TORRENT POWER LIMITED
19th Annual General Meeting
August 10, 2023
Chairman's Address to Shareholders

Dear Shareholders,

A very good morning to everyone. I welcome you all to our 19th Shareholders Meet.

The Annual Report has been sent to all shareholders via email as per regulatory guidelines. Those shareholders who haven't registered their email ids, may please do so in future. Hope you found the report insightful.

[Portfolio growth]

Let me now brief you on growth initiatives undertaken during the last year and some recent updates.

At our Generation business, we commissioned a 115 MW Wind Plant on 15th July 23, which was awarded to us under SECI V tranche. We also emerged as one of the successful bidders under SECI XII tranche to supply 300 MW of wind power. The scheduled commissioning date of the project is March 25. We also acquired a 50 MW Solar Plant in June 22. We also initiated our presence in the Commercial and Industrial (C&I) segment for supply of renewable power and have so far entered into contracts for development of 164 MW AC capacity. These projects provide fixed tariff rates plus limited escalation provisions, thus providing a stream of visible, predictable and long-term cash flows. With the addition of these projects, our total renewable portfolio (including under-construction capacities) has reached 1,947 MW.

During last year, we have also initiated work on some long-term growth opportunities.

1. To fuel our Green Hydrogen ambitions, we initiated construction of an important Pilot project for production of Green Hydrogen and blending it with natural gas in the CGD network being created by Torrent Gas in Gorakhpur. This is one of the largest private sector green hydrogen blending projects in India. Based on alkaline electrolyser, the project will blend 2.5% Green Hydrogen into the CGD network and is expected to be commissioned by March 24.
2. We have entered into MoU with the Government of Maharashtra for development of three Pumped Storage Hydro Projects of 5,700 MW capacity, entailing an investment of about Rs. 27,000 Crores. Similar opportunities are being explored in other states like UP, Gujarat, MP and Rajasthan. We have initiated the process of obtaining the requisite approvals and have initiated efforts to lock in the capacities under long term PPAs.

On the Distribution business, I am happy to inform that we have been granted a parallel distribution license for distribution and supply of electricity in Mandal Becharaji Special Investment Region (MBSIR) for a period of 25 years. MBSIR is a part of Delhi-Mumbai Industrial Corridor and is being developed as an automobile hub. Uttar Gujarat Vij Company Limited (UGVCL) is the incumbent licensee and will continue to remain a licensee, and consumers will have an option to choose one of the licensees. However, currently the matter is sub-judice due to appeals filed by GUVNL.

[Financial Performance]

Overall, the Company performed well despite multiple challenges during the last year. Earnings before Interest, Depreciation, Tax and Exceptional items increased by 34% to reach Rs. 5,141 crore and the Total Comprehensive Income (TCI) rose by 56% to reach Rs. 2,171 Cr as compared to Rs. 1,389 Cr in the previous year (adjusted for net DGEN Impairment charge). Major factors that contributed to improvement of TCI are:

a) Contribution from newly acquired businesses, which is the distribution business in Dadra & Nagar Haveli and Daman & Diu and 281 MW of renewable capacities;
b) Lower distribution loss at both licensed and franchised businesses;
c) Increased RoE on account of new capex at licensed business and higher sale volume at Franchised business;
d) Our gas-based generation faced a lack of demand on account of higher gas prices. However, such loss of contribution was partially offset by sale of RLNG
e) Finance cost increased during the year mainly on account of new borrowings.

We continued to maintain a healthy debt profile during the year with Net debt to EBIDTA ratio of 1.97X and Debt to Equity ratio of 0.92X through diligent debt management while maintaining a strong foundation for sustained growth. This is also reflected in ratings assigned by leading rating agencies – CRISIL and India Ratings – which have assigned long term rating of AA+ and short-term rating of A1+. These ratings are currently the best in the private sector, which help us to keep our borrowing cost competitive.

Considering the profits and interests of our shareholders, a total dividend of Rs. 26 per share has been declared for FY23. This represents ~58% of our consolidated total comprehensive income for the year as against our stated dividend policy of 40%. The incremental dividend essentially reflects the higher earnings of one off nature that we had during the year on account of RLNG income.

I shall now take you how the key operating drivers of our business performed during the year:

In our Licensed business, this was the first year of operations at the newly acquired distribution area of Union Territory of Dadra & Nagar Haveli and Diu & Daman, where we served 1.57 lakh customers and supplied ~10 billion units of power. Despite being the 1st year of operations, we were able to limit the distribution losses to 1.59% against the normative level of 3.35%.

