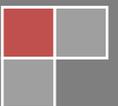


FY 2017-18

Chairman's Address

**Torrent Power Limited
14th Annual General Meeting
1st August 2018**



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14th Annual General Meeting
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Chairman's Address

Dear shareholders,

I welcome all of you to the 14th Annual General Meeting of our Company and thank you for your presence today. This is my first address to you as Chairman and at the outset I would like to brief you on key leadership changes that have taken place in the Company.

[Key Management Changes]

Sudhirbhai has been the “sutradhar” of Torrent Group for last 2 decades. He had expressed his desire to relinquish his position as Chairman of the Company sometime back. However, in view of the difficult phase prevailing in the power sector, he was persuaded to continue guiding the Company. With industry situation now showing improved outlook, the Board acceded to his wish to retire from the position of Executive Chairman of the Company wef 1st April 2018. At the request of the Board, Sudhirbhai will continue as a permanent director of the Company. In recognition of his long and dynamic leadership, the Board conferred on him the title of Chairman Emeritus. I am happy that the Company will continue to benefit from his wealth of wisdom and counsel on key business and strategic matters. Sudhirbhai plans to devote more of his time and attention on social, educational and religious causes he is currently involved with. On behalf of all of us, I wish him the best.

Another important change is retirement of Markandbhai, Whole-time director, wef 30th Sept 2018 after an influential journey of more than 3 decades with

Torrent Group. Markandbhai, now 72 years old, has had a profound impact on the evolution and core identity of Torrent as a corporate group. He has been the backbone of Torrent, through the thick and the thin. He has led the company's initiatives to build power plants that are technically at par with the best in the world. While he too has often expressed the desire to retire in the past, he was requested to continue till now given the difficult situation in the power sector. With the improved outlook for the sector, the Board has acceded to his desire to step down and focus on his personal life. He has kindly agreed to stay with us till 30th Sept 2018, to provide for a smooth transition of management.

While my colleagues and I at the Board will be missing Sudhirbhai and Markandbhai, I am happy that a smooth succession is taking place, with Jinal Mehta taking over as Managing Director from 1st April 2018.

Lastly, it will be my honour to serve the Company as the Chairman. It will be my endeavour to judiciously grow the Company while preserving the values, traditions and culture of the Torrent Group.

The Annual Report for the year 17-18 has been circulated some time back and I hope you must have perused and noted the improved financial performance and developments during the year.

[Overview of Performance & Dividend]

The Company's profits for the year increased by an impressive 126% to Rs. 956 Crore when compared with the previous year profits of Rs. 423 Crore. The higher profits for the year are attributable to: (a) improvements in operational parameters in the Generation and Distribution businesses, (b) capacity

addition in Renewable Generation, (c) reduction in interest costs and (d) approvals from Regulator for recovery of past costs.

In line with improved performance, the Board has recommended a dividend of Rs. 5 per share for this year as compared to Rs. 2.2 per share last year.

[Performance of key business segments]

Now, I shall brief you on the performance of key business segments for the year 17-18.

In **Generation business**, we commissioned 165 MW of renewable capacities during the year. More importantly, we have a healthy pipeline of wind projects under development aggregating to approx. 975 MW. On completion of these projects, we will have a renewable capacity of approx. 1550 MW and total generation capacity of approx. 4650 MW. The growth potential of renewable generation is very promising considering the ambitious targets set by Government of India to increase the share of renewable power in the energy basket of the country. Your Company will therefore continue to emphasise the growth focus in this area, but at tariffs which meet our return expectations.

There were some positive developments for our gas based power plants. Your Company became the first company in power sector to directly import LNG from international markets; as a result of this, the PLF of SUGEN Plant increased from 48% in 16-17 to 65% in 17-18. The Company has tied up required LNG upto December 2020, thus ensuring fuel security for Sugen Plant. However, due to lack of demand and consequent non-availability of PPAs, Unosugen and Dgen Plants could not be operated during the year. While the near term outlook for these plants will remain uncertain, the expected

recovery in power sector particularly revival of demand growth & increased environmental costs for coal-based power plants, is expected to result in sustainable operations of these plants.

