

POWER

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Takeaways from call with Renew Power

- **RNW targets 18GW of capacity by FY25 through organic and inorganic opportunities as the market consolidates**
- **High technical expertise and focus on technically-intensive hybrid projects will help make up for its higher cost of funds**
- **Renewable additions to gather pace as SECI bids convert to PPA, demand rises and hybrid + storage provides alternative to thermal energy**

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We spoke to the IR team of Renew Power (RNW US, Not Rated). Key takeaways:

18GW target for FY25: RNW's pipeline comprises 5.8GW of existing and 4.2GW of under construction projects. The company aims to install 18GW by FY25 (vs. 25GW for ADANIG/15GW for TPWR) and is targeting a 10-12% share of the +30GW annual estimated capacity additions over the next decade, with strong acceleration after FY25.

Focus on hybrid projects: RNW will focus on hybrid (solar and wind) and hybrid plus storage projects that require higher technical competency and hence may face less competition. The company is building a 1,300MW (400MW solar + 900MW wind + storage) round-the-clock or RTC plant and expects more projects of this nature to be bid out. RNW is of the view that storage costs are high but viable with generation. The hydro plant acquired from L&T will also be used for pumped storage.

Multiple inorganic growth opportunities: RNW expects consolidation of the renewable sector as the top 8 players have a combined share of just 25% of India's renewable generation capacity. The company expects to pursue inorganic opportunities by acquiring projects owned by midsize platforms, companies for which renewables are non-core, and private equity firms.

Technical expertise makes up for higher cost of funds: The company believes that despite its high cost of debt of over 8.5% vs. 7% for large local and global peers, it can make over 16% equity IRR given its technical strength, inhouse EPC and modules (once its planned 2GW capacity starts). RNW expects the cost of manufacturing modules in India to be 10-15% higher than in China, but this will be negated by 40% basic customs duty imposed on imported modules from Apr'22.

SECI backlog should be cleared soon: RNW expects SECI's current backlog of bids not yet converted to PPA to come down as Covid-19 recedes and power demand rises. About 1GW of its 4.2GW pipeline is awaiting PPAs. Bidding focus is currently geared towards SECI and NTPC projects, but the company is open to bid directly for projects from good quality discoms.

Recommendation snapshot

Ticker	Price	Target	Rating
NTPC IN	115	111	HOLD
TPW IN	488	461	HOLD
TPWR IN	133	161	BUY

Price & Target in Rupees | Price as of 1 Sep 2021



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

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Note: Recommendation structure changed with effect from 21 June 2021

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