

## MANAGEMENT DISCUSSION AND ANALYSIS

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships.

Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. These initiatives aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors.

The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP from the current 17 per cent. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

India is also focusing on renewable sources to generate energy. It is planning to achieve 40 per cent of its energy from non-fossil sources by 2030 which is currently 30 per cent and also have plans to increase its renewable energy capacity from to 175 GW by 2022.

### INDUSTRY STRUCTURE AND DEVELOPMENT

#### Renewable Power Generation

One of the biggest challenges facing Indian Prime Minister Narendra Modi as he begins his second term is ensuring clean air in the country that's home to some of the most polluted cities in the world. The country is burning up more coal to supply cheap electricity to its 1.3 billion people, resulting in polluted air across vast stretches. That's costing lives and denting the nation's economic productivity, prompting a policy rethink.

India is one of the countries with the largest production of energy from renewable sources. In the electricity sector, renewable energy account for 34.6% of the total installed power capacity. Renewable energy sources accounted for 22% of the total installed power capacity (77.641 GW) as of 31<sup>st</sup> March 2019.

The country has a strong manufacturing base in wind power with 20 manufactures of 53 different wind turbine models of international quality up to 3 MW in size with exports to Europe, the United States and other countries.

Renewable energy in India comes under the purview of the Ministry of New and Renewable Energy (MNRE). India was the first country in the world to set up a ministry of non-conventional energy resources, in the early 1980s. Solar Energy Corporation of India is responsible for the development of solar energy industry in India. Hydroelectricity is administered separately by the Ministry of Power and not included in MNRE targets.

India is running one of the largest and most ambitious renewable capacity expansion programs in the world. Newer renewable electricity sources are projected to grow massively by nearer term 2022 targets, including a more than doubling of India's large wind power capacity and an almost 15 fold increase in solar power from April 2016 levels. These targets would place India among the world leaders in renewable energy use and place India at the center of its "Sunshine Countries" A blueprint draft published by Central Electricity Authority projects that 57% of the total electricity capacity will be from renewable sources by 2027. In the 2027 forecasts, India aims to have a renewable energy installed capacity of 275 GW, in addition to 72 GW of hydro-energy, 15 GW of nuclear energy and nearly 100 GW from "other zero emission" sources.

### METERS

#### Smart Meter National Programme

With electricity demand expected to rise by 79 percent in the next 10 years, India is on a path of transforming its energy mix with innovation. Along with enhancing energy production, the nation also needs to cut Aggregate Technical and Commercial (AT&C) losses to below 12% by 2022, and below 10% by 2027.

Starting from April, 2019, the government has planned to replace all existing electricity meters in the country with smart meters. The process of switching over is expected to take nearly three years.

This initiative by the Ministry of Power (MoP) is expected to reduce the aggregate technical and commercial (AT&C) losses, improve the financial health of distribution companies, incentivize energy conservation, and make bill payments hassle free and environmentally friendly by doing away with the paper copies.

## OPPORTUNITIES AND THREATS

### Power Generation

Key challenges faced by the sector is high cost of financing, power evacuation infrastructure and lack of policy clarity.

#### 1) Financing / Investment

Cost of financing by Indian financial institutions is high at 13% with recourse, which makes renewable energy projects with thin margins less attractive.

#### 2) Plant Load Factor

Due to low PLF, projects require longer tenure loan of say 12-13 years against the current 5-7 years. Inherent seasonality of power generation adversely impacts cash flows, especially in case it gets commissioned during non productive season Capital expenditure significantly higher as compared to conventional sources.

### Regulatory

Complexity of subsidy structure and involvement of too many agencies such as MNRE, IREDA, SERCs etc. Availability of contiguous land at competitive prices; delays in acquiring land and obtaining statutory clearances with limited government support. Securing 'Right of way' for transportation of large size capital equipment (like turbines, blades and towers)

### Power Evacuation Infrastructure

Grid connectivity to nearest sub-station. Considerable delay in providing grid connectivity

### Others

Limited fund allocation for the sector limits the growth (especially in off-grid applications). Availability of skilled man-power across RE value chain

### Smart Meters

Smart meters are next generation meters for both gas and electricity. They are a replacement for standard meters that use technology created decades ago and require households to track their own readings and submit them to suppliers if they want accurate bills. The smart meters market is expected to grow at a rapid pace, primarily, due to government roll-outs, and implementations of mandates & policies, in developed economies. Advantages of smart meters such as accurate billing, enhanced customer experience, and improved customer service are expected to be the driving factors for smart meters market in developing countries.

## INTERNAL CONTROL SYSTEM AND AUDIT

Internal Control Process of the company is aimed to provide a reasonable assurance that the Company achieves its objectives of reliability of financial reporting, effective and efficiency of operations and compliance with applicable laws and regulations. The internal audit is carried out every quarter by an independent internal auditor covers all the areas of the company. The audit findings are reported to the Audit Committee of the Board of Directors of the company every quarter. The Audit Committee acts as a catalyst for efficient and transparent financial reporting and as a bridge between the Board, the Internal Auditors and the Statutory Auditors.

## FINANCIAL PERFORMANCE

The financial performance has been discussed in the Director's Report

## HUMAN RESOURCES

The Company believes in the adage that Human resource management is a central pillar of the company. Human Resource activities fall under the following five core functions: staffing, development, compensation, safety and health, and employee and labor relations. Within each of these core functions, HR conducts a wide variety of activities and strives to maintain and promote harmony and co-ordination among workers, staff and members of the senior management.

## CAUTIONARY STATEMENT

The Management Discussion and Analysis describe Company's projections, expectations or predictions and are forward looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include economic conditions affecting demand and supply and price conditions in domestic and international markets, changes in Government regulations, tax regimes, economic developments and other related and incidental factors.