

# Renewable electricity

Industry Code (as per CMIE Prowess): 0101030110000000'

June 2022

Overall Industry Risk Score: **14/20 | Favourable**

Sample Size: 75 Companies

Median Rating Value of sample size: A

## Individual Parameters Contributing to the Score

**Demand & Supply Balance**  **16/20**

Moderate Demand

There is significant demand for non fossil energy like solar/wind and hydro energy in view of the Government. The Government's focus is on cleaner energy with a stated objective of reaching 450 GW by 2030. As per CMIE data, the cumulative installed Renewable Energy capacity (excl.large hydro) was at 109.9 GW for FY22 as against 94.4 GW for FY21. The renewable electricity generation stood at 170.9 BU for FY22 as against 147.2 BU for FY21. The tariffs in both wind and solar segment have declined considerably over the past few years impacting the internal rates of returns. The stretched liquidity profiles of the power distribution companies who are the major consumers has impacted the cash flow profiles of some of the players.

**Extent of Competition**  **12/20**

Neutral

The industry is capital intensive, though the capital intensity (i.e capital cost per MW) in certain key segments like solar power have declined sharply over past few years. While there has been significant foreign and domestic fund investments in the sector which has led to a steady build up of capacity, the attractiveness of the sector has been on the wane due to counterparty risks and tariff concerns.

## Regulatory Risk 16/20

Stable Regulatory environment

The government has been highly supportive of capacity additions in the sector and facilitation of new projects through SECI. The MNRE (Ministry of New and Renewable Energy) oversees the various regulatory initiatives. The regulation favours domestic manufacture of various components to reduce import dependence.

## Input Related Risk 12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Except for capital goods, no other major inputs are required. Since there is still a significant proportion of sourcing of solar modules from imports, the currency, duty and the landed cost of capital equipment has become a critical factor in the viability of solar projects.