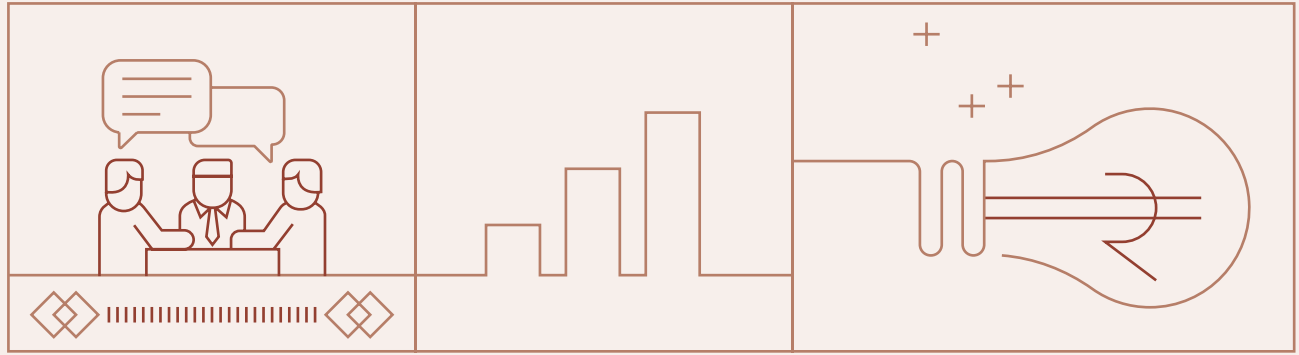


Creating lasting value with a prudent approach



At Tata Power, we consistently strive towards sustained value creation of all our stakeholders. With the confidence and undeterred support of our shareholders, we continue to secure cost effective resources required to scale-up our business and generate risk adjusted sustainable returns for our shareholders.



Strategic Business Objectives

- SBO1:** Profitable scale-up of Renewables, Distribution, Services and Energy Solutions business
- SBO2:** Maintaining financial leverage at targeted levels
- SBO3:** Minimizing coal cost under recovery in CGPL

Governance enablers

- Audit Committee
- Risk Management Committee
- Finance Committee
- Internal Financial Controls (IFC)
- Internal Audit System

Material topics

- Impact on business due to change in coal pricing
- Sustainable investing
- Reduce leverage

Key performance indicators

- Return on Equity (RoE)
- Return on Capital Employed (RoCE)
- Improvement in leverage ratios
- Free cashflow generated
- Investment in renewable, transmission and distribution business
- Market capitalisation

Key risks addressed

- Availability of cost- effective capital including debt capital
- High leverage
- Liquidation of regulatory assets

Sustainable Development Goals



Interaction of financial capital with other capitals

	HUMAN	INTELLECTUAL	MANUFACTURED	SOCIAL & RELATIONSHIP	NATURAL
Capital tradeoffs	Investments in learning and development to augment and enhance employee skill set and also build capability	Investments in R&D enable development of innovative technologies and improves our patent profile	Provides the required capital for enhancing our asset portfolio and manufacturing pipeline	Funding CSR initiatives and an increased share of spending on local suppliers enhances the livelihood of our local communities	Investment in improvement measures and operational efficiency technology to reduce GHG emissions. Also focus investments renewable ventures help reduce CO2 intensity numbers
Impact across the <IR> capitals	₹4.94 crore investments in training programs to enhance employee skill sets	₹7.44 crore investment in R&D	₹22,555 crore cumulative investment in renewable energy	₹39.24 crore CSR expenditure (consolidated basis)	₹5.48 crore spent in various environment & sustainability activities in FY21

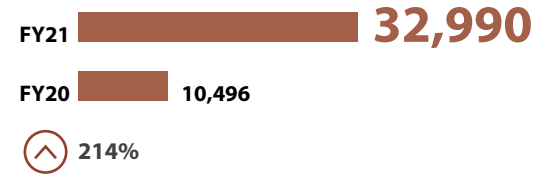
FINANCIAL CAPITAL

Our overarching objective has always been to create sustainable value for all stakeholders, despite macro - economic headwinds and industry challenges. We realised that financial fitness is the key to the future of the Company. In the last 2 years, all efforts were towards deleveraging the Balance Sheet.

This is evident from the increase in the market capitalisation of the Company from ₹10,496 crore in FY20 to ₹32,990 crore in FY21, registering 214% increase. The Company raised ₹2,600 crore by way of issue of equity shares on preferential basis to Tata Sons Private Limited, helping the Company in its objective of deleveraging.

The Company repaid external debt amounting to ₹7,613 crore during the previous year and the net external debt stands at ₹35,946 crore as at FY21 on a consolidated basis.

Market Capitalisation (in ₹ crore)



As of 31st March 2021

The initiatives that helped the Company in deleveraging are:

- Prudent management of operations and working capital
- Disinvestment of non-core assets
- Cost optimisation
- Infusion of Equity by the Promoters

All the above actions as well as optimal refinancing have resulted in upgrade in credit rating from AA- to AA. This has helped us reduce our average interest cost to 7.40% p.a compared to 8.30% p.a last year.

We continue to channelise our efforts towards expanding our renewables portfolio, distribution and emerging businesses of rooftop solar panels, solar pumps and electric vehicle charging infrastructure and push the bar on performance across the value chain.

The Company's capital allocation principles are based on a balanced approach towards risk and rewards with clear preference to Renewables, Transmission & Distribution and new consumer business.

The support of all our stakeholders helps strengthen our commitment to positively impact lives. Understanding and being responsive to the interests of our stakeholders through effective dialogue and engagement is critical to delivering on our commitment.