The licensed distribution business comprising Ahmedabad, Gandhinagar, Surat & Dahej SEZ areas witnessed overall sales growth of 8.5% over the previous year. Such an increase in sales was primarily driven by higher demand from industrial and commercial consumers due to boost in economic activities; along with higher demand from residential consumers due to prolongated summer. Overall, the distribution loss levels were at 3.4%, one of the best globally. Further, such loss levels are well below the normative level as well as lower than previous year.

This year also, Gujarat Electricity Regulatory Commission did not allow any tariff hike for the year 23-24. But the Base FPPPA has been increased by 69 paisa for Ahmedabad and Surat distribution areas and 63 paisa for Dahej area. 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.

Coming to **franchised distribution,** sales grew by 14.4% as compared to the previous year due to higher demand from industrial as well as residential consumers. Our focus continued on reducing the losses through various loss reduction initiatives including network improvement and vigilance activities. It is a great pride to us that we have achieved sub-10% AT&C loss levels at both Bhiwandi and Agra as compared to 11.8% last year and nearly 58% at the time of takeover. This is a remarkable achievement considering that Bhiwandi and Agra are some of the most difficult geographies to reduce AT&C losses. At our third Franchised area of Shil, Mumbra and Kalwa, we were able to significantly reduce the loss by 7% to reach 33.5%.

Coming to thermal generation; our coal-based generation plant i.e. AMGEN achieved a higher PLF of 88% as compared to 77% last year due to high demand. Despite the countrywide shortage of coal, AMGEN managed to get allocated domestic coal as per Fuel Supply Agreement (FSA) keeping variable cost under control.

On the other hand, PLF of our gas-based plants was significantly affected due to elevated gas prices owing to Russia-Ukraine conflict and other factors. Historically, the prices for LNG have been in the range of $5.5 to $10/mmbtu and trading in tandem with crude price. However, since second half of CY21, LNG prices have overshot crude price parity and during CY 22 the prices were ~ $32/mmbtu. Despite the volatile gas prices caused by geopolitical conflicts, our gas-based plants managed to sell RLNG.

With successful integration of various renewable assets acquired during the last year, **our operational renewable capacity** was at 263 MW of Solar and 805 of MW Wind power at year end. PLF at Wind power plants was lower by ~2.8% as compared to last year mainly due to lower wind speed. Solar PLF increased to 18.7% against 16.8% last year, mainly due to higher irradiation.

[CSR]

Community initiatives have remained close to our hearts guided by the philosophy of our founder, Late Shri U.N. Mehta, as he always said, ‘Think of others when you think about yourself’.

In FY23, we spent Rs. 54 Crores in community development initiatives in the areas of **Healthcare**, **Education** and **Social wellbeing**.

In **Healthcare**, we have continued expanding our flagship CSR program which is REACH, addressing the issue of malnutrition amongst children particularly in rural areas. We now cumulatively support more than 1200 villages and plan to expand to nearabout 1600 villages in the current year. Our commitment to providing comprehensive critical care to children is exemplified by a recent strategic shift towards focusing on surgeries at the UNM Children Hospital. 780+ surgeries were conducted during last year and of these 50% were lifesaving critical surgeries. Under an allied initiative, we also counsel and empower adolescent girls by addressing taboos associated with catamenial hygiene and have covered more than 35000 girls providing environmentally friendly sanitary napkins.

Under **Shiksha-Setu**, a Teaching and Learning program, we work to improve the learning levels of children in government and trust-sponsored schools and have seen encouraging results.

Pratiti which is our social wellbeing initiative. Under this we have re-developed 9 public parks & 3 more are under development in the cities of Ahmedabad and Surat.

Each of these and other community development initiatives are elaborately explained in the chapter of Social Capital of the Integrated Report.

[Future Outlook]

Going forward, our focus areas of growth shall remain:

1. Renewable Energy– where we will strive to participate across areas such as utility scale Solar, Wind, Hybrid, Pump Storage Hydro projects, Green Hydrogen projects and also supplying RE power to C&I customers. For this we will work on both – greenfield as well as brownfield opportunities.
2. Transmission and Distribution – where we will continue to evaluate new opportunities in form of privatization or franchising of existing areas.

We remain committed to creating value for our stakeholders through prudent financial planning and investment decisions.

To conclude, I would like to thank you all, our shareholders, for your continued trust and support in our journey. I am also grateful to the Central and State Governments, lenders, suppliers and customers for their consistent and resolute support. I take this opportunity to thank our dedicated employees and express my deep appreciation for their contribution and collective efforts in achieving the organizational goals. I also thank all my colleagues on the Board for their support and encouragement.

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

Thank you.
