

TORRENT POWER LIMITED
17TH ANNUAL GENERAL MEETING
August 06, 2021
Chairman's Address to Shareholders

I shall now deliver my annual message to take you through the key business developments during the year.

In FY 21, which was indeed a challenging year due to Covid pandemic, your Company was able to deliver 13% increase in Total Comprehensive Income. The key features of our performance in FY 21 were:

- A. We received favorable judgment from the Appellate Tribunal for Electricity allowing the claim of carrying cost on past regulatory gaps in the licensed distribution business.
- B. Reduced interest rates by 1% coupled with reduction in debt of approx. 1,100 crore led to savings in Finance Cost
- C. Trading of LNG resulted into higher profit as compared to previous year
- D. The above positives were partially offset by
 - a. Covid disruptions particularly in the first half leading to:**
 - i. Lower volumes mainly in commercial and industrial customers categories and higher T&D losses in our Distribution business; the greater impact being faced by our Franchised distribution business and
 - ii. Lower long term as well as merchant sales in Thermal generating stations
 - b. Lower wind speed leading to lower PLF for our Wind Generation capacity despite the full year operations of capacities commissioned last year

The variation in tax expense is due to utilization of MAT credit in the previous year.

Coming to Dividends, I am pleased to inform that the Board of Directors has approved the revised Dividend Distribution Policy of the Company whereby our endeavour would be to distribute 40% of consolidated Profit After Tax as dividends as compared to 30%.

Since last year, the world has been surviving the unimaginable challenge of Covid pandemic. Not only India but countries across the world have gone through prolonged and repetitive lockdowns, brought by fresh bouts of the COVID contagion, some of which proved more contagious and unprecedented in many ways. With dense population and size, India remains far more vulnerable.

At Torrent, we proactively took multiple steps to ensure business continuity and safety of our stakeholders. Immediate adaptive measures, including digitization, were taken alongwith putting a contingency plan in action. This helped us maintain the same high quality of power supply and world-class services with limited manpower and a disrupted supply chain, and at the same time, ensuring health and safety of employees, vendors and customers.

We also offered to employees the facility of Work from Home wherever possible. However, electricity being an essential service, our facilities had to operate 24x7 to ensure uninterrupted power supply. Hence, employees who worked at offices during the lockdown period were given incentives. Various measures were taken for employees as well as their family members such as tie-ups with hospitals for Covid treatment of employees and Covid insurance coverage of Rs. 5 lakh for each employee and their family. Once the vaccines were available, we also conducted mass vaccination drive for Torrentians.

However, it saddens me to inform you that we did lose some of our employees to the Pandemic. To help the families cope up with the financial distress due to loss of an earning member, we offered substantial compensation to the dependents of the deceased employees.

I congratulate our employees who worked relentlessly to ensure uninterrupted power supply to our customers in general and the Healthcare system in particular.

Despite operating across widely dispersed and distributed geographies, our strong foundation and sound principles ensured a remarkable recovery in second half of the year as volumes increased and the situation is gradually returning to normal. Today, with necessary safety precautions, all our offices and plants are fully functional with presence of 100% staff.

In line with our practice of judicious capital allocation and our focus to grow our Renewable and Distribution business, we were able to win 700 MW of Solar Power Projects through competitively bid projects; out of this 300 MWs won in the Andhra Pradesh tender is currently sub-judice with the current status being that larger bench of AP High Court has stayed the order of single judge quashing the tender process.

Last week, we also entered into a Securities Purchase Agreement with a JV of Lightsource BP and UKCI to acquire a 50 MW solar power project at Maharashtra. The Project has a remaining life of 22 years and has a PPA with SECI for supply of power at Rs. 4.43 per unit.

We also emerged as the successful bidder for the sale of 51% stake in power distribution company having distribution license for a term of 25 years in Dadra and Nagar Haveli and Daman and Diu. It covers an area of 603 sq. km and serves around 1.5 lakh customers. This acquisition will significantly strengthen our position as one of the leading power distribution companies in the country. The Supreme Court has stayed the Bombay High Court order in respect of a PIL due to which the tender process was suspended.

Let me now take up key developments in our business operations during the year.

The Sales in licensed distribution business were severely impacted in H1 and were down 28% as compared to the previous year. In H2 due to revival of economic activities, the sales increased by 5%. While the T&D losses increased as compared to previous years; we were still able to maintain the T&D losses below normative levels at Ahmedabad and Dahej.

The Company received a favorable judgment from the Hon'ble Appellate Tribunal for Electricity for claim of carrying cost of regulatory gap pertaining to FY 14 and FY 16.

For FY 21-22, tariff increase of 10 paisa/unit has been allowed for Ahmedabad excluding certain categories of consumers; while there is no change in tariff of Surat and Dahej. These tariff orders impact only the cashflows of the company; since in line with the Accounting Standards, the profits are determined on accrual basis based on Cost plus ROE methodology.

