the regulator said that it has to be closer to the medium term pricing and obviously the gas prices tapers but in case of SUGEN it is very clear it is we have to demonstrate gas and you will get your fixed charges, the off take is dependent on whether the DISCOM prices or not, so in case for UNOSUGEN what is that reverse worked gas pricing that is coming until that you can get paid on your fixed charges, but beyond that fixed charges may not be available?
- Saurabh Mashruwala:** As far as UNOSUGEN is concerned though the cap is there, we will make sure that we will not supply the power beyond this.
- Bhavin Vithlani:** Got it, sure, I understand. The second question is on the new opportunities in the distribution, we saw a couple of bids if you could give us an update on these and any update on the distribution license that you have won and which are the other opportunities that you are seeing on ground currently where there are talks going on or some tender activities are on?

**Saurabh Mashruwala:** Currently the Daman and Diu is in pipeline so that is what it is going to be materialized going forward. Further Lakshadweep is a very small area, but it is on the horizon, So these are the opportunities available at this moment that we are looking at.

**Bhavin Vithlani:** Sure, any update on the Delhi side there were news reports earlier that even that was on the block from the Reliance side?

**Saurabh Mashruwala:** No that is not on the horizon at this moment.

**Bhavin Vithlani:** Just last question from my side, on the renewable expansion that you have charted out on a 5-year basis and given the current situation what is the kind of growth and the IRR that we can see because we are seeing as you highlighted modules prices have moved up, there is a custom duty also which has been enforced in the union budget, so what is the kind of tariff is required to make low double digit IRR in your view and do you see that the opportunity is there and you can achieve your IRR target?

**Saurabh Mashruwala:** As far as renewable is concerned we are working on the both, organic growth as well as inorganic growth and we can at least get about 12% or 13% IRR returns from those projects. And plus we are also bidding for projects that we can at least get 11% to 12% equity IRR.

**Bhavin Vithlani:** Sir, just last question if I may, transmission was also an opportunity that you have charter out for your long-term plans, do you see that there could be some growth opportunities in the transmission as well given the way the bidding are underway and is there any inorganic opportunity in that a segment as well?

**Saurabh Mashruwala:** We are working on it right now. In fact we have a couple of transactions in process also, unfortunately we are not able to successfully get those projects at this moment, but yes, we keep on bidding on transmission segments also.

**Bhavin Vithlani:** Thank you so much for taking my questions.

**Moderator:** Thank you. The next question is from the line of Dhruv from HDFC AMC. Please go ahead.

**Dhruv:** Sir, thank you so much. Sir, just one question on your franchise business on a Y-o-Y basis we have seen a decent reduction in AT&C, I mean the number AT&C percentage almost 6% Bhiwandi and about 2% in Agra and earlier we used to understand 1% deduction both is about 40 Crores of incremental EBITDA or PBT, if I look at the EBITDA number that you given for the franchise, it is about 197 moving to 206, so in that context it looks extremely low and even your SMK the loss has reduced so what could be driving this gap in the franchise business?

**Saurabh Mashruwala:** If you recollect last year similar quarter we got about 31 Crores of reversal of bad debt provisions. It is not there in case of current quarter so on an absolute number bottom line has not improved because of onetime gain we had booked last year similar quarter.

**Dhruv:** So even after adjusting for the 30 Crores it still seems low because at least you should have benefited almost 50 Crores odd because of the loss reduction plus the SMK loss reduction?

**Saurabh Mashruwala:** In case of Bhiwandi and SMK there was some negative rate variances where the sales price in Maharashtra were reduced. It has affected the profitability.

**Dhruv:** Got it, Sir, it is possible to share the same maths the benchmark that used to give earlier 1% reduction is how much now at the new tariffs, 1% loss reduction in Bhiwandi and Agra will be how much if it is not may be you can probably split that separately?

**Rishi Shah:** Dhruv, it will not change significantly if you look at the current numbers 206 Crores versus 197 Crores, if I take out 31 Crores from 197, then there is a delta of around 40 Crores. And as per what we have said earlier is 1% reduction tentatively give us 40 Crores for the full year, so given that mathematics this works out, so rate reduction is not a significant impact.

**Dhruv:** Got it because Bhiwandi's loss is reduced by about 6% and about 2% in Agra, I will probably take this offline. Sir, the second thing was on gas just to confirm going ahead, your 50% tied-up of your PPA capacity and on that 50%, 50% is from IOCL and Reliance, which is I believe largely on fixed pricing and the remaining 50% in blend linked is that right, Sir?

