

POWERGRID

TAKING OUR EXPERTISE TO THE WORLD

- Investment of ₹ 17,814 Crore, an increase of about 48% over last year
- Added about 10,600 circuit kilometre (ckm) of Extra High Voltage (EHV) transmission lines, 15 new EHV sub-stations and transformation capacity of more than 30,000 Mega Volt Ampere (MVA)
- Record commissioning of Assets worth ₹ 14,021 Crore
- Investment approval accorded for 43 new transmission projects worth about ₹ 39,225 Crore
- Transmission system availability attained - 99.94%, highest so far in the history of the Company
- With the addition of Inter-Regional power transfer capacity of 5,600 MegaWatt (MW), total Inter-Regional capacity of National Grid enhanced to 28,000 MW

Dear Shareowners,

It gives me immense pleasure to welcome you all to the 23rd Annual General Meeting of your Company.

The Directors' Report and the final accounts of the Company for the financial year ending 31st March, 2012 have already been provided to you. With your kind permission, I take them as read.

Ladies and Gentleman, you will recollect, immediately after taking over as Chairman & Managing Director in September, 2011, I had the honor of addressing you at last year's AGM. I extend my profound gratitude for your continuous patronage, encouragement & support and acknowledge with humility, the confidence and certitude you reposed upon me.

The completion of the year 2011-12 is marked as two decades of successful commercial operations of your Company. Needless to say, the journey has been exhilarating as well as astounding for an organization which started its modest operations in FY 1992-93. I am happy to share with you that we had crossed many milestones in FY 2011-12. The turnover of the Company as on 31st March, 2012 reached five figures, crossing ₹ 10,000 Crore and the Net Profit above ₹ 3,000 Crore for the first time, a visible growth surpassing expectations of all. Similarly, on physical assets front, while number of sub-stations under operation reached 150 and transformation capacity crossing 100,000 MVA mark, the transmission network is poised to cross over 100,000 Circuit km in this year.

Keeping pace with changing business environment, your Company, this year, has set its 'Vision' to be "World Class, Integrated, Global Transmission Company with Dominant Leadership in Emerging Power Markets Ensuring Reliability, Safety and Economy" and aligned its mission and objectives accordingly. I am confident that with your support and with dedication of committed workforce, your Company is well geared-up to realize its 'Vision'.

PERFORMANCE HIGHLIGHTS

Friends, FY 2011-12 was a year of outstanding performance in all fronts for your Company.

On the front of project implementation, your Company has added about **10,600 Circuit km of transmission lines, 15 new sub-stations and transformation capacity of more than 30,000 MVA.**

On the operational front, your Company surpassed its own records by maintaining availability of **99.94%**, the highest availability attained by the Company since inception. Further, the number of trippings per line was also contained at an optimum level of **0.59**.

During the year, investment approvals were accorded for 43 new projects with an estimated cost of about ₹ **39,225 Crore**. An all time high Asset Capitalisation of ₹ **14,021 Crore** was achieved, which is almost double as compared to ₹ 7,313 Crore in last fiscal. A capital investment of ₹ **17,814 Crore** was also made, a significant increase of nearly 50% over last year.

For the first time, the turnover of the Company crossed five figures mark and scaled to ₹ **10,785 Crore** with Net profit of ₹ **3,255 Crore**, which is 19% and 21% higher respectively compared to previous financial year.

Enhancing the value for shareholders has always been of utmost priority and your Company continues to expand its portfolio in consultancy business, both domestically & internationally and presently, 115 domestic consultancy assignments having project cost of about ₹ 19,000 Crore are under execution. In its efforts to realize the 'Vision' of becoming a global transmission Company, your Company made its debut footprint by garnering business in four (4) more countries during the year, namely Myanmar, Kenya, Ethiopia and Tajikistan, thus making its presence in 11 countries.

In support of the Govt. of India's RGGVY program, your Company created infrastructure for electrification in **9,358 villages** and provided Service connections to about **6.783 lakh** BPL households during FY 2011-12.

TECHNOLOGY LEADER

I am happy to share with you that the dream of developing the world's highest transmission voltage level of **1200kV UHV-AC** has become a reality with the test charge carried out at the **National Test Station** in Madhya Pradesh in February, 2012.

