

LETTER TO SHAREHOLDERS



Dear Members,

It is my proud privilege to get this opportunity to communicate with you. I am truly humbled at being appointed Chairman & Managing Director of NHPC. I have begun this journey with a deep sense of gratitude- it is both an honor and a privilege to lead our Company.

Since the beginning of 2020, we have been witnessing unprecedented conditions caused by pandemic COVID-19. But, we must remember that evolution, development and adaption are inevitable for sustenance of human beings, organizations and societies at large. Renowned Japanese scholar Okakura Kakuzo had said that “the art of life is a constant readjustment to our surroundings”. I believe that we will be able to evolve, adapt and adjust to our surroundings by overcoming the challenges posed by pandemic COVID-19, thereby creating a new normal world.

In NHPC, we have begun to readjust and evolve with the changes. We are witnessing that while working from home with the use of Information Technology, the productivity of employees is just as good, if not better, as we were doing in pre-COVID era. When we come out of this crisis, the whole world will be a very different place to live and work.

DECISIVE MEASURES TO COMBAT COVID-19 CRISIS

We have put in place an agile and proactive response mechanism encompassing human, operational,

financial and strategic aspects tackling the situation caused by pandemic. Your company has prioritized the health and safety of its employees and adopted best-in class safety and hygiene practices, realigned mobility so that critical systems keep running even under difficult circumstances. Your Company has also pitched in to help communities by developing quarantine centers with required amenities and accessories at its various power stations. Further, NHPC’s hospitals/ dispensaries have provided 24 hrs. OPD services to the people residing in nearby vicinities.

Your Company had provided uninterrupted power supply by ensuring 24X7 continued operations and had contributed to stability of National Grid during the Hon’ble Prime Minister’s ‘9PM9MIN’ initiative on April 5, 2020.

PERFORMANCE DURING FINANCIAL YEAR 2019-20

Your Company constantly endeavours in the pursuit of development and growth. The year 2019-20 was a remarkable year for the performance achievements of your Company.

Operating Segment wise performance:

In its principal operating segment of energy generation, your company has set new milestones by achieving highest annual generation of 26,121 Million Units (MUs). The generation exceeds the generation target of 26,000 MUs for the ‘Excellent’ rating under Memorandum of Understanding (MoU) signed with



Ministry of Power, Government of India. Out of 23 power stations of your Company, 13 have achieved highest ever generation since their commissioning. This reflects continued improvement in our operational efficiencies and Operation & Maintenance.

In the secondary operating segment of Power Trading, Company has traded 2,022 MUs with turnover of ₹ 695.84 crores during financial year 2019-20 by successfully executing contracts for the beneficiary states viz. Uttar Pradesh, Andhra Pradesh, Tamil Nadu and UT of J&K. During March 2020, your Company has achieved 6th position among Traders for Short Term transactions.

Financial performance:

The operational achievements of the Company are also embodied in its financial performance during the year 2019-20. The total income of Company increased to ₹ 9,771.59 crore registering a growth of 7.50% and 17.20% over the total income in financial year 2018-19 and 2017-18 respectively. Total comprehensive income and Net Profit After Tax (PAT) during the year 2019-20 were ₹ 3,006.55 crore and ₹ 3,007.17 crore respectively. Sales from operations during financial year 2019-20 were ₹ 8,735.41 crore whereas realization including surcharge were ₹ 7,817.53 crore.

Initiatives for capacity addition and growth:

During the year, programme for capacity addition in core business segment of the Company has scaled up with:

- a. the resumption of construction activities at Subansiri Lower HE Project (2,000 MW) from October 2019.
- b. the taking over of Lanco Teesta Hydro Power Limited (LTHPL) through Corporate Insolvency Resolution Process (CIRP) in October, 2019 for implementation of Teesta VI HE Project (500 MW) in Sikkim.
- c. the declaration of NHPC as successful resolution applicant by the Committee of Creditors of Jal Power Corporation Limited (JPCL). JPCL is implementing Rangit Stage-IV HE Project (120 MW) in Sikkim and the acquisition is awaiting approval of resolution plan by the Hon'ble National Company Law Tribunal, Hyderabad Bench.
- d. the signing of Memorandum of Understanding (MoU) with Government of Himachal Pradesh for the execution of Dugar HE Project (449 MW) in Himachal Pradesh.

Till the time I am writing to you, the company has awarded works under Drilling and Blasting Method (DBM) package for the execution of 1500 m HRT

at Parbati-II HE Project (800 MW) in June, 2020. Your Company also has signed a MoU with HIDCL (Hydroelectricity Investment and Development Company Limited – A Company owned by Govt. of Nepal) in June, 2020 for joint cooperation on development of hydropower projects in Nepal. Further, the award of contract for executing balance works relating to power house of Subansiri Lower HE Project (2000 MW) is in advance stage.

Subsequent to commissioning of the under construction projects viz. Subansiri Lower HE Project (2000 MW) and Parbati-II HE Project (800 MW), the installed capacity of your Company for hydropower generation shall stand at 9,871 MW on consolidated basis and 8,351 MW on standalone basis.

