



पावरग्रिड  
POWERGRID

# CHAIRMAN'S SPEECH



## Chairman and Managing Director's Address at 34<sup>th</sup> Annual General Meeting to be held on 30.08.2023



# LETTER FROM THE CHAIRMAN & MANAGING DIRECTOR

*Dear Shareholders,*

Namaskar,

It gives me immense pleasure to extend a warm welcome to you all to the thirty fourth Annual General Meeting of POWERGRID. On behalf of the Board of Directors, I thank you all for joining us today. Your continued support and goodwill towards your company keeps us motivated to do better and better.

The Company's accounts for FY 2022-23, Directors' and Auditors' report, letter to the Shareholders and Management's Discussions & Analysis have been circulated to you. With your permission, I shall take them as read.

### PERFORMANCE OVERVIEW

Fiscal 2022-23 has been yet another year of remarkable achievements for your Company. In the Public Enterprises Survey 2021-2022 published by the Govt of India, POWERGRID has been ranked 1st in the Services Sector in terms of Gross Block, Value Addition, Net Profit, Net Worth, Dividend, and Contribution to the Central Exchequer. Due to its all-round performance, your Company was rated 'Excellent' under the Government of India MoU system for the year 2021-2022, for the 29th year in succession.

In terms of capacity addition, your company added 2,972 circuit km (ckm) of transmission lines, 28,990 Mega Volt Ampere (MVA) transformation capacity and 9 new substations. In the inter-state segment, we commissioned 400kV D/c Jeerat (New) -Subhasgram line, 400 kV D/c Mohindergarh-Bhiwani transmission line, 400/220 kV Jauljibi GIS S/s and associated transmission lines, 400 kV D/c lower Subhasiri-Biswanath Chariyali line-I, and the Bhuj Transmission System. In the intra-state segment, Bhind-Guna transmission system in the state of Madhya Pradesh and Rampur-Sambhal transmission system in the state of Uttar Pradesh were commissioned. In all, assets worth ₹7,413 crore were capitalized on a consolidated basis during the year.



Recently transmission system under phase-II, part F associated with Transmission System Strengthening scheme for evacuation of power from solar energy zones in Rajasthan (8.1 GW) has been commissioned. At the end of FY 2023, the total transmission assets of your company and its wholly owned subsidiaries stood at 1,74,113 ckm of transmission lines, 272 substations with 4,99,362 MVA of transformation capacity.

On the Operational front, we achieved 99.82% system availability with the number of trippings per line contained at 0.27, the lowest in last five years. Your company has been recognized by the International Transmission System Operation and Maintenance Study (ITOMS), which is a global Operations & Maintenance (O&M) benchmarking platform, as a Best Performer (High Performance and Low cost) for transmission line and substation maintenance for FY 22. POWERGRID has also been recognized as best in transformer maintenance by ITOMS.

Total Income for the year at ₹46,605 crore grew by 9% on year-on-year basis. The Profit after Tax (PAT) was ₹15,147 crore, which is an increase of 11% over the previous year after excluding the exceptional items. In line with our policy to balance dividend pay-outs and retained earnings for new investments, this year we have already paid interim dividend of ₹10 per share and propose to pay a final dividend of ₹4.75 per share subject to your approval. The total dividend declared for the concluded fiscal thus works out to ₹ 14.75 per share. The total dividend payout for the year amounts to ₹10,289 crore (including interim dividends of ₹6,975 crore)

with payout ratio of 67% as compared to 60% for the previous year.

The Board has proposed, subject to your approval, issuance of bonus shares in the ratio of 1:3 i.e. one equity share for every three shares held, by capitalisation of reserves. This is the second bonus issue by the Company in the last five years and reflects our commitment to our esteemed shareholders.

Your company monetized the cashflow of its three operational TBCB SPVs through securitization route by private placement of bonds and raised ₹3,412 crore in three tranches against monetization target of ₹3,000 crore. The proceeds have been utilized to meet capital requirement for ongoing projects.

Receivables at the year-end were at ₹4,821 crore. In terms of number of days sales, the receivables stood at 39.81 days compared to 43.69 days in the previous year. With focussed customer relationship management, your company has achieved collection efficiency of 98.84% billing in FY23. On behalf of the Board, I would like to acknowledge the support of our valued customers whose timely payments made this possible.

During FY23, your Company's telecom network increased to 82,294 km from 74,109 Km and backbone availability of almost 100% was achieved. You would be delighted to note that your company's telecom team made a small yet significant contribution to the success of Chandrayaan-3 mission. They provided and ensured availability of mission critical datalinks to the satellite control centre of ISTRAC at Bangalore.



