

TORRENT POWER LIMITED
18th Annual General Meeting
August 08, 2022
Chairman's Address to Shareholders

Dear Shareholders,

A very good morning to everyone. I welcome you all to the 18th Meeting of Torrent Power Limited.

The first Integrated Report of the Company was circulated to all the shareholders and I hope you had a chance to go through it. The Report captures holistically the Vision, Mission and business model of the Company together with critical Financial as well as non-financial information. To drive the Company towards our stated Vision and Mission, our objectives have been categorized into 5 strategic themes and appropriate KPIs and target have been defined to measure the organizational achievements.

I shall now take you through some of the key developments:

Portfolio Growth: In line with the Company's plan to grow its renewable and distribution business, we have successfully enhanced our business portfolio through strategic acquisitions as well as participation in competitive bids:

In Renewables business, we acquired 281 MW comprising:

- a) 156 MW Wind power assets from CESC and Haldia Energy
- b) 50 MW Solar power asset from Lightsource bp and UKCI;
- c) 50 MW Solar power asset from Skypower Group. This was acquired in June 2022; and
- d) 25 MW Solar power asset from Blue Daimond and Balrampur Chini Mills

All these assets have remaining useful lives ranging from 15 to 22 years.

Further, your Company also won a 300 MW wind power project in the SECI tender at a tariff of @ 2.94/kWh for a term of 25 years. LOA of the project has been received in July 2022.

With this our current renewable portfolio including another under development capacity of 515 MW has reached 1,883 MW (663 MW solar and 1,220 MW wind). This is approx. ~38% in total generation capacity as compared to 30% last year.

In our Licensed Distribution business, we acquired 51% stake in power distribution company of Dadra & Nagar Haveli and Daman & Diu. The operations of this distribution area spanning across 603 sq.km. have been taken over w.e.f. 1st April 2022. We now distribute nearly 26 billion power units annually to over 4 million customers in India.

The expansion in capacity has also helped us improve our geographical footprint as we are now present in 7 states and 1 Union Territory.

Going forward, our focus will continue to be on expanding our renewables and distribution business with the objective of creating long term value for our stakeholders. With a comfortable position of Debt: Equity ratio at 0.83 and Net Debt: EBITDA at 2.30, we have sufficient headroom available to grow our business and still remain one of the most financially prudent players in power sector. The Company's credit rating was upgraded twice during the year and is currently CRISIL AA+/Stable. This is one of the best credit ratings in private sector and has helped us to reduce our borrowing cost significantly.

Coming to the Financial Results for Financial Year 22, Earnings before Interest, Depreciation, Tax and Exceptional items stood higher by 6% as compared to Previous Year. The exceptional item is a one-time non-cash charge of Rs. 1300 crores impairment provision for DGEN power plant. Total Comprehensive Income (TCI) for the year 21-22 excluding such exceptional charge was higher at Rs. 1,389 Cr against Rs. 1,300 Cr in the previous year despite the second and third wave of covid pandemic. The improvement in TCI was mainly contributed by:

- Significant reduction in distribution losses at both licensed and franchised businesses;
- Increased RoE on account of new capex at licensed business and higher sale volume backed by post COVID demand at Franchised business

- Gain from trading of Gas
- Reduced finance cost mainly due to lower debt and decrease in interest rate by 0.63%.
- Lower demand at our gas-based generation facilities due to high LNG prices affected the contribution levels negatively
- Tax expenses reduced due to reversal of deferred tax liability arising from DGEN impairment.

Company's stated **dividend** policy is to endeavor to distribute 40% of consolidated Profit. The Board declared total dividend of Rs. 9 per share for the year.

I shall now brief you on **operational performance highlights** of our business activities during the year 21-22.

As the pandemic ebbed, the power demand in the country went up and touched an all-time high of increase of 8.18% in the year 21-22. All our operations were also positively impacted due to increase in power demand.

Our Licensed Distribution Business, witnessed increase in sales of 16.7% over previous year reaching the pre-pandemic levels. The growth was mainly driven by industrial and commercial consumers as industrial activities returned to normal levels. The distribution loss at 3.9% in the year 21-22 was the lowest in India, one of the lowest in the world and below the normative levels.

Gujarat Electricity Regulatory Commission has not allowed tariff hike for the year 22-23. Only the Base FPPPA has been increased by 20 paise and 10 paise for Ahmedabad and Surat distribution areas respectively. Profits of licensed distribution business are not directly affected by the tariff order as the regulations prescribe a 14% post tax Return on Equity. However, the tariff order results in creation of cashflow mismatch based on annual costs incurred, which is settled through quarterly FPPPA and true-up mechanism in subsequent years. For the year 22-23, we expect a comparatively higher increase in

the amount of regulatory gap due increasing purchase costs as well as higher fuel costs – coal and gas.

Our Franchised Distribution Business, witnessed increase in sales of 17.9% over previous year nearly reaching the pre-pandemic levels. The growth was mainly driven by industrial and commercial consumers as industrial activities returned to normal levels. The distribution losses at Bhiwandi and Agra reduced to 11.81% in the year 21-22 as compared to 15.03% last year mainly through surveillance, vigilance and theft deterrent activities. In the second year of operation at Shil, Mumbra and Kalwa distribution areas, we could reduce the loss levels by 4% to reach 40.48% through various capital projects aimed at reducing the losses. The collection efficiency is showing continuous signs of improvement due to pick up in economic activities and revival of disconnection & vigilance drives. We have achieved nearly 100% collection efficiency in our distribution operations.

