



Torrent Power Limited
Chairman's Statement - 11th AGM
4th August, 2015

Dear Shareholders,

I extend you all a very warm welcome to this 11th Annual General Meeting of our Company on behalf of the Board of Directors and on my personal behalf. Your presence in this Meeting demonstrates your keen interest in the company and I sincerely thank you for that.

I believe you would have gone through the Annual Report of the Company including the Board's Report and Audited Annual Accounts for the Financial Year 2014-15. From the same, you would have also noted the major developments during the year.

Let me begin with the highlights of the financial performance during FY 2014-15.

Financial Results

Despite continued challenges, your Company has recorded growth in major financial parameters and has shown improved performance for the financial year 2014-15.

- ❖ The consolidated revenues increased by 20% reaching Rs. 10,762 Crores.
- ❖ The consolidated PBDIT increased by 59% reaching Rs. 2,446 Crores.
- ❖ The consolidated Net Profit increased by over 200% reaching Rs.

363 Crores as against Net Profit of Rs. 108 Crores in FY 2013-14.

Before moving on to the operational performance, I would like to present the overview of current Indian power sector.

Power Sector

With emphasis on 'Make in India', Power sector has been identified as a key sector of focus to promote sustained industrial growth. The Government of India's focus to attain 'Power for All' has accelerated capacity addition in the country. These reforms when fully implemented would provide ample room for both the public as well as private players to participate in the revival and growth of the power sector.

I would now quickly touch upon the major highlights of each segment.

On the Generation front:

- ❖ India's Installed capacity has more than doubled from the last decade and stood at 272 GW as on 31st March 2015, out of which 61 GW have been added in the last three years;
- ❖ On one hand, large quantum of Coal based capacity was affected due to cancellation of coal blocks by supreme court;
- ❖ On the other, more than 14,300 MW gas-based capacities are stranded and approximately 9,800 MW capacities are operating at a very low PLF due to reduced domestic gas availability;
- ❖ Fuel being the most critical input for capacity utilisation, the Government of India took two important initiatives and implemented the same successfully:
 - a) The first being the E-bid auction of 33 coal blocks; and
 - b) The second being, the e-bidding through reverse auction for RLNG supply and PSDF support for two years with specified terms to stranded and under-utilized gas-based power plants;

- ❖ The above two significant reforms have brought some relief to generators and in turn has saved the projects from becoming Non-performing Assets.

On the Transmission front;

- ❖ Besides RoW and Regulatory clearances impacting augmentation of capacity, inadequate infrastructure kept significant generation capacity idle;
- ❖ Due to this power from surplus regions could not be transmitted to deficit regions
- ❖ Relief is expected, in the medium term, with the award of major transmission projects under the tariff-based competitive bidding route.

Distribution segment on the other hand:

- ❖ Continues to suffer from high level of AT&C losses and liquidity pressure;
- ❖ Further, inadequate tariff hikes continue to add to the huge regulatory gaps and losses
- ❖ Major reforms announced during the year include:
 - Launch of Deen Dayal Upadhyaya Gram Jyoti Yojana and Integrated Power Development Scheme for rural and urban areas respectively;
 - Proposed Amendments to the Electricity Act mandating timely tariff determination and recovery of revenue requirement without huge gaps.

To summarise, the year 2014-15 continued to be difficult for the power sector and the overall situation remained stressed. Several steps taken by the new Government to resolve the constraints have built-up hopes and have shown the path to recovery. However the pace of recovery is still slow. Torrent thus remains carefully optimistic for the future.

Now, I will touch upon the operational highlights across various units of the Company for the financial year 2014-15.