In the consultancy segment, we bagged 54 domestic assignments and several international orders from Uganda, Nepal, and Ethiopia. The revenue from Telecom and Consultancy services stood at ₹729 crore and ₹509 crore respectively on consolidated basis. For the first time, your company has entered into

an agreement with a bulk industrial consumer for development of dedicated transmission system on DBFOOM basis to provide them access to green power from the grid.

Under Tariff Based Competitive Bidding (TBCB), your Company emerged successful in 11 Inter State Transmission System (ISTS) projects. Special purpose vehicles (SPVs) for these projects, and for one intra-state and one inter-state transmission projects in which the company emerged successful in the year 2021-22 were acquired during this year. Upon completion, these projects would add ₹1,200 crore to the revenues. At the end of FY 2022-23, your Company owns 33 TBCB subsidiaries.

### PATH FORWARD

- Sustainability, energy security and digitalization will drive the energy sector and become all pervasive in the foreseeable future. Driven by climate change concerns, the march towards renewable energy and reduction of carbon footprint will gain speed at an entity level and guide businesses in general, and utilities in particular. India has set a target to achieve Net Zero carbon emissions by 2070 and under the Nationally Declared Contributions (NDCs), by 2030 the country is committed to achieve 50% of its cumulative electric power installed capacity from non-fossil fuel-based energy resources and reduce emission intensity of its GDP by 45% from the 2005 levels. Towards this, various policy interventions such as renewable purchase obligations and storage trajectory, renewable generation obligations, waiver of transmission charges for wind & solar projects, green open access & promoting pump storage plants have been taken up in the country to ramp up renewable generation capacities.

- In this rapidly evolving business scenario, for the long-term growth and sustenance, it is essential that we identify and participate in the emerging business opportunities and take measures to reduce our own carbon contribution. According to a study of Bloomberg NEF, globally Net zero will require at least \$21trillion in grid investment by 2050 of which 39% is envisaged to be in the transmission sector and more than 80% towards system reinforcements and new connections. An investment pipeline of ₹2.44 lakh crore up to 2030 has been drawn by Govt of India for development of Inter-state transmission infrastructure in the country for evacuation of power from targeted non fossil based generation capacities. As per 14th NCT, projects worth ₹75,248 crore have been approved and will be rolled out for bidding under TBCB in the current financial year.



**Hon'ble President of India,  
Smt. Droupadi Murmu  
Dedicates Transmission System Built by  
POWERGRID for Evacuation of Solar Power**

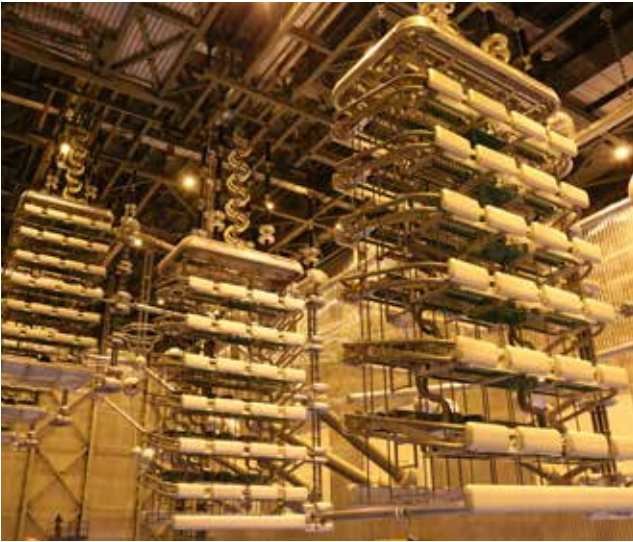
- Thus, the opportunity set within the transmission segment is immense as new grid connections and augmentation of existing transmission infrastructure would be essential to integrate the growing renewable energy capacities into the grid. Your company has facilitated evacuation of more than 48 GW of non-fossil energy capacities. It is not an exaggeration to claim that robust grid infrastructure developed by your company has facilitated the seamless integration of 184 GW renewable energy capacity in India and POWERGRID would continue to play a large role in India's sustainability journey. Your company looks to make an investment of over ₹ 1.8 lakh crores till 2032 in transmission and other businesses.

- After successful establishment of 13 nos. Renewable Energy Management Center/ Energy Management Centre, company is undertaking setting up of REMC at Ladakh.

- Your company has drawn a capex plan of ₹8,800 crore for the current fiscal which we are actively engaged to better. At the end of March 23, your company has achieved 68.4% of National Infrastructure Pipeline (NIP) investment target of ₹65,500 crores by FY25 and is confident to surpass the target in the balance period.