AA

upgrade in credit rating



GOLD award from Institute of Chartered Accountants of India for "Best Financial Reporting" for FY20

'Best ESG Disclosure' Award under the ESG Category - Midcap at the IR Society – Investor Relations Awards 2020 held jointly with BSE & KPMG

Focus Areas

Consistent Revenue Growth

- Develop balanced portfolio of business
- Prudent bidding for diverse projects
- Cost management
- Efficient working capital management

Strengthen Balance Sheet

- Simplify corporate structure by reducing the number of subsidiaries
- Deleveraging through divestment of non-core investments
- Long-term resolution for Mundra project
- Asset and debt light growth structure



Economic Value Creation at Tata Power

Tata Power generated a positive economic value retained for the last 2 years aided by the initiatives on deleveraging, cost optimisation and efficient working capital management.

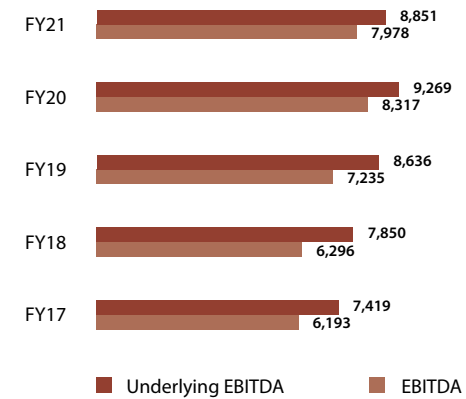
Particulars (in ₹ crore)	FY18	FY19	FY20	FY21
Revenue Generated ¹	26,863	30,370	29,510	33,518
Economic value distributed	28,673	30,592	29,110	33,161
Operating costs ²	21,491	24,151	22,352	26,090
Employee wages and benefits	1,382	1,339	1,441	2,156
Payments to providers of capital ³	5,158	4,557	4,674	4,429
Payments to government by country ⁴	602	506	609	447
Community investments-CSR	40	39	34	39
Economic value retained = Direct economic value generated less economic value distributed.	(1,810)	(222)	400	357

Notes:

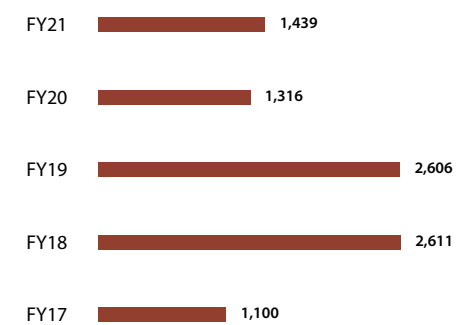
1. Revenue generated including other income and movement in regulatory deferral balance
2. Operating cost including Cost of power purchased, Cost of Fuel, Transmission charges, Raw material consumed, Purchase of finished goods, increase/decrease in WIP, depreciation & other expenses excluding CSR.
3. Payment to providers of capital includes finance cost paid, dividend paid to shareholders & Distribution on Unsecured Perpetual Securities
4. Payments to government by country include income tax paid (net of refund received)

Key Financial Trends and Ratios

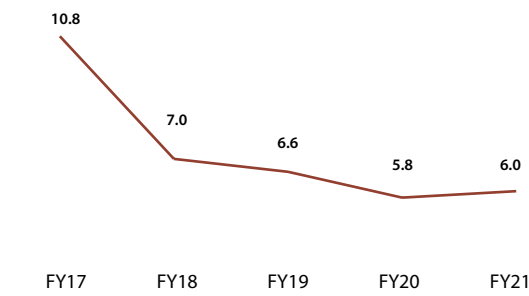
EBITDA (in ₹ crore)



Net Profit After Tax (in ₹ crore)

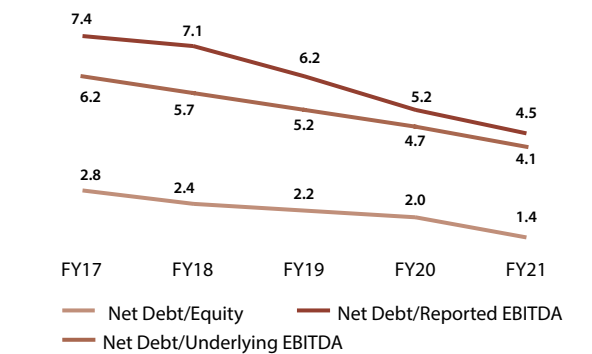


Return on Equity* (%)

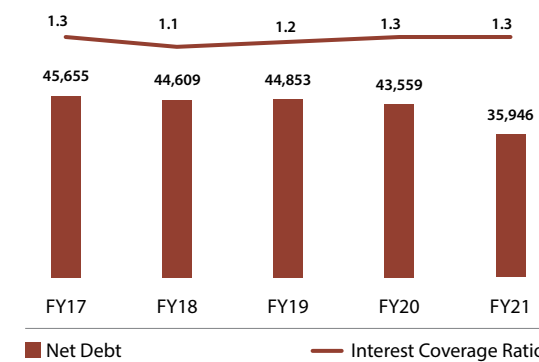


* figures before exceptional items

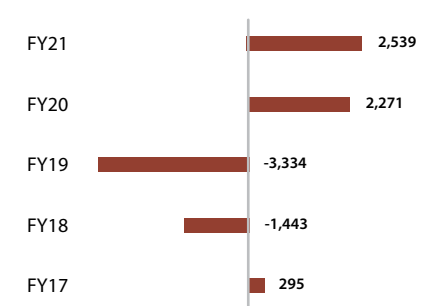
Net Debt/Equity and Net Debt/EBITDA



Net Debt (in ₹ crore) and Interest Coverage Ratio



Free Cash Flow (in ₹ crore)



You may refer to "Management Discussion and Analysis" section on page number 161 for more details on financial performance of the Company.