

The commencement of economic reforms process in India in 1990s did not impact the power sector. Power sector continued to suffer mainly due to poor financial condition of state power utilities, high risk in realization against sale of power and low investment in the sector; the lenders insisting for government guarantees, a proportion which was not financially prudent, and, in no way, sustainable in longer run.

Our key stakeholders had confidence in us to provide for a sustainable model so as to improve the sector as a whole. It is important for us to understand what we really mean when we say sustainable business model. Can a sustainable model be a profit making model? The answer is yes, the linkage of sustenance with business or economic performance is good corporate governance. The moment we practice good corporate governance, we reduce the risks inherent to the business and thus make the business model viable which is what the stakeholders would like to see.

PTC, a high risk model, has turned out to be a sustainable and an economically viable model. This is so because we have made good corporate governance as part of our business as well as corporate social responsibility

strategy. Adherence to the law of the land is the first step in the direction of creating socially responsible company.

As this is our first sustainability report, thus it is important for us to understand where we stand today viz.a.viz where we were when we began.

PTC India Ltd was set up in April 1999 with a mandate to catalyze development of Mega and other large Power Projects by acting as a single entity to enter into Power Purchase Agreements (PPAs) with Independent Power Producers (IPPs) on the one side and Multipartite PPAs with users / State Electricity Boards (SEBs) under long term arrangement on the other, thus insulating the IPPs from protracted negotiations with multipartite SEBs and from receivables risks. PTC was also mandated for power trading to optimally utilize the existing resources in the country as also promoting exchange of power with neighboring countries.

Based on the patterns of regional power surpluses in the country and the complementary patterns of power deficits, PTC was mandated to bring about equilibrium. The power demand-supply planning process has conventionally been undertaken in

regional silos. While now it may seem like a simple idea to transfer power from a surplus region to a deficit one, actual implementation of the idea at that time turned out to be much more difficult, with major problems in inter-regional connectivity and in co-ordination between different agencies dealing with the five electricity regions of the country.

By facilitating optimal utilization of existing resource, PTC devised a unique sustainable model which fought the resource crunch on one hand and idle capacities or low PLF on the other and closed the gap of demand and supply mismatch.

Over the years, however, the world has undergone turbulent times economically and in these times thinking and talking about sustainability takes back seat. However, PTC has insisted all along that the two have to go hand in hand. More and higher risks test the basic fundamentals of the company and the strength of the sustainability measures too gets tested. A sustainable enterprise that provides value to employees and stakeholders and cares for its community and environment will win the trust of community and will be successful in the long run.

This report is a summary of how PTC Group has tried to return to the community by introducing sustainability measures.

First and foremost, it is our values which set the stage to ensure we abide by our commitments.

- Transparency - *To be transparent in all transactions and actions*
- The Customer is Always Right – *To be in the customer's shoes all the time*
- Encouraging Individual Initiative – *To support upgradation our knowledge and capabilities to innovate and create*
- Continuous Learning – *To strive to progress continuously*
- Teamwork – *Progress by collaboration*

Next is our capability to innovate which has helped us to be the market leaders. Keeping in mind the demand-supply mismatch, PTC was able to create solutions such as Firm Power, Holiday Power, Peak Power, Day Ahead power etc.

It was not just the short term portfolio which saw innovations but being able to be part of a creation where the buyers and sellers could transact at prevalent market tariffs.

These innovations have come about as PTC was able to foresee and understand the dynamics of the market while fulfilling its mission.

In order to create a vibrant power market, the need to broaden the base was also essential but as the capacities were not expanding thus PTC set up a financial arm, PFS, which is a one stop shop for all financing needs related to the entire energy value chain.

PFS is an Indian non-banking finance company promoted by PTC India Limited. Company offers an integrated suite of financial services with a focus on infrastructure development, which includes debt (short term and long term) financing and making equity investments in, private sector Indian companies in the entire energy value chain. PFS also provides fee based syndication and other services as well as carbon credit financing against Certified Emissions Reduction (CER). It received the Infrastructure Finance Company ("IFC") status in FY11.

In the last year or so, the power sector in India has taken dramatic turns. The fuel and coal linkages in the domestic market, where 70% power production is based on thermal generation, have reached critical levels. In effort to support the generation capabilities of the country, PTC through its

subsidiary company, PEL, will develop an asset base taking into its sphere the business of generation, supply, distribution, transmission and dealing in all forms of energy including import and export of coal, conversion of coal/fuels into electricity, fuel linkages and provide advisory services in energy sector and energy efficiency.

Long term fuel linkages, particularly for coal based power projects, the fuel supply disruptions have been a major challenge for the project developers. PEL has entered in to this business avenue to play the role of fuel intermediation, thus acquiring a position of strength for tying up long-term fuel supply. To expedite fuel intermediation business to meet up the fuel deficiency faced by utilities/clients, PEL is actively engaged in import of coal.

PTC, stands by its commitment of providing an eco friendly environment to our future generations and will thus continue to work in the area of CERs, energy efficiency projects, renewable projects and other eco-friendly ways of generation such as wind, solar, biomass, hydro projects etc.

The next step in the PTC's journey towards a strategic CSR is by working with some external agencies to implement sustainability measures.

One such way has been by working alongside Bureau of Energy Efficiency for reducing energy consumption through efficient means in government buildings such as Rashtrapati Bhawan, AIIMS, ESIC hospitals etc.

PTC is also an active member of TERI Business Council for Sustainable Development.

PTC is a member of The Global Compact which is a strategic policy initiative of the United Nations for businesses committed to universally accepted principles in the area of environment amongst others.

PTC has also registered its commitment to forge solutions to create a cleaner environment under the Clinton Global Initiative.

Corporate Social Responsibility which is the company's way of giving back to society and community has generated goodwill. The impact of this strategic philanthropy on PTC has been indirect but these visibility and engagement programs will bring in value in the long term.