**Rishi Shah:** Yes.

**Dhruv:** Got it and the brent linked you are trying to convert that also currently it floating brent you also trying to convert it to fixed brent as you have probably done earlier?

**Rishi Shah:** Yes, exactly.

**Dhruv:** Sir, the third thing was we also have this Petronet off take agreement I mean LNG to gas conversion, if we do not use that we probably will have to still take out the arrangement so does that cost hit you or you can get a pass through of that?

**Saurabh Mashruwala:** So, there are a couple of options available, here. We can work to re-schedule the cargo and we have options to import the gas and sell it in the market in domestic market, third option is we can sub lease the capacity and the fourth we can work with regulator for pass through also.

**Dhruv:** So, we should not worried about this cost?

**Saurabh Mashruwala:** Yes, not at this moment.

**Dhruv:** Got it and the last thing on the solar bid you mention that given the high pricing if it remains you will reconsider the project I believe you have two under construction projects, one is the GUVNL 100 megawatt and 300 megawatt project, so just to understand for instance in eventuality if it gets cancelled, is there any penalty that you will have to pay or how do you get out of that contract?

**Saurabh Mashruwala:** As far as GUVNL is concerned penalty would be not material I would say.

**Dhruv:** And for the Torrent one, I mean the 300 megawatt one?

**Saurabh Mashruwala:** That we are hoping to implement the project.

**Dhruv:** Got it, sure, Sir. Perfect, Sir that is all from me. Thank you so much, Sir.

**Moderator:** Thank you. The next question is from the line of Devang Modi from Ardeko. Please go ahead.

**Devang Modi:** Thank you, Sir, for the opportunity. Just wanted to understand regarding what would be the fixed costs recovery number for both SUGEN and UNOSUGEN?

**Saurabh Mashruwala:** UNOSUGEN is about 228 Crores per annum and SUGEN, can we come back on this?

**Devang Modi:** Sure, out of this fixed cost recovery what you are saying, what will be the number that will be reflected above EBITDA and below EBITDA?

**Saurabh Mashruwala:** It is part of the EBITDA.

**Dewan Modi:** Fixed cost recovery will be part of EBITDA only?

**Saurabh Mashruwala:** Yes.

**Dewan Modi:** Because from what we understand there will be some depreciation and interest also in the fixed cost so that is why typically?

**Saurabh Mashruwala:** The recovery of fixed costs for SUGEN would be 625 Crores and it includes depreciation as well as interest also.

**Dewan Modi:** This entire number will be posted as revenue, so it will come above EBITDA only what you are saying?

**Saurabh Mashruwala:** Yes, exactly.

- Dewan Modi:** So, it will equal to both plants put together roughly 210 Crores per quarter will be the fixed cost recovery that will happen from above EBITDA?
- Saurabh Mashruwala:** Yes.
- Dewan Modi:** Sure, and on the renewable side over the next 3 to 5 years what kind of size can we hope to grow too and ultimately is there some thought process with regards to monetizing it like inbuilt or something like that because you are capping them at around let us say 11% to 13% IRR and you can Invite them out like a lot of funds are talking of right now of let us say around 8% 9% IRR going ahead or things like that?
- Saurabh Mashruwala:** Our aim is to reach up to 5 gigawatt of renewable capacity by 2024-2025. If you look at the current projects in operation, under pipeline and SPVs acquired we are close to about 1.5 gigawatt of capacity at this moment. So our aim is including all pipeline projects, including the SPAs which we have signed.
- Dewan Modi:** Like everything, and then you are mentioning something else?
- Saurabh Mashruwala:** A 5 gigawatt of the capacity by 2024-2025.
- Dewan Modi:** And regarding Daman and Diu so now what is the exact status with regards to when do we see the pick up and what kind of project dynamic in terms of investment timeline and IRR we see over there?
- Saurabh Mashruwala:** We are waiting for the LOI from the government to come, because the cabinet has already approved in November so we have started to work on it, based on the receipt of the LOI we will take over the Daman and Diu.
- Dewan Modi:** The legal roadblock which was there is no longer is that the understanding?
- Saurabh Mashruwala:** We expect LOI to be issued within the course of the current month.
- Dewan Modi:** And what kinds of numbers can be envisaged with regards to spend and what kind of revenues or EBITDA what is the number that we can see over there?
- Saurabh Mashruwala:** It is completely an industrial belt so that it is what as of now we can share and there is no residential connection there.
- Dewan Modi:** Sure, thanks. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.