DGEN

I am very happy to inform you all that the 1,200 MW DGEN Mega Power Project has been successfully commissioned during the year and is all set to contribute to the economic development of the nation. With DGEN having been commissioned, the total Generation capacity of Torrent now stands at 3,250 MW. Despite challenges, DGEN was completed at a cost marginally less than the appraised cost of lenders. Additional works not envisaged during Project conception amounting to Rs. 109 Crores were also undertaken. Full & final settlement of Liquidated Damages & Project related claims aggregating to more than Rs. 750 Crores has been instrumental in reducing the Project Cost. This has been facilitated by robust contract and diligent project execution. The cost per MW is quite competitive in light of the background that when the project cost was appraised by the lenders, the exchange rate was around Rs. 47/\$ as against today's exchange rate of Rs. 64/\$. Construction of DGEN – Navsari 400 kV transmission line, costing Rs.272 Crores, was inevitable as otherwise project would have been commissioned without adequate transmission corridor for evacuation. Construction of this line as per the timelines prescribed for the CTU, which were beyond the DGEN project commissioning timelines, would have stranded the project & delayed its operationalization. To overcome this, Torrent completed this line well within the required timelines. Though, the line is of dedicated nature currently, post DGEN-Vadodara line commissioning, it will be pooled and made part of inter-state transmission network.

SUGEN

With marginally higher gas supply under the long term contracts and judicious usage of spot LNG, SUGEN plant could be operated at an increased PLF of 26%

in FY 2014-15 as compared to 23% in Previous Year. Non-availability of domestic gas and unwillingness of long term buyers to off-take power based on expensive imported LNG resulted in non-operation of two units during the year. Same is the case with UNOSUGEN which remained fully unutilized throughout the year, even after achieving 90% availability. Hon'ble GERC is yet to adopt CERC determined tariff, pending which, the recovery of this cost by the regulated distribution business is in abeyance.

All the three gas based power plants, namely SUGEN, UNOSUGEN and DGEN, participated successfully in the government's Scheme for utilization of Gas based power generation capacity" for stranded and under-utilised gas based power plants. The salient features of the arrangement for all gas based units are as follows:

- ❖ RLNG allotment, through a highly competitive and transparent online reverse auction up to a target PLF of 35%;
- ❖ Though, current allocation is for four months, the scheme is for a period of two years;
- ❖ The scheme also provides for various concessions such as:
 - Waiver of customs duty,
 - 50% reduction in pipeline tariff,
 - 50% reduction in regasification charges,
 - 75% reduction in gas marketing margin, and
 - Waiver of other applicable indirect taxes.
- ❖ Power generated from such allocation has been tied up with distribution arm of the Company at the rates well within the target price fixed by the Government under the scheme.

AMGEN

The coal based power stations at AMGEN achieved PLF of 81% against 75% during the Previous Year. This improvement was mainly due to the uprating

activities of E & F stations carried out in FY 2013-14, during which period, the plants were partially shut down.

Renewable Energy Generation

The thrust on renewable energy particularly wind and solar has increased in recent times. Government of India is committed to promote and encourage large scale development in this sector. Torrent Power limited has also recognised this important development and as a company it has conviction to clean energy for the reduction of carbon footprint. The company is studying opportunities available in various states in these two fields and if found feasible, have plans to select such projects for execution in coming few years.

I am happy to inform you that 51 MW Solar Power Project at Charanka Solar Park in Patan District has been successfully implemented by Torrent Solargen Limited, a wholly owned subsidiary of the Company. This project along with 49.6 MW Wind Power Plant at Jamnagar district takes the total contribution of your Company in the Renewable Energy Segment to 100 MW.

Distribution

Performance of the Regulated Distribution business improved with Tariff orders of Regulatory Commission enabling recovery of costs which are more aligned to the actual costs, though not necessarily resulting in full recovery of such costs. Though T&D losses reduced marginally, it continues to be a matter of pride for all of us that T&D Losses in our regulated distribution area are one of the lowest in the country.

Agra franchisee witnessed considerable reduction in the AT&C loss from 43% to 36% as a result of various loss reduction drives such as network undergrounding, greater vigilance, removal of illegal connection, etc. The operations at Agra franchisee are expected to achieve break even in the financial year 2015-16.

