

M&A AND JOINT VENTURES IN RENEWABLE ENERGY

ENERGY CFO'S SUMMIT

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Prashant Maniar

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Topics Covered

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Current Challenges in Financing RE Projects

International Partner Preferences

International Partner Wish List

Creating Win-Win with International Partners

Securing International Partner – 10-step approach

Current Challenges in Financing RE Projects

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1. Financial closure

Debt

- ☑ Limited and expensive, exacerbated by short tenors and variable rates
- ☑ Debt is not strictly non-recourse
- ☑ Limits on foreign lending – Capital controls on foreign debt & Interest rate ceilings

Equity

- ☑ Valuation / Premium expectation mismatch
- ☑ A risk of REC prices dropping post 2017
- ☑ Availability of equity may decrease if lack of debt causes equity providers to exhaust their capital due to the lack of recycling options

2. Payment cycles

3. Risk aversion due to lack of awareness

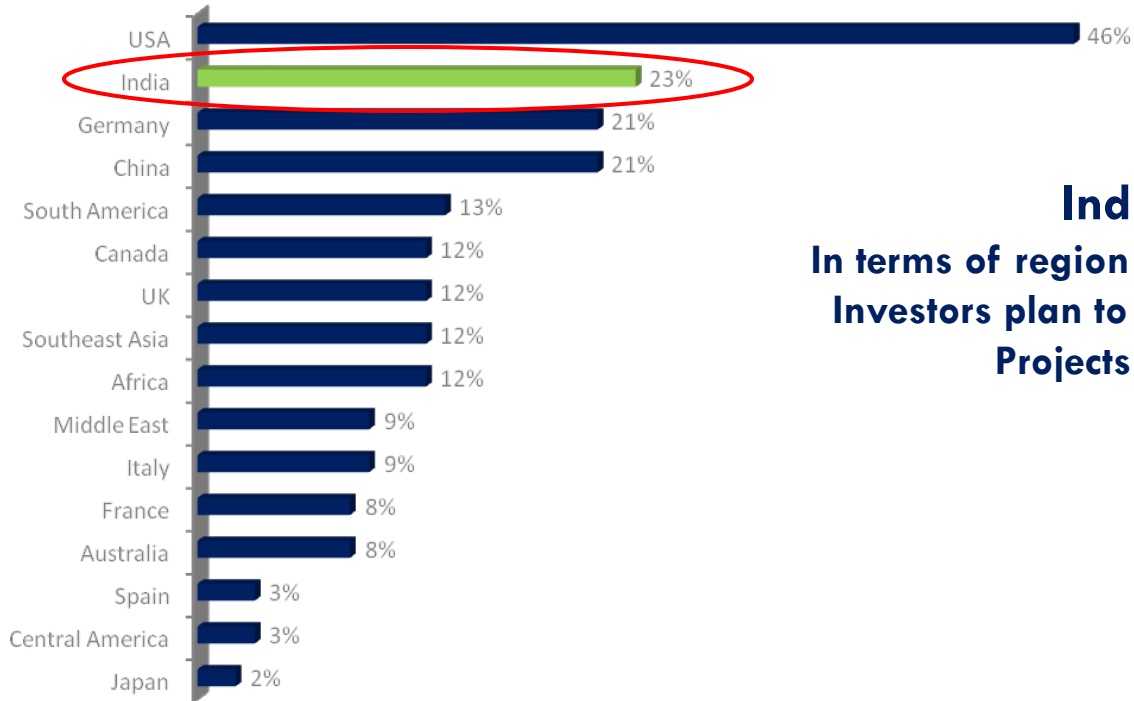
4. Operational issues (e.g. feedstock availability)