**Aniket Mittal:** Thank you for the opportunity once again. Most of my questions have been answered, but on the capex front if you could highlight what has been the capex for the 9 months so far and our targets for FY2022 and FY2023 if you can bring that across segments?

**Saurabh Mashruwala:** As far as capex is concerned; license distribution for 9 months is about 730 Crores and the franchise is about 225 Crores. And the Q4 capex is generally higher compared with 9 months number, so Q4 about 1000 Crores in fact we already spent about another 200 Crores capex in Q4. And as we given the guidance about 1500 Crores capex every year, we plan to incur for next 2 years 1250 Crores for license distribution and 250 Crores for franchise distribution area.

**Aniket Mittal:** Sure, just one question if you could highlight can you give the number is T&D if you could highlight specifically on the collection efficiency is that you are seeing in both Agra and Bhiwandi and the reason I ask this is because I think that there is some excess 130 Crores of provision that you have done earlier which I think we were looking to recoup in the next few quarters so just throw some light over there?

**Saurabh Mashruwala:** 130 Crores provision was provided. It keeps on reversing every quarter based on collection and last year we had reversal a significant amount during last Q3 and Q4. Still some portion is pending which we hope to collect in course of next year.

**Aniket Mittal:** What would be the pending amount?

**Saurabh Mashruwala:** Can I come back to you on this.

**Aniket Mittal:** One last question that I want to understand so given the fact that PLF for SUGEN dropped off and if you look at the entire circle of Ahmedabad and now a majority of a demand to meet that you would be relying on the short-term market so what percentage of your overall demand is now let us say coming on the short-term market and what prices are you buying over there just to get an understanding of how do you see your power because eventually you are tied at fixed price at this point in time, so can you give some colour on that?

**Saurabh Mashruwala:** Tariff is not fixed, tariff is variable.

**Aniket Mittal:** So, that you will recover probably later, but if you can you give some colour I mean dependence on your short-term market how much of your overall demand are you now depending over there, what sort of bilateral contracts have you signed and what is the average cost that you are purchasing?

**Saurabh Mashruwala:** In fact we will give that number what percent that we are buying from the short-term market in a couple of minutes, we have to just see the numbers and then we have to let you know.

**Aniket Mittal:** Sure, thank you for taking my questions.

**Moderator:** Thank you. The next question is from the line of Anuj Upadhyay from HDFC Securities. Please go ahead.

**Anuj Upadhyay:** Thanks for the opportunity. Sir, can you mention the price at which we are sourcing gas from Reliance and IOCL?

**Saurabh Mashruwala:** Reliance is brent linked at 8.5 per slope and IOC also it brent linked about 12% slope.

**Anuj Upadhyay:** And just one followup on what previously had been asked on the availability of UNOSUGEN, so are we using the domestic gas prices to show the availability for UNOSUGEN because there is a reduction in that. so the price for the domestic gas being used source availability by us some clarification on that?

**Saurabh Mashruwala:** Both import as well domestic gas will go to show availability for UNOSUGEN.

**Anuj Upadhyay:** And as far as the blended is concerned?

**Saurabh Mashruwala:** There is no blended, whatever is available domestically for example from Reliance we can demonstrate and balance will be imported one,.

**Anuj Upadhyay:** Fine. Thank you.

**Moderator:** Thank you. The next question is from the line of B. Vijay from Spark Capital. Please go ahead.

**B. Vijay:** Can you hear me, Sir?

**Saurabh Mashruwala:** Yes.

**B. Vijay:** So, this three cargos that we a booked for gas when does the delivery starts?

**Saurabh Mashruwala:** Calendar year 2023 onwards.

**B. Vijay:** That is from April 2023?

**Saurabh Mashruwala:** Calendar year January 2023 onwards.

**B. Vijay:** So for this year we have 25% Reliance and IOCL and for the remaining 75% we are open, we are yet to source gas?