Adhering to our commitment of highest safety standards in our operations, I am glad to inform you that we have become the first power distribution company in India to achieve the prestigious 5-star rating in the health & safety audit conducted by the British Safety Council.

Our Franchised Distribution Business was severely impacted during H1 with fall in sales to the tune of 34% as compared to previous year. Sales in H2 reached levels close to the previous year. We were not able to carry out the expected level of vigilance and surveillance activities in H1 due to which the T&D losses also went up from 12% in FY 20 to 15% in FY 21. The collection efficiency, however, was better due to pick up in vigilance activities in H2.

The SUGEN and UNOUSGEN plants were able to maintain operations in line with previous year. The Company could also tie-up domestic gas for UNOSUGEN plant starting wef 1st January, 2021 for a period of 6 years. This tie-up is equivalent to meet approx. 18% of the total gas requirement to meet the demand of long-term beneficiaries. DGEN had a PLF higher than previous year as it was able to operate on back of short-term power supply contracts.

AMGEN plant, on the other hand, faced severe reduction in demand during H1 of FY 21 due to the lockdown restrictions affecting demand at the Distribution units. Such reduced demand also led to invocation of Force Majeure Clause under Fuel Supply Contract with SECL for the period of March to September 2020 in order to protect the Company from payment of potential compensation for shortfall in coal offtake. In turn, CIL has permitted Force Majeure for the period of April to May 2020.

Our solar plants performed better than the previous year with PLF slightly better at 17.61%. However, the wind PLF was lower than previous year due to abnormal drop in wind speeds, extended monsoon and unscheduled outages. This was despite the fact that certain wind plants had full year operations in view of commissioning in previous years.

We are committed to grow our renewable portfolio at an accelerated pace including inorganically. With 815 MWs of renewable capacity under development, our total renewable capacity including capacity under development is over 1,600 MWs.

While the Power demand witnessed new lows at the start of the pandemic; with the recent relaxations and normalization of economic activities, demand has been increasing significantly crossing its all-time high level in July 2021. In view of increasing demand, the merchant volumes as well as prices are witnessing an increasing trend. The increase in demand augurs well for our DGEN plant which is currently stranded for want of demand.

In line with global shift towards clean energy, Indian power sector is also undergoing a significant change with the gap between thermal and renewable capacity decreasing every year. This dramatic turnaround is driven by GOI's ambitions target to reach 175 GW of renewable capacity by 2022 and the extraordinary cost competitiveness of renewable power, which outcompetes existing thermal power cost.

Government's thrust on improving the efficiency of distribution sector is evident from announcement of privatization of UT discoms. We expect other UTs as well as some discoms of UP state to announce privatization. Having a strong balance sheet coupled with experience in distribution sector, we are keen to evaluate and participate in all power distribution opportunities.

Going forward, I see power sector playing an enabling role in the country's future ambitions, with additional emphasis on energy transition.

Now I come to one of topics which remains close to my heart – CSR. We believe in growing with others and we understand the impact of our activities on communities who form an integral part of the Torrent ecosystem.

To ease the pain brought by the Pandemic, Torrent Group announced a commitment to spend Rs. 100 Crore to support the Government's efforts to fight the pandemic. Various initiatives were taken up under this commitment including donations to PM Cares fund, various State Governments and NGOs. During the second wave, where the shortage of oxygen became the reason for loss of lives, we tried to ease the oxygen shortage by transporting liquid medical oxygen through cryogenic tanks, donation of oxygen productions plants, oxygen concentrators and oxygen cylinders at various government hospitals. We also installed an oxygen generation plant with a bottling facility in Ahmedabad to supply oxygen free of cost to surrounding areas.

Apart from the Covid commitment, during FY21 the total CSR spend was 2.5% of the average net profits for past three years against the statutory requirement of 2% in the thrust areas of Community Healthcare, Sanitation & Hygiene, Education & Knowledge Enhancement and Social Care & Concern.

It gives me immense pleasure to see that our CSR programs are making significant positive impacts in the lives of communities we interact with. The major CSR programs carried out by the Company are:

1. REACH Initiative; which is a pediatric healthcare program
2. "Shiksha Setu" – aimed at enhancing teaching and learning outcomes in municipal / government schools;
3. "Shardashish" – refurbishing and upgrading primary & secondary schools;
4. "Pratiti" – building and maintaining public gardens;

Details of each of the above programs are elaborately explained in the Communities section part of ESG in the Annual Report.

I now conclude my address by placing on record my appreciation and gratitude for the support & co-operation received from Govt. Agencies, Regulatory Authorities, Bankers and Customers. I thank our employees who remained steadfast in the most testing times to live up to the organisation's commitment to the nation of ensuring 24X7 electricity supply in our areas of operations.

Before closing I re-iterate that we remain committed to creating a strong and resilient future for all our stakeholders and advancing towards a sustainable tomorrow.