- Friends, proposal seeking approval of the Govt of India for the proposed transmission system for evacuation of 5GW renewable energy from Leh is at an advanced stage. We have commenced the Front-End Engineering and Design (FEED) studies that are required to meet challenges on account of harsh climatic conditions and high altitude in which the proposed HVDC station would be located. FEED studies for phase-I & II are expected to be completed by Feb '2024 and Dec '2024 respectively. Project award and construction activities shall be taken up thereafter.

- Offshore wind energy is expected to come up at a fast pace as the Government of India has set a target of 37 GW installed capacity by



2030, mainly off the coast of Gujarat (Gulf of Khambhat) and Tamil Nadu (Gulf of Mannar). Transmission systems required for evacuation of offshore wind include offshore sub-station on a platform, laying of submarine export power cable, connection to onshore substation through transition joint, and integration to the main grid. While this provides a new opportunity for growth, the design and construction skills required are significantly different from conventional transmission systems for onshore generation. Your company is gearing itself to develop the requisite competences and skill set for development of such transmission systems. In this direction, an MoU has also been signed with National Institute of Oceanography, Goa on oceanography studies of Power Evacuation system for Offshore Wind Energy.

- With the increased focus on sustainability and growth of hydrogen economy, there is an emerging opportunity for development of dedicated transmission systems for feeding green electricity to industries. Your Company is developing a dedicated Transmission System in the state of Gujarat for a leading industrial unit to enable them access to renewable energy from the grid. Success in this endeavor shall open a plethora of business opportunities going forward.

- The Government of India has taken up a slew of initiatives to improve the viability of the Discoms which are the bedrock of the entire electricity sector of the country. Your company is participating in the Revamped Distribution Sector Scheme (RDSS) being rolled out by the Government of India by undertaking implementation of Loss Reduction and Smart Metering works. I am glad to share that

POWERGRID Energy Services Ltd (PESL), a wholly owned subsidiary of your company, has signed commercial agreements with Gujarat DISCOMs UGVCL (Uttar Gujarat) and MGVCL (Madhya Gujarat) for Implementation of prepaid Smart Metering infrastructure. Under this agreement, PESL shall install approx. 69 lakhs Smart Meters along with associated communication and IT infrastructure. PESL is also engaged as the project management consultant in the state of Jammu and Kashmir and UT of Ladakh for implementation of loss reduction works.

- The teleservices business of your Company is also growing at an accelerated pace on network reach and revenues. POWERGRID Tele Services Ltd., POWERTEL, wholly owned subsidiary of your Company, has obtained a license for International Long Distance (ILD) services and the business transfer agreement to hive off the telecom business into POWERTEL has also been executed. The company is scouting opportunities for ILD business with neighboring countries after requisite compliances. POWERTEL is also taking up the establishment of Data Centre near Gurugram and plans to expand into Hyper Datacenter & EDGE Datacenter.



- Your company is making strides to increase its global presence beyond its conventional consultancy solutions. A joint development agreement has been signed with Africa50 in 2021 to take up investment in Kenya. I am pleased to share PPP Committee of Kenya has recommended the sponsors i.e. Africa50 and POWERGRID to proceed to the "Development Phase". Basis which, a project development report has been submitted for the development of transmission system with an estimated cost of more than ₹2,500 crore to the Kenyan authorities. A cooperation agreement has also been signed with Africa50 for development of transmission system in Tanzania. Your Company continues to play prominent role in the ongoing endeavors with

neighboring countries for enhanced cross border inter connections including new cross border transmission connectivity between India & Sri Lanka. During FY 23, your Company has formed a joint venture with the Nepal Electricity Authority to set up the Indian portion of the Gorakhpur–New Butwal transmission link.

## BUSINESS WITH RESPONSIBILITY

Dear Shareholders, sustainable operations are imperative of the times, not only for a better planet but also to achieve economy and efficiency in a competitive business environment. Sustainability remains one of the fundamental tenets of our business operations. In our endeavour to align disclosures as per the emerging global frameworks, your company has published its 1st Integrated Annual Report for the year 2022–23. Your company is aligning business operations with sustainability, and we have been doing utmost to better our sustainability performance with each passing year. The improvement in various parameters such as reduction in Energy Intensity from 34.19 GJ/₹Cr to 31.20 GJ/₹Cr (-8.75%), Water Intensity from 65.40 kL/₹ Cr to 60.93 kL/₹ Cr (-6.83%) and Emission Intensity from 8.57 tCO<sub>2</sub> eq./₹ Cr to 7.83 tCO<sub>2</sub> eq./₹ Cr (-8.63%) bear testimony to this.