International M&A and JV



International Partner's Regional Preference

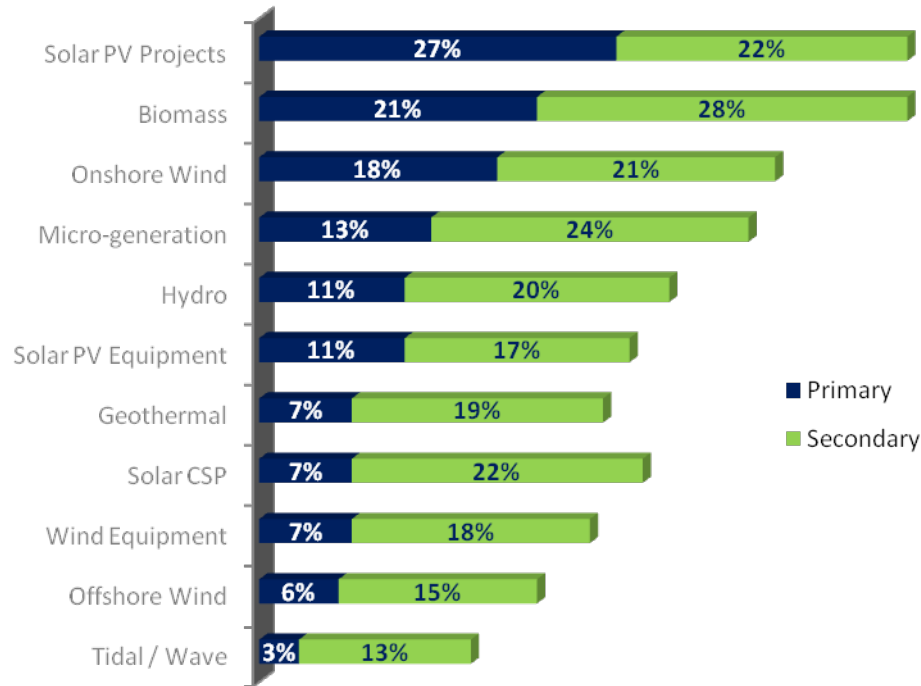
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India Ranks 2nd
In terms of region where International Partner /
Investors plan to invest in Renewable Energy
Projects in Next 18 Months

International Partner's RE Type Preference

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Currently India sports excellent potential of renewable power generation in these area's

■ Primary
■ Secondary

International Partner's View of RE Types

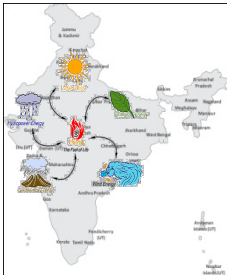
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Solar	Very attractive	Project IRR, Payment cycles
Hydro	Abundant, cheap	Environmental Issues Project delays
Wind	Proven ability to deploy Large projects	Vanishing tax / subsidy benefits
Biomass	Excellent returns	Feedstock availability

International Partner's Wish List

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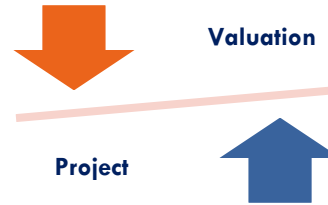
Indian RE Market



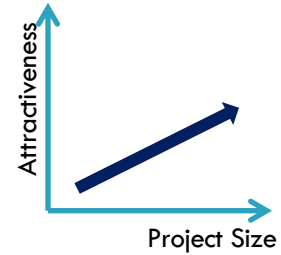
Decent IRR



Reasonable Valuation



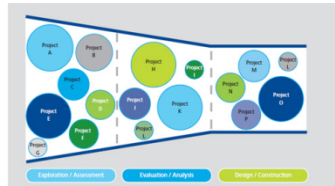
Medium to Large Size Projects



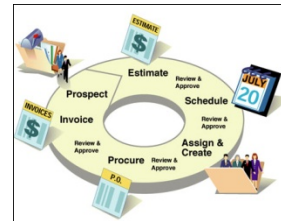
Signed PPA & Feedstock Agreements



Robust Project Pipeline



Project Experience