Your Company is also exploring application of High Temperature Superconductor cable in Indian power system as it offers very high power carrying capacity at lower voltage, besides extremely low losses for effectively addressing the Right of Way issues as the cable is embedded in the earth.

Towards indigenous development of HVDC Technology, for making the country self-reliant, your Company has taken initiative for open collaborative effort with indigenous manufacturers for development of HVDC/FACTS technology and equipment manufacturing facilities.

MOVING TOWARDS ONE NATION - ONE FREQUENCY

During the FY 2011-12, inter-regional power transfer capacity of **5,600 MW** was added. With the year's addition, the inter-regional power transfer capacity of National Grid was enhanced to **28,000 MW** at the end of XI plan, doubling the capacity of 14,100 MW at the end of X plan. Currently, our Country is operating as one of the largest synchronous grids in the world, with integrated Northern, Western, Eastern and North-Eastern regional grids. Marching towards realizing the dream of "One Nation - One Frequency", Southern Regional grid is envisioned for synchronous interconnection by first quarter of 2014.

CONCLUSION OF XI PLAN AND BEGINNING OF XII PLAN

I am happy to share with you that your Company may be the only PSU in power sector and amongst few select PSUs of Govt to have met/exceeded the XI plan investment target. At the end of XI Plan, a capital investment of about ₹ **55,300 Crore** was made by your Company as against the target of about ₹ 55,000 Crore. This is more than about three times of investment that have been made in X plan.

Your Company has planned a capex of over ₹ **100,000 Crore** during XII Plan with current year's capex pegged at ₹ 20,000 Crore. Your Company has put in place a robust road map and



R. N. Nayak
Chairman & Managing Director

Chairman's Speech at the 23rd Annual General Meeting

concrete action plan for achieving the above investment programme, in which investment approvals have already been accorded for projects worth over ₹ 84,000 Crore and Contracts placed for over ₹ 70,000 Crore.

GRID MANAGEMENT BY POSOCO

Grid Management function is being looked after by Power System Operation Corporation Limited (POSOCO), a 100% subsidiary Company of POWERGRID. It has facilitated inter-regional energy transfer of about **58 billion units** across the Country and approved **24,109 transactions** under STOA involving about **67 BUs** of energy. This has resulted in reduction of spot electricity market price from ₹ 8-10 to ₹ 3-4 in a span of 3 to 4 years.

Dear friends, the Indian Power Grid, had not experienced any major grid disturbances during past several years. However, the electricity grid experienced two major disturbances consecutively on 30th and 31st July, 2012. While the first disturbance affected only the Northern Region, the second one affected Northern, Eastern, and North-Eastern Regions. However, the essential loads were restored within 2 to 3 hours of the incidents, which is one of the quickest restoration ever carried out internationally and power supplies were normalized completely on the same day of incident(s). For effective supervision & control over inter-State Transmission System, we are taking all possible corrective steps in line with the Electricity Act, 2003 and the Indian Electricity Grid Code to ensure that such incidents do not occur in future. We have devised mechanisms like Special Protection Scheme for load shedding protocol and Utilities/Generators have been sensitised about the need to draw/inject as per schedule irrespective of system frequency, which is pre-requisite for effective integrated safe operation of grids. Your Company is also working for installation of Grid Security Expert System to have a fail-safe and reliable operation of the grid. As a step towards maintaining higher grid security, the grid frequency band has been further tightened from 49.5-50.2 Hz to 49.7-50.2 Hz w.e.f. 00:00 hours of September 17, 2012 with the implementation of CERC (Indian Electricity Grid Code) (1st Amendment) Regulations and CERC (UI changes & related matters) (2nd Amendment) Regulations.

TELECOM BUSINESS

Your Company presently has an all India Broad Band Telecom Network of about 25000 kms, which is likely to be more than double in 2-3 years with multiple self resilient rings for backbone as well as intra city access networks connecting more than 200 cities and towns across the country. Total Order Book of Telecom business rose to ₹ **1,050 Crore** from ₹ 650 Crore in the previous year, an increase of 62%, despite the rough weather in the telecom industry.

Your Company is partnering in implementation of Govt. of India's two prestigious projects - **National Knowledge Network (NKN)** and **National Optical Fiber Network (NOFN)**. The NKN project is already under implementation and yielded a revenue of about ₹ 45 Crore during last year. A pilot project in Vizag (Andhra Pradesh) has been undertaken for execution by your Company under NOFN.