In my address last year, I announced that POWERGRID is committed to achieve 50% of its electricity consumption from renewable sources by 2025. Dear shareholders, underscoring our abiding steadfastness to sustainability, I am happy to announce that we are committed to become a “Net Water Positive organization” and “Zero Waste to Landfill status” by 2030 and a Net Zero company by 2047, when India would celebrate its 100th year of independence.

To reduce its carbon footprint, your Company has already taken various measures like installation of roof top solar PV on office buildings and Solar PV plants on vacant substation land, progressive replacement of diesel vehicle by e-vehicles, improving carbon sink through plantation etc. Award for setting up an 85MW solar generation plant at Nagda has been placed. Generation from this plant will help in meeting captive power needs of the company besides being available for sale through exchanges. Your company is also considering setting up solar generation plants of total capacity of 80 MW on vacant lands available within existing substations.

You will be happy to note that POWERGRID has commissioned India’s first green field 220 kV digital substation at Chandigarh. With this, your company has joined elite league of utilities

worldwide who have achieved commercial implementation of Process Bus based Digital Substation. Your Company is also constructing a green field 400 kV Digital Substation at Navsari, Gujarat. Digital substations significantly reduce the use of cables in EHV Sub-station resulting in safer working environment and lower carbon footprint. Your Company intends to deploy this technology on larger scale for transmission capacity addition in times ahead. POWERGRID is also exploring options for replacement of the old SF<sub>6</sub> Circuit Breaker (CB) having high global warming potential (GWP) with alternative environment sustainable gas-based Circuit Breaker on pilot basis.

Being a responsible corporate organization, community engagement is one of our business priorities. Your company has been taking up a number of CSR initiatives for socio-economic development of communities and the region around its area of operations. Under the Corporate Social Responsibility initiatives, Company spent ₹ 321.66 crore against a CSR budget of ₹311.97 crore during FY23 and 168 new CSR projects worth ₹275.10 crore were sanctioned. Our CSR projects have demonstrated significant impacts on the local community and society at large primarily in the areas of skill development, health care, drinking water and sanitation. With great satisfaction, I share with you that during FY23, Vishram Sadans built under company’s CSR initiatives at Darbhanga, Guwahati and Vadodara were completed. With this, six Vishram Sadans are operational and serve more than 75000 patients annually. Considering the immense help to the underprivileged patients and their attendants provided by the POWERGRID Vishram Sadans, four more Vishram Sadans are being constructed at Ranchi, Bengaluru, Berhampur and Jhansi.

Dear friends, Your Company’s CSR initiatives have been well recognized and during the year, the Company is privileged to receive 24th Platts Global Energy Awards – Corporate Impact Award – Critical Response category.



In recognition of its initiative of Improving Rural Livelihoods and Protecting Environment through farmer centric Integrated Watershed Management, your company has been conferred CSR World Leader 2022 and International CSR Excellence Award 2022.

Dear shareholders, corporate governance remains a key driver of sustainable growth in POWERGRID. Your company believes that it is critical in creating and enhancing value for shareholders while safeguarding the interests of multiple stakeholders and society at large. Your Company remains committed to carrying forward every business endeavor in a free, fair, and transparent manner. The company is complying with the guidelines issued by the authorities as applicable to public sector undertakings, the details of which are provided in the Corporate Governance Report forming part of the Annual Report.

### **INNOVATION AND DIGITAL TRANSFORMATION**

Dear Shareholders, POWERGRID has been fostering a culture of innovation with a focus to develop cost effective solutions in the era of energy transition. Digitalisation is key to the management of the large asset base of your company at par with best global standards. Remote monitoring and operation of our transmission system on a real-time basis is being done with state-of-the art National Transmission Asset Management Centre (NTAMC) and Regional Transmission Asset Management Centers (RTAMCs) which operate and monitor 271 of our substations. During the year, in a first of its kind, your company integrated the HVDC +/- 500 kV, 1500MW HVDC Rihand -Dadri Bi-Pole Terminals and 500MW Vindhyachal HVDC back-to-back with the NTAMC/RTAMC to enable remote operation.

Your company continuously assesses processes wherein digital interventions have the potential for greater efficiency. During the year, an Asset Management Dashboard named UDAAN (Unique Digital Analysis of Assets and Network) has been developed which gives a bird's eye geospatial view of our asset management system throughout the organization. Further, existing in-house asset health indexing software PALMS has been upgraded with sophisticated diagnostic methods.

