

CHAIRMAN'S STATEMENT

9th Annual General Meeting of Torrent Power Limited

25th July, 2013

Dear Shareholders,

On behalf of the Board of Directors and on my personal behalf, I extend you all a very warm welcome to this 9th Annual General Meeting of the Company.

You would have read the Annual Report of the Company for the Financial Year 2012-13 and would have understood the developments in the Company.

Financials

Results

In brief, your Company's turnover marginally increased by 3% to Rs. 8,270 Crore as compared to the previous year and your Company earned a profit after tax of Rs. 385 Crore during the year under review as against Rs. 1,237 Crore in the previous year.

Dividend

The Company, as a policy, endeavours to distribute 30% of its annual profit after tax as dividend, in one or more tranche(s). In line with the said policy, the Board has recommended dividend of 20% for the year under review.

Before I proceed further on the affairs of the Company, let me give you all an overview of the current Indian power sector scenario.

Power Sector Scenario

Though, India is currently the fifth largest power generator in the world, its Per capita annual consumption of electricity remains significantly low and more than one third of the country's population does not have access to electricity. This provides immense opportunity for substantial investment in the power sector to overcome such energy poverty.

Generation

Though there was a record addition of power generation capacity in the 11th Plan and the first year of the 12th plan, thanks to the increasing share of Private sector in such additions, Plant load factors have been significantly impacted due to domestic fuel non-availability. Delays in obtaining environmental & forest clearances and land acquisition continue to ail coal production. Also, domestic gas supplies from RIL's KG-D6 basin has been on the decline continuously. It is currently at 14 mmscmd against the peak production of 69 mmscmd, leaving no gas for power sector and LPG sector, the reason being priority allocation to Fertilizer sector. As a result of these developments, approx. 25000 MW coal based capacity and approx. 14500 MW gas based capacity remains vulnerable.

The Central Government is seized of this issue and a high-level Power Sector Advisory Group has been constituted by the Ministry of Power to resolve this and other issues faced by the power sector. Proposals for gas allocation of new gas finds of 10 mmscmd from ONGC & GSPC and diversion of 6 mmscmd from non-core sectors exclusively to power sector are under active consideration of GoI. Rangarajan Pricing formula has been approved by the Cabinet Committee on Economic Affairs, which would result in increase in domestic gas prices.

Transmission

The transmission projects continue to be delayed mainly on account of Right-of-Way issues, non-availability or delay in getting Forest Clearance and delay in land acquisition for setting up sub-stations. During the year, this segment, witnessed a massive grid failure which affected approx. 600 million people for several hours, which hopefully, with various subsequent

preventive measures, should not recur. Further, the southern grid is expected to be synchronized to the National grid by July 2014.

Distribution

The present power distribution set-up caters to nearly 200 Mn consumers with a connected load of about 400 GW that places the country amongst the largest electricity consumer bases in the world. The financial health of State Discoms has become a matter of grave concern considering the fact that their losses have reached an alarming level of Rs. 2 trillion, equivalent to approx. 2% of GDP.

To address this issue, MoP has announced a scheme for Financial Restructuring of State Discoms, in which ten states have shown interest. Also in 2012, almost all states witnessed reasonable Tariff rises.

Let me now dwell upon the developments in various units of the Company which impacted FY 2012-13 profits and continue to impact FY 2013-14 profits as well.

SUGEN

Due to decline and ultimate stoppage of domestic gas supply from RIL's KG-D6 basin and reluctance of beneficiaries to off-take power based on expensive LNG, SUGEN's PLF declined to 41% in FY 2012-13 . Such low level of operation does not aid efficient functioning of the plant, resulting into higher costs.

I am glad to inform that SUGEN has been awarded the prestigious "2012 Sword of Honour" by the British Safety Council, U.K. in recognition of its performance in health and safety management.

