POWER

13 August 2021

Expert call with Vinay Rustagi, MD, Bridge to India

- **Renewable sector has several tailwinds. Intermittency will be handled by demand-side management, policy and ultimately storage**
- **SECI's backlog of projects awaiting PPAs to come down as demand rises but annual capacity additions may not rise dramatically**
- **Market will remain fragmented as technology is easy to access and O&M costs are low**

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We spoke to Vinay Rustagi, Managing Director of Bridge to India, a major renewable energy consultant. Key takeaways:

Renewables mix will increase: Renewables generation in India has strong policy and financing tailwinds. The current ~10% share in generation can potentially double to 20%, with intermittency being handled by smart loads and grid management. Some Indian states already have +20% share but many are at low single digits. To cope with the switch, demand-side management such as shifting 6-8-hours of agriculture load to daytime from nighttime will help. Regulatory changes such as time-of-the-day tariffs, support for flexible gas generation plants and ancillary services can also aid migration. Storage becoming viable in the next 2-3 years will be another key enabler.

SECI backlog should clear once demand improves: SECI's backlog of projects awaiting PPAs should come down as demand improves. Unlike in the past when discoms had fewer options and securing coal linkages was a challenge, renewable projects are easier to develop and have a very low gestation period.

Annual capacity addition may remain in the 10-15GW range: Annual capacity additions may not accelerate due to limited transmission infrastructure and low debt financing. But strong demand and a change in technology could propel additions. While there is no dearth of equity capital, Indian banks are reluctant to invest in the sector due to bad experiences in the past and tight margins. In addition, there are risks such as policy uncertainty related to import duties, among others. However, international green bonds have emerged as a good option for debt financing.

Sector may remain fragmented: The market may remain fragmented as easy access to technology and low O&M costs limit the potential to reduce costs and differentiate. Nevertheless, regulatory changes such as market-driven pricing may put industry players at an advantageous position versus financial investors.

Localisation of modules: Large Indian module developers can develop quality modules but backward integration to polysilicon will be challenging.

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TPWR IN	133	161	BUY
TPW IN	464	461	HOLD

Price & Target in Rupees | Price as of 13 Aug 2021

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