Spearheading the advancement in the field of substation aerial inspection, your company has undertaken development of programmable drone with specialized sensors including AI/ML based analytics which is first of its kind in India. This shall enhance efficiency, accuracy and safety of substation aerial inspections,

and become a stepping stone to data-driven decision-making. For better analysis and monitoring the health of our transmission line assets, we have developed AI/ML based defect identification tool 'POWERGRID Asset Management through Artificial Intelligence in Transmission' (PG AMRIT) and integrated with transmission line patrolling platform 'POWERGRID Digital Application for Routine Patrolling & Assessment of Network' (PG-DARPAN). PG AMRIT automatically identifies the defects from tower photographs using AI/ML algorithms which has helped in optimizing the efforts of line maintenance teams.

Friends, confluence of Project Management and digital interventions has significantly enhanced our capability to create an oversight on project activities through dashboards.

Your Company has also launched a new ONLINE portal for approval of new manufacturing units, extension of approval of existing manufactured units and renewal of their manufacturing quality plan. With the launch of the portal, the complete process from vendor approval to material dispatch has become paperless.

During the year, two patents have been granted to your company one for 'ENERGY EFFICIENT ALL-SEASON ROOF SCREENING' and the other for SMART SOCKET AND SMART HOME ENERGY MANAGER. Your company has collaborated with IIT-Kanpur towards developing a substation inspection robot.

Your Company's Corporate Office, all regional headquarters and 239 substations are certified as per the Information Security Management System ISO:27001. The Company works closely with designated statutory bodies: Computer Emergency Response Team (CERT-In) and the National Critical Information Infrastructure Protection Center (NCIIPC).

### **FUTURE READY HUMAN CAPITAL**

POWERGRID has been delivering continuous growth and unparalleled operational efficiency by dint of its culture of excellence, the grit and determination of our competent, committed, dynamic and motivated workforce. Your Company values learning and undertakes initiatives to nurture and promote skill upgradation across all levels.

To keep pace with the fast-evolving business landscape, Company is striving to create best-in-class organizational capabilities. We are pursuing collaborations with premium educational institutes and centres of learning (IIT-Bangalore, NIT Jalandhar, NTPC School of

Business, ISB Hyderabad) in India and abroad to enhance and strengthen the leadership qualities/ technical capabilities of our employees. The enhancement in the knowledge and skill base of our workforce shall be an advantage in charting organisational growth ahead.



I am pleased to share with you that POWERGRID has been recognized as Top 100 Best Companies to Work for in India 2022 by Great Place to Work India (GTPW) with a unique distinction as the only PSU in Top 100.

It is heartening to share that the prestigious Brandon Hall Excellence Bronze award 2023 has been bestowed upon your company. This is the second in row global award for POWERGRID's Learning & Development after ATD Best award.

Date: 30<sup>th</sup> August, 2023  
Place : Gurugram

Dear Shareholders, achieving long term sustainability goals requires widespread awareness among workforce. To ensure this pan India training programs across business establishments have been carried out towards internalization of the ESG frameworks at all levels. Such endeavours shall be continued ahead also in view of evolving business imperatives and disclosure requirements.

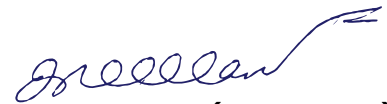
#### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I express my earnest thanks to all our stakeholders, the state power utilities, international clients, vendors, investors, international and domestic banks and financial institutions, and the credit rating agencies for their continued support. My sincere thanks to the Ministry of Power, Ministry of New & Renewable Energy, Central Electricity Authority, Central Electricity Regulatory Commission, Ministry of Finance, Department of Public Enterprises, NITI Aayog, Department of Economic Affairs, Ministry of Statistics & Programme Implementation, Ministry of External Affairs, Ministry of Corporate Affairs, Ministry of Environment & Forests, Securities and Exchange Board of India, different State Governments, Office of the C&AG and the statutory auditors for their support in our operations.

I wish to place on record my high appreciation and gratitude for the valuable contribution and support extended by my colleagues on the Board. On behalf of the Board, and on my own behalf, I acknowledge the unstinted cooperation and continued support given by all employees. I extend my warmest thanks to all the employees and their family members for their unflinching commitment to POWERGRID.

In closing, dear shareholders, I am indeed grateful for the unstinted support of each one of you that gives us the strength to keep moving ahead and set pathbreaking benchmarks. I trust you will continue to support in strengthening and improving your company's performance in the coming years.

Your truly,



(K Sreekant)

CHAIRMAN & MANAGING DIRECTOR