In our **Licensed Distribution Business**, we continued to focus on improving operational efficiencies and customer service. T&D losses already at very low level were further reduced from 6.15% in 16-17 to 5.72% in 17-18 – lowest in the country for operation of this size. Geographical Information System for integrated assets and operations management has been implemented for Ahmedabad, Gandhinagar and Surat distribution areas. On the regulatory side, the Regulator issued the tariff order for 18-19 and for 2nd consecutive year has not revised the tariff while abolishing Meter Rent. As at 31st March 2018, your Company had an unrecovered regulatory gap of Rs. 1236 crore, representing past under-recovery of cost and carrying cost thereon. We are working with the Regulatory Authorities for a smooth & timely recovery of the same in next few years.

Our **Distribution Franchise operations** substantially improved performance during the year by achieving a sharp reduction of 5% in AT&C losses from 24% in 16-17 to 19% in 17-18. We will continue to invest in improvement and expansion of network and customer services to further reduce the AT&C losses and bringing in more consumers.

We now have a very strong distribution business platform which will allow the Company to participate in the opportunities arising from deregulation and privatisation of electricity distribution in India.

While the year gone by was undoubtedly good, I want to sound a cautionary note for 18-19. Rising oil and coal prices and weakening Rupee are a cause of

concern and likely to adversely affect the Company due to under-recovery of costs. However this impact will be temporary as we will be able to recover such costs in future years through appropriate tariff increases.

[Industry scenario]

I will now briefly dwell on the **emerging scenario in power sector**. The sector is facing many challenges. But it is equally heartening to note that the Govt. is seized of these and taking several positive measures to restore the financial health of the sector. The Govt.'s super-thrust on renewable energy will add huge new wind and solar power capacities and provide sustainable and cheaper power to customers, but in the process change the dynamics in generation segment and bring new challenges in transmission & distribution segment. To address the ailments in distribution sector, Govt. has recently proposed a draft of new tariff policy protecting the customers from endemic inefficiencies of the sector and stimulating long term demand for power. Supported by other Govt. measures like UDAY, SAUBHAGYA, GRAM JYOTI YOJNA, IPDS etc., we believe the distribution sector will offer huge growth opportunities by way of taking over existing distribution licences under a franchise or privatisation model. Emerging battery technology is a major structural risk as well as opportunity for the stakeholders. In summary, the sector is at the cusp of revival and together with dramatic technology leap; will significantly disrupt existing business models and provide opportunity to create new business models in the sector. As a Company we face an interesting future and I am happy to report that your Company is well poised to take advantage of new growth opportunities and at the same time manage the transition risks which the existing business models face.

[CSR programmes]

One of the core values established by our Founder and my father, late Shri U N Mehta is concern for society and environment. Torrent Group believes not only the businesses have to be conducted in a socially and environmentally responsible manner, but they should make positive and lasting contribution to the society. I feel very satisfied with the progress of our flagship CSR programme “REACH”, acronym for “Reach Each Child”. The programme’s coverage is providing free of cost primary, secondary & tertiary healthcare to children & adolescents and promotion of sanitation & hygiene. The programme is currently being carried out at the 4 prime industrial locations of the Group, with fully functional Paediatric Primary Health Centres, mobile OPD vans to reach far flung areas and a state-of-the-art tertiary hospital under planning. A hallmark of the programme is extensive volunteering of employees for activities of the programme. This has helped build an empathic & compassionate organisation which subscribes to the core value of societal concern. With their enthusiastic support, the programme benefitted more than 1 lakh children residing in around 800 villages, who did not have access to basic medical facilities in a short period of 2 years. I am very confident and equally excited that this programme will make a generational change by guaranteeing a healthy childhood and growth, thus providing them an opportunity to lift them & their families out of the vicious cycle of poverty.

[Appreciations]

I now conclude by putting on record, on behalf of the Board, our appreciation for the advice, support & co-operation received by the Company from Central Govt., the State Govts., Regulatory Authorities, financing bankers, suppliers, consumers and last but not the least the talented & committed employees of the Company. I close by pledging that we as a Company will dedicate ourselves

to serve the customers most efficiently in a socially and environmentally responsible manner and in the process generate profits for our shareholders.

Thank you for the patient hearing.

Jai Hind !