Your Company is also working actively to strengthen its non-core business segments i.e. renewable energy and power trading. To augment the existing generating capacity of 100 MW through renewable energy (50 MW Wind and 50 MW Solar), Company has envisaged floating solar projects of 500 MW each in Odisha and Telangana and 50 MW in Kerala under Ultra Mega Renewable Energy Power Parks (UMREPPs) Scheme of Ministry of New and Renewable Energy (MNRE), Government of India. Company has received in-principle approval from MNRE for enhancement of Solar Park capacity (from 100 MW to 140 MW) in Odisha, which envisages development of two projects of 40 MW and 100 MW in Ganjam and Deogarh District respectively. Possibilities are also being explored for development of other utility scale solar projects in different States/ UTs such as Telangana (293 MW), Tamil Nadu (25X25 MW) and Leh (50 MW).

To improve volumes of its trading business, Company has issued Letter of Award (LOA) to solar power developers for Inter State Transmission System (ISTS) grid connected photovoltaic projects aggregating to 2,000 MW. Your Company will act as facilitator for sale and purchase of generated power between the developers and DISCOMS/ Government utilities respectively.

The detailed status of operational plants, ongoing and new projects of the Company has been provided in the Directors' Report. However, I would like to mention that hydroelectric power project with expected capacity of 5,945 MW are under clearance/ approval stage. Capacity addition of 2,226 MW of hydroelectric power (including 770 MW in Bhutan) and 32 MW of solar power is also anticipated through Subsidiaries and Joint Ventures.

DIVESTMENT BY PROMOTERS

During the financial year 2019-20, Government of India had divested 2.38% of total paid-up Share Capital of the company through Bharat 22 Exchange

Traded Fund (ETF) in October, 2019 and CPSE ETF in February, 2020. After the divestment, holding of the Government of India in your Company stands reduced at 70.95% of the total paid up capital of the Company.

FULFILLING THE ASPIRATIONS OF STAKEHOLDERS

Given the healthy business performance in 2019-20 amidst a challenging economic environment, the Board has recommended a final dividend of ₹ 0.32/- per equity share for financial year 2019-20, subject to your approval. The Company has already paid an interim dividend of ₹ 1.18/- per share in March, 2020. On approval, the total dividend payout for the financial year 2019-20 will be more than 5% of net worth and approximately 50% of the profit after tax.

Your Company has continued to undertake CSR initiatives that have positive impact on society at large, especially the community in the neighborhood of its operations. During the year, various CSR activities have been undertaken in the field of Education, Health, Sanitation, Drinking water, Rural Development, Skill Development, Environment and Women Empowerment, etc. The expenditure on CSR & SD activities during the financial year 2019-20 was ₹ 126.44 crores. NHPC stood by the nation in the moment of pandemic crisis and contributed ₹ 40 Crore towards PM CARES Fund from its CSR Budget.

CORPORATE GOVERNANCE

Corporate Governance forms an integral part of all its operations and processes of your Company and is not undertaken as a separate task/activity. Sincere efforts are being made by your Company to ensure compliance with the Corporate Governance requirements prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Guidelines on Corporate Governance for CPSEs issued by Department of Public Enterprises (DPE), Government of India, to the extent it is within the ambit of management of the Company. Your Company's compliance with 'DPE Guidelines on Corporate Governance' during the year 2019-20 has been rated as "Excellent" under 'Corporate Governance Grading System' prescribed by DPE.

RECOGNITIONS

Awards and accolades act as encouragement to improve, excel and continue to do the best. During the year 2019-20, your Company has also been encouraged by conferring "Outstanding Performing Utility in Hydropower Sector" at CBIP Awards, 2020 and "Recognition of WIPS activities Award" under Miniratna & other category by forum of Women in Public Sector (WIPS). The efforts made by the Company for the progressive use of Hindi were appreciated at various forums and it was conferred with "Second

Prize" for outstanding work in implementation of official language for the year 2018-19.

OUTLOOK

The outlook of power sector is sanguine, considering various schemes being undertaken and the set of holistic reforms such as mandatory enforcement of payment security mechanism under PPAs, privatization of DISCOMS in Union Territories, establishment of proposed electricity contract enforcement agency authority, direct benefit transfer of subsidiaries, separation of carriage and content, etc. announced by the Central Government. These measures together with the ₹ 90,000 crore liquidity infusion package announced to enable DISCOMS clear their outstanding dues should help in improvement in overall health of the sector going forward. Taking a step ahead in its commitment and in compliance to the advisory of Ministry of Power, Govt. of India, your Company has offered rebate on power supply bills to various DISCOMS amounting to ₹ 185 crore.

Your Company is committed to bolster the power sector and also to contribute towards Atmanirbhar Bharat Abhiyan (ABA). Further, contributing to ABA your Company has undertaken in-house repairing of Gas Insulated Switchgear (GIS) of Teesta Low Dam-III Power Station (132 MW) in Sikkim, without the help of overseas Original Equipment Manufacturer (OEM), resulting in savings of precious foreign reserves.

On behalf of the Board of Directors of NHPC Limited, I would like to convey my gratitude to all our stakeholders, business partners, customers, CERC, State Governments and various Ministries of Govt. of India, especially Ministry of Power for providing valuable guidance and support in our endeavors. I also take this opportunity to whole heartedly thank all our frontline warriors such as doctors, healthcare workers, municipal officials, army, police and all other people in the essential services for the unaudited spirit in tackling the COVID-19 crisis.

I must thank all the employees, who are the biggest strength on which the company relies. I strongly believe that together we will continue to strive, to ensure supply of clean and green energy for our Country's unabated development.

I also thank you for your continued trust, confidence and support.

Warm regards,



(Abhay Kumar Singh)

Chairman and Managing Director

Date: August 27, 2020

DIN 08646003

Place: Faridabad