**Saurabh Mashruwala:** Yes, exactly.

- B. Vijay:** And can you give the merchant sales in terms of number of units and the average price that you sold out for this quarter, Sir?
- Saurabh Mashruwala:** We sold about 66 MU and we earned contribution of Rs.6.70 for the quarter.
- B. Vijay:** And finally one question on the EBITDA number segment wise, can you give that for 9 months period?
- Saurabh Mashruwala:** 9 month cumulative I do not have right now, so we can give offline that number.
- B. Vijay:** Sure, Sir and our target to reach about 5 gigawatt overall in renewable is over the next 3 to 4 years that remains are in light of the increase in module prices, etc., are we thinking to go slower?
- Saurabh Mashruwala:** Yes, we are aiming to reach up to 5 gigawatts by 2024-2025.
- B. Vijay:** Got it. Thank you for answering my questions and all the best.
- Moderator:** Thank you. The next question is from the line of Swati from VT Capital. Please go ahead.
- Swati:** So, regarding the renewable capacity of 5 gigawatts so what is the capex guidance can you give us let us say it is FY2024-FY2025?
- Rishi Shah:** Swati, it is very difficult to give a capex guidance, it depends on what kind of renewable project you are doing either solar or wind. Right now we have only one project, which is under construction. Apart from that we have two acquisitions lined up for which we have provided the details. And beyond that giving you a guidance per se on a new project would be difficult as of now since we do not have any new project under pipeline.
- Swati:** Alright, thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Vishal Biaria from Max Life. Please go ahead.
- Vishal Biaria:** What will be the extent of equity dilution for these new capex that you plan?
- Rishi Shah:** Vishal, there is no equity dilution here, sorry I did not understand your question.
- Vishal Biaria:** It was pertaining to 5 gigawatt of renewables that we plan to reach so in addition to the capex that you will have to do for the existing businesses.
- Rishi Shah:** If you look at our current balance sheet and our current cash flows for reaching 5 gigawatts we do not foresee any equity dilution. We are generating cash flows of around 3500 Crores to 3600 Crores of

EBITDA every year, wherein there is enough headroom for us to deploy. And our existing balance sheet is also under leverage, so there is no requirement of any equity dilution for reaching 5 gigawatts.

**Vishal Biaria:** Thank you.

**Moderator:** Thank you. The next question is from the line of Harshvardhan Dole from IIFL Securities. Please go ahead.

**Harshvardhan Dole:** Thanks. Mr. Rishi and Mr. Saurabh, I had had two questions, one was we are seeing massive reduction in the interest out go which as you explained is a combination of reduction in debt as well as the benchmark rates falling down now is there any element that we can retain in the P&L, i.e., has benefited in the third quarter as well as on the 9 months basis and how much have we passed on in form of lower tariff that was part number one, part number two was basically pertaining to be broader strategy on capital allocation it is good to see that the payouts have gone up to 33%, but again relative to our capex plan as well as the leverage on the books, do you think that is any headroom to push that further or this is the adequate level of dividend payout, thank you?

**Rishi Shah:** So, on the first question of interest pass through so whatever reduction has happened for 9 months of this year, that would be around 15% to 20% of pass through, the balance would be retained in the P&L. This is purely because of the reduction which has happened in the debts pertains to projects other than regulated business. As far as second question of capex allocation is concerned our stated policy is 40% of dividend and that we are hopeful that we will meet that on a year-on-year basis. And if you look at the 5 gigawatt target also as I explained in the earlier question that current balance sheet and current cash flows does not warrant us to have any reduction in dividend policy. Increase in dividend policy will depend on how management or how the things come out over a period of time. It is a dynamic scenario wherein if there are other opportunities available let us say license distribution or franchise distribution or transmission assets then we would want to deploy capital in those areas. And if it is not there then we will see at a future point in time on the dividend policy, but as of now 40% remains going forward we will have to see what kind of projects are there in the hands or what is the visibility of the project and then we can decide .

**Harshvardhan Dole:** Sure, that is very helpful, more clarity on your ramp up plans for Dadra Nagar Haveli you will make public once you take over or you would like to brief now?

**Saurabh Mashruwala:** So, we would like to wait for LOI to be available with us and then we can discuss in detail about that area or about that license.

**Harshvardhan Dole:** Sure, thank you. I think if there are no further questions can we take that as a last one.

**Moderator:** Sure, Sir, that was the last question. I now hand the conference over to Mr. Harshvardhan Dole for his closing comments. Over to you, Sir!

**Harshvardhan Dole:** Thanks, Mr. Rishi and Mr. Saurabh and Torrent Power management for giving us an opportunity to host the call. Really appreciate for your time. I would also like to thank the participants for joining in and asking questions regarding the performance of the company. Mr. Rishi and Mr. Saurabh any final comments.

**Saurabh Mashruwala:** Thank you so much for giving us opportunity to present our company. Thank you so much and I wish everybody stay safe and healthy, that is what we can say. Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of IIFL Securities Limited, that concludes this conference. We thank you all for joining us. You may now disconnect your lines.