Coming to thermal generation; Our coal-based generation plant i.e. AMGEN too benefited from increase in power demand. Higher offtake resulted in higher PLF of 76.9% in the year 21-22 as compared to 44.3% PLF last year. Despite the countrywide shortage of coal, AMGEN continued to receive domestic coal under the Fuel Supply Agreement and managed to import required quantity to fulfill its demand.

The PLF level of gas-based plants was affected severely in the second half of the year due to unprecedented high LNG prices in the international markets. The prices which earlier remained in the range of \$5-\$10 reached \$17 in CY 2021, \$29 in CY 22 (YTD) and the August / September' 22 deliveries are trading at \$50.

SUGEN & UNOSUGEN plants underwent a major overhaul along with system upgrades that help to improve the performance of the units.

Our renewable generation business, comprised 213 MW Solar and 805 MW Wind power projects as at year end. PLF at Wind plants was 27.12 % in the year 21-22 as compared to 24.99% in previous year. Previous year was affected by abnormal drop in wind speed,

heavy rains & extended monsoon. Solar plants PLF reduced marginally and was 16.82% as compared to 17.61% last year mainly due to lower solar irradiation.

As a Company, we have always pursued financial returns by respecting social and environmental boundaries. Since, we have started Sustainability Reporting from the current year, let me brief you on some major **non-financial highlights** for the year 21-22:

→ Our licensed distribution business won the British Safety Council's prestigious Sword of Honour award for excellence in health and safety and the Globe of Honour award for environmental sustainability.

These recognitions are testimony of our high operational health and safety standards and environmental management policies and processes. We achieved five stars (>92% score) in the British Safety Council's audit and are one of just five organisations worldwide (of which only two, including Torrent Power, are electric utilities) to receive both these prestigious recognitions in 2021. Further, we are the second Company ever from India to win both these accolades in a single year.

Our gas-based generation facilities have also received five-star rating for the second time in a row under the British Safety Council's Health and Safety Audit.

→ Most of our units are certified for multiple ISO standards such as Quality Management System, Energy Management System, Environment Management System, Occupational Health and Safety Management System, Asset Management System and Information Management System.

→ Out of total talent onboarded in the year 21-22, approx. 20% were female candidates

→ We have spent Rs. 57 crore in various community development initiatives and primarily in 3 CSR Thrust Areas:

- Community Healthcare, Sanitation & Hygiene
- Education and Knowledge Enhancement
- Social Care and Concern

Major initiatives include:

1. **REACH – a child health centric initiative** covering three main pillars:
 - a. **Grassroot interventions;** to establish baseline health status of children aged 6 months to 6 years. We have covered 1000 villages to screen children for anaemia, malnourishment or chronic ailments. Based on a systematic survey, approx. 78% of children have come out of malnourishment and approx. 94% children have come out of anaemia.
 - b. **Greenfield actions;** whereby healthcare support is provided to children upto 18 years of age through Primary Health Centres at Dahej, Indrad and Balasinor, In the year 21-22, two multi-purpose satellite centers were set up at Waghai and Chhapi and three more are under development at Radhanpur, Naswadi and Dediapada.
 - c. **Other Allied Initiatives** to create awareness about menstrual hygiene among adolescent girls.
2. **Rangtarang;** the second major initiative of the Group is an integrated medical complex comprising 150 bed state of the art paediatric hospital – Balsangam and a multi-disciplinary clinic for patients of all ages. We undertook, various paediatric surgeries including some major surgeries during the year 21-22.
3. **Third is Shiksha Setu – Teaching and Learning Program** to improve the learning levels of children studying in Government and trust sponsored schools. This program has completed 10 years and in the year 21-22 the program has moved to Phase 3 with focus on vocational skills and motivating school drop outs to complete schooling besides focusing on improvement in learning levels.
4. Last major initiative is **Pratiti** – Development and Maintenance of Public parks. Under this program, till date we have re-developed 8 public parks & 4 are under-development.

Each of these and other community development initiatives are elaborately explained in the chapter Social Capital of the Integrated Report for the year 21-22.

Now, I come to an area of interest to all our stakeholders i.e. future outlook. In terms of achieving our Vision and Mission, we are committed to responsible energy generation and power distribution. We aim to increase our renewable portfolio through greenfield projects by participating in competitive bids as well as pursue inorganic growth through brownfield acquisitions. Another area of focus is expansion of the distribution areas through new opportunities in form of privatization or franchising of existing areas. Simultaneously, we also look for opportunities in the Transmission sector by participating in various bids.

The Company will focus on developing new distribution area of Dadra & Nagar Haveli and Diu & Daman, Dholera SIR and Shil-Mumbra-Kalwa along with expanding and upgrading the network in existing areas to cater to the growth in demand and further reduce distribution losses. The Company will also focus on adopting state-of-the-art technology and automation in operations at distribution business to further improve customer satisfaction and reliability.

The Company is also pursuing upcoming opportunities in the space of Green Hydrogen and Energy Storage technologies.

On behalf of the Board, I would like to thank all our shareholders for your continued trust in us. I am also grateful to the Central and State Governments, lenders, suppliers and customers for their consistent and resolute support. I thank our dedicated employees who have worked relentlessly towards achieving the organizational goals. I also thank all my colleagues on the Board for their oversight in this crucial phase of our growth, their support and encouragement.

Before closing, I re-iterate that we are focused on creating value for our shareholders while being prudent in our decision making.

I once again thank you all for your valuable time and attention.

Thank you.