NEW INITIATIVES/ DEVELOPMENTS

Your Company has taken initiative to use its resources differently and is working across the institutional boundaries to set up new standards of success.

LONG STRIDES IN OPERATIONAL EXCELLENCE

Your Company is establishing state-of-the-art fully computerized & automated "National Transmission Asset Management Centre (NTAMC)" for centralized operation of various substations remotely and virtual manning. This will not only help in optimal utilisation of manpower & resources but also reduce the response time on restoration, in case of faults & breakdowns.

In order to assess the health of vast transmission infrastructure spread over the country, aerial patrolling of transmission lines on trial basis using **helicopters** are being undertaken, for

about 800 km of transmission lines contract has been placed.

SMART GRID SOLUTIONS

Towards bringing efficiency, reliability and sustainability in power sector Smart Grid Technology solutions shall facilitate end-to-end intelligent two-way delivery system as well as integration of renewable energy sources.

In this direction, your Company is developing a Pilot Smart Grid/City in Puducherry through open collaboration in these fields with 63 organizations. Your Company has also prepared Project Reports on application of Smart Grid technologies to various distribution areas like Firozabad, Bidhuna, Shikohabad, Kanpur, Katra, Puri, Muzzafarpur, Gulmarg, Charar-sharif etc.

BAGGING THE PROJECTS COMPETITIVELY

Friends, as you are aware the Tariff Based Competitive Bidding (TBCB) has been made mandatory by Govt from January 05, 2011 for inter-State transmission sector and I am happy to inform that your Company has secured both the transmission projects that have been invited under TBCB, post January 2011.

BACKWARD INTEGRATION FOR COMPETITIVE ADVANTAGE

In order to gain competitive advantage, your Company intends to form Joint Venture Companies with the prime producers of raw materials for manufacturing of major transmission equipment. In this direction, your Company has signed MoUs with National Aluminium Company Limited and Rashtriya Ispat Nigam Limited.

SUSTAINABLE DEVELOPMENT - MANTRA FOR FUTURE GROWTH

With the ever-increasing threat of climate change and environmental degradation due to increasing pollution, achieving and sustaining growth is a major area of concern today. Friends, we have to give the future generations a better and safe world. Your Company, as a responsible corporate entity, realises its obligations and commits itself to the goal of sustainable development.

ENERGY EFFICIENCY

Your Company has set-up a dedicated Energy Efficiency department, to undertake sustainable development projects and activities like energy efficiency & conservation measures in commercial establishments. In light of Govt's policy on mandatory energy audit and efficiency improvement for commercial establishments, your Company with the available resources of large pool of qualified, highly experienced electrical engineers, envisages a good business opportunity in this area. This venture would help us to acquire a strategic position in this field.

TOWARDS ZERO CARBON FOOTPRINT

Your Company is working towards zero carbon footprint. A number of initiatives, like setting-up of a paper recycling plant to the plantation of more than 1.55 lakh tree saplings, nationwide energy conservation awareness campaign etc. have been taken-up.

INCLUSIVE GROWTH OF POWER SECTOR

Keeping in view the 'Vision' of your Company to have Dominant Leadership in Emerging Power Markets, your Company is playing a major role in development of Sub-transmission (intra-State) and Distribution areas to reshape the electricity market. Your Company is extending its support to State Transmission/ Distribution utilities across the country in capacity building and implementation of advanced/ new technologies. Your Company has taken up with several States for development of intra-State transmission system through Joint Ventures. Further, Your Company, in line with the provisions in the Electricity Act 2003, has taken a lead towards performance improvement of distribution system - the revenue realization segment in entire power delivery chain-advocacy for segregation of distribution

"wire business" from "power supply and trading" activity so as to have a commercially viable & reliable distribution system and to make Open Access in the distribution system a reality. Further, your Company intends to undertake distribution wire business and also operational management of distribution circles through management contract for reduction in AT&C losses, improvement in outage rate, improvement in quality & reliability, smart grid implementation etc. This shall ensure risk sharing in one hand and bring commercial viability of both the segments on the other hand. Dialogue has been initiated with various distribution utilities in this direction.

