

CONSOLIDATION PHASE

ReNew Power targets 1GW capacity in next three months

CEO Sinha also eyes large-scale buyouts as 3,000MW of green energy assets are likely to be put up for sale

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MUMBAI

ReNew Power Ventures Pvt. Ltd, the green energy producer backed by Goldman Sachs Group Inc., will acquire renewable energy assets as the industry enters a phase of consolidation in India, founder and CEO Sumant Sinha said.

"It has to meet our return requirements and we are ready to be a little flexible for operating assets in both wind and solar," he said. "A lot of the earlier players are either looking to sell or have already sold. Several companies are looking to (provide an) exit to strategic investors."

As much as 3,000 megawatts (MW) or 10% of the current total capacity in India may be up for sale, Sinha said. The company has deep-pocketed investors and can get access to more financing if needed for a larger size buyout, he added.

In October, ReNew raised \$265 million in fresh equity from investors, including sovereign wealth fund Abu Dhabi Investment Authority. The renewable energy producer is targeting to reach a combined installed capacity of 1 gigawatt (GW) from its own wind and solar projects in the next three months and has

a pipeline of 900MW of capacity.

India has an installed capacity of about 30GW in renewable energy, which makes up for about 1% of the overall energy consumption. The share is likely to increase to about 18% by 2030, though coal will continue to be the main source of power, *Mint* reported in November.

In its three rounds of funding since starting operations in 2011, ReNew has raised a total of \$650 million from its investors.

The company has put on hold its plan to look at an initial public offering (IPO), Sinha said.

"We are not looking at an IPO in a hurry because we have raised a lot of equity capital right now. We just want to keep building the company out. I think it will take us a while. 2017 and beyond, we might start looking at it more seriously," he said.

ReNew is No. 5 behind e-commerce companies Flipkart, Snapdeal, Ola and Paytm on the list of firms to have raised the most equity funding in recent years, Sinha said.

Of ReNew's 1GW capacity target, wind will make up for 75-80% of the portfolio, while two-thirds of the upcoming 900MW capacity will be towards solar projects, Sinha said.

"We will be probably among the first companies in the renewable sector to cross 1GW in total installed capacity," he said.

ReNew plans to set up over 11GW of combined wind and solar capacity in the next five years. Rival SunEdison Inc., the world's largest renewable energy firm, has a target of developing



PRADEEP GAUR/MINT

Growth plan: Sumant Sinha.

15GW of wind and solar projects in the same period in India.

"We believe these targets (60GW in wind) are a bit ambitious and are likely to be missed," said a 17 December report by Maybank Kim Eng Securities India. "The challenges are the high cost of wind power and poor power transmission evacuation infrastructure for renewable projects."

Unattractive returns, Sinha said, are the biggest hurdle to the country's ambitious target of increasing its renewable energy production. India has a target of installing 100GW of solar power capacity and 60GW of wind power capacity by 2022.

"Returns in this industry, unfortunately, have never been very high. People have not been able to execute (projects) very well and, therefore, no other company, apart from us, has been able to raise second round of equity financing," he said.

Global and domestic renewable energy firms have been quoting record low tariffs in govern-

ment auctions to win solar projects in India. Aggressive solar tariffs could put off potential investors from the country's sunrise industry, *Mint* reported on 21 December (<http://bit.ly/1J7WDk5>).

Even ReNew bid below ₹5 per kilowatt hour in November for a 500MW project in Andhra Pradesh under the Jawaharlal Nehru National Solar Mission (NSM). SunEdison won the auction at ₹4.63 per kilowatt hour.

"Frankly, we went down much lower than what we should have. But in the next bid, we learnt our lesson and did not go down below ₹5. A viable tariff is in excess of ₹5," Sinha said.

ReNew plans to participate in all the upcoming reverse bidding auctions under the NSM, but "it could very well be that we don't win any because of aggressive bidding. We are prepared for that," he said.

"To hit a target of 100GW of solar over the next seven years, we need to do 10-15GW every year. That trend is certainly not visible today... With tariffs getting so tight, a lot of investors are likely to get burnt off from the market," Sinha said.

Sinha said the wind sector is not seeing significant growth "because the state governments are biased and state policies are not very stable. The other problem is that, at any given time, there are only two-three states that are buying renewable energy... We need much more clarity from states and a much higher degree of commitment to buy wind energy."