The 382.5 MW Power Block, an expansion of SUGEN Mega Power Plant (UNOSUGEN) has been put into commercial operation on 4th April, 2013. Usage of expensive LNG for commissioning gas requirements and limited

realization of infirm power therefrom at CERC rates put pressure on the project cost. This expansion has been successfully registered with UNFCCC under Clean Development Mechanism.

AMGEN

AMGEN successfully uprated its F station to 121 MW from 110 MW and synchronized the same with the grid on 30th April, 2013.

During the year, AMGEN achieved PLF of 67.84% mainly due to F station uprating and non-availability of domestic gas.

The 100 MW gas based CCPP at Vatva has completed 23 years of life and after due Cost-benefit analysis it is proposed to retire this station.

Regulated Distribution

During the year, T&D loss marginally reduced to 6.52% for Ahmedabad and Surat, one of the lowest in the country, which surely is a matter of pride for all of us.

The tariff order for FY 2013-14 was issued by Hon'ble GERC on 16th April, 2013 allowing an average tariff hike of 29.5 paise per kWh (approx. 6%) effective from 1st April, 2013.

Despite concerted efforts of regulated distribution business in Ahmedabad and Surat resulting into ever increasing efficiency with regard to Transmission & Distribution losses, operating costs, service quality, etc., non-recovery of mix variance and consumer centric approach adopted in MYT Tariff Orders have severely impacted and continues to impact the viability of regulated distribution operations of the Company.

The Company has not been fully successful in its efforts to meet its Renewable Purchase Obligation for FY 2012-13 mainly due to supply constraints and other factors beyond the control of the Company. Consequently, the Company has filed a petition with Hon'ble GERC to

revise the minimum percentage target to actuals for purchase from renewable energy sources for FY 2012-13.

Distribution Franchise Operations

Wide spread agitation, pursuant to increase in tariff at Bhiwandi, reduced the Collection Efficiency from 99.33% in FY 2011-12 to 94.97% in 2012-13. This in turn has affected AT&C loss which was higher at 21.68% in FY 2012-13 as against 17.85% during the Previous Year.

Despite improvement in AT&C loss, though not in line with expectations, and tariff hike in October 2012, Agra, incurred increased losses in its third year of operations.

Upcoming Projects

a) DGEN Mega Power Project

Your Company is implementing the 1200 MW DGEN Mega Power Project in Dahej SEZ area, through its wholly owned subsidiary, Torrent Energy Limited, which is under advanced stage of implementation. The erection work for Petronet LNG Limited-DGEN dedicated gas pipeline has been completed and connectivity with GSPL grid network is under advanced stage of execution.

The transmission connectivity through 400 kV Double Circuit line from DGEN to Power Grid Corporation of India Limited's Navsari sub-station, being developed by Torrent Energy Limited in lieu of Central Transmission Utility, is now completed.

The DGEN Project has been delayed and based on current status, it is expected to be completed by April, 2014. There would be a revision in DGEN project cost on account of several additional works / items and also due to factors beyond the control of the Company.

The Project has been successfully registered with UNFCCC under CDM.

Appreciation

Before I conclude my address, I would like to thank our valued consumers for their continued support in all our activities.

The Directors are pleased to place on record their appreciation for the continued guidance and support received from the Central Government, Government of Gujarat, Government of Maharashtra, Government of Uttar Pradesh, Central and State Electricity Regulatory Commissions, Central Electricity Authority, National, Regional and State Load Dispatch Centres, State owned Electricity undertakings in Gujarat, Maharashtra and Uttar Pradesh, Power Grid Corporation of India Limited, Fuel Suppliers and Transporters, EPC Contractors, Financial Institutions and Banks.

I would also like to thank all the employees for their dedicated and committed efforts in discharging their duties. I owe my gratitude to my colleagues on the Board who have always provided valuable guidance.

I take this opportunity to express my gratitude to all the shareholders for the trust reposed by them in the management of the Company and I am confident of their continued support in the years to come.

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