GREEN ENERGY CORRIDORS-ON THE ANVIL

Integration of Renewable Energy Resources with grid is the top priority worldwide for energy security and also carbon emission reduction. Special attention is also being given in our Country to harness the Green Energy. Government of India is taking various initiatives in the area of renewable energy capacity addition and more than 40,000 MW generation is targeted in XII plan. Your Company has taken a lead initiative and developed a comprehensive master plan for integration of Renewables coming up country-wide in XII plan into the grid through **Green Energy Corridors** at an estimated cost of about ₹ **43,000 Crore**.

RENEWABLE ENERGY CERTIFICATES (RECS) - NEARING 2.7 MILLION MARK

I have great pleasure in sharing with you that National Load Despatch Centre, the nodal agency for implementation of **Renewable Energy Certificates** has enlisted about 2.7 million RECs in a short span of one & half years.

RENEWED FOCUS TOWARDS PEOPLE RESOURCE

Dear shareholders, your Company strongly believes that Human Resources play a vital role for achieving excellence in any organization in the present competitive environment. Your Company believes to provide the best place to work for overall development of its employees.

Your Company has always believed to nurture future 'leadership' and establishment of a state-of-the-art HRD centre at Manesar, near Gurgaon named as "POWERGRID's Academy of Leadership" is underway.

CORPORATE GOVERNANCE

Your Company remains committed to uphold the highest standards of governance and pursue higher value creation for all stakeholders. During the year, your Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement/ Guidelines of Corporate Governance for CPSEs issued by the Department of Public Enterprises, except for filling up of few Independent Directors.

CORPORATE SOCIAL RESPONSIBILITY

During FY 2011-12, an expenditure of about ₹ 25 Crore was made on implementation of more than 400 CSR projects in the areas of Infrastructure, Health, Education, Environment and Livelihood.

ACKNOWLEDGEMENTS

At the end of this eventful and successful year, my thanks go to you - esteemed shareholders for your continued and valuable support. I am confident that your support will always be with us in the same way that you have stood by us over the years. I also express my gratitude to our customers, in India and abroad, for their loyalty, patronage and confidence which always remained a source of inspiration for improving the performance of the Company.

I take this opportunity to convey my sincere gratitude to the agencies from Government of India, particularly Ministry of Power, Central Electricity Authority, Ministry of Finance, Planning Commission, Department of Public Enterprises, Ministry of Statistics & Program Implementation, Department of Telecom, Central Electricity Regulatory Commission, Appellate Tribunal for Electricity, Regional Power Committees, Statutory Auditors, Comptroller and Auditor General of India (C&AG), Securities and Exchange Board of India, National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., various State power utilities & departments and our partners for their confidence & support to the Company.

I thank my colleagues on the Board for their counsel and support in guiding the Company through a highly competitive business landscape. Especially, I would like to thank the Independent Directors for bringing in their diversified experience and providing valuable inputs and support during their tenure.

On behalf of the Board, and my personal behalf, with great humility I acknowledge the dedication, commitment and tireless efforts of our employees and the back-end support extended by their family members, which has helped the Company to reach these glorious heights of performance and achievements.

Your Company re-iterates its commitment to excel in all its endeavors and relies on your continued support and encouragement as we move forward to the 'Next Orbit'.

Thank you, Ladies and Gentlemen.

Jai Hind

(R. N. Nayak)
Chairman & Managing Director

Place: New Delhi
Date: 19 September 2012

This does not purport to be a record of the proceedings of the 23rd Annual General Meeting. For full text please visit at www.powergridindia.com



Insulator washing through Helicopter

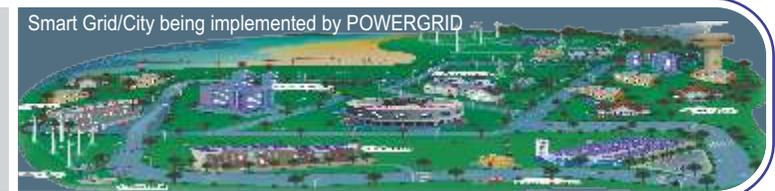


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(A Government of India Enterprise)

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Smart Grid/City being implemented by POWERGRID

DELIVERING SMART GRID SOLUTIONS