For well over a century, the distribution arm of Torrent Power has been an innovator in delivering excellence in customer service. With growing focus on customer service, we launched our Connect initiative - an umbrella of online services available via our brand new web portal and mobile app for Company's Distribution areas. The Mobile application being first-of-its kind, has received appreciation from Regulators as well. With this new facility, we are now accessible, wherever & whenever required by the customers.

Though there is improvement in the overall performance of the Company during FY 2014-15 in relation to FY 2013-14, we need to focus and strive for better results.

Amalgamation

To further consolidate power sector operations of Torrent Group, the Composite scheme of Amalgamation of Torrent Energy Limited and Torrent Cables Limited with Torrent Power Limited is envisaged with 1st April 2014 as Appointed Date, which you are well aware of.

During the year, the Company received Observation Letters from the Stock Exchanges, conveying their "No objection" to the draft Scheme. The Regulators i.e. Hon'ble CERC and Hon'ble GERC have also granted their approval for amalgamation of Torrent Energy Limited with Torrent Power Limited. Further, following the Hon'ble Gujarat High Court's order dated 24th February, 2015, meetings were conducted on 30th April 2015 and 1st May 2015 wherein the draft Scheme has been approved by the Equity Shareholders, Unsecured Creditors and Secured Creditors, as applicable of the respective companies. The draft Scheme has also been approved by the Public Shareholders of Torrent Power Limited and Torrent Cables Limited by way of Postal Ballot and E-voting as required under SEBI circulars. The Company has filed Petition with Hon'ble high court, which is scheduled for hearing this month.

The Company is in advanced stage of discussions with lenders for finalizing the proposal for re-organization of consolidated long term financing arrangements.

Human Resource

Your organization has always valued its human resources as the most important resource. During the year, various policies on employees' benefit were re-defined so as to enrich their professional, personal & social life. I would like to acknowledge the tremendous efforts of our employees, the Torrentians, who are our most important asset. Their dedication, intellect, hard work and deep sense of values is what differentiates and drives our company forward.

Your company lays highest emphasis on the ethical practices and governance. In this context, Whistle Blowing policy has been framed, implemented and is hosted on web-site of the Company. This enables the Company to proactively prevent the un-ethical or undesirable practices.

Appreciation

Before I conclude my address, on behalf of the Board of Directors, and on my personal behalf, I would like to thank our bankers and vendors for their trust and support. We thank the Central Government and State Governments, various ministries and regulatory authorities of the centre and states, for their continued support. I would also like to thankfully acknowledge the continued support of our esteemed Consumers in all our activities.

Most importantly, I take this opportunity to express my gratitude to all the shareholders for the trust reposed by them in the Management of the Company.

I also owe gratitude to my colleagues on the Board who have always provided valuable guidance. Their Pro-active involvement and unstinted support has

helped Company build sound Corporate Governance Practices. We believe that while implementation of the corporate governance requirements is a prerequisite, superior governance practices are vital for growing a sustainable and successful business. Over the years, we have evolved our corporate governance practices based on the three inviolable principles of TRANSPARENCY, INTEGRITY and ACCOUNTABILITY. The Companies Act 2013 and revised Listing Agreement has raised the bar on the Governance and set new benchmarks for the listed companies in terms of increased reporting framework, wider director and management responsibility and emphasis on Investor Protection. Our Company has conformed to the requirements of this new legislation in true letter and spirit and not treating it as mere compliance exercise. Diverse and proficient Board, transparency in policies, disclosures and transactions, well-founded Vigil Mechanism for employees and stake holders, effective evaluation processes and provision of adequate & quality information to board and members, substantiates the essence of sound governance embedded in the core principles of the Company. Thus, the core values of your Company embody the spirit of corporate governance and act as guiding principles for its employees and management.

We also believe that corporate entities have a special and continuing responsibility towards the society. With Concern for Society and Environment being a deep rooted core value of the Company; we are making concentrated efforts in the fields of Community Healthcare, Sanitation & Hygiene, Education & Knowledge Enhancement and Social Care & Concern.

I sincerely thank all of you for your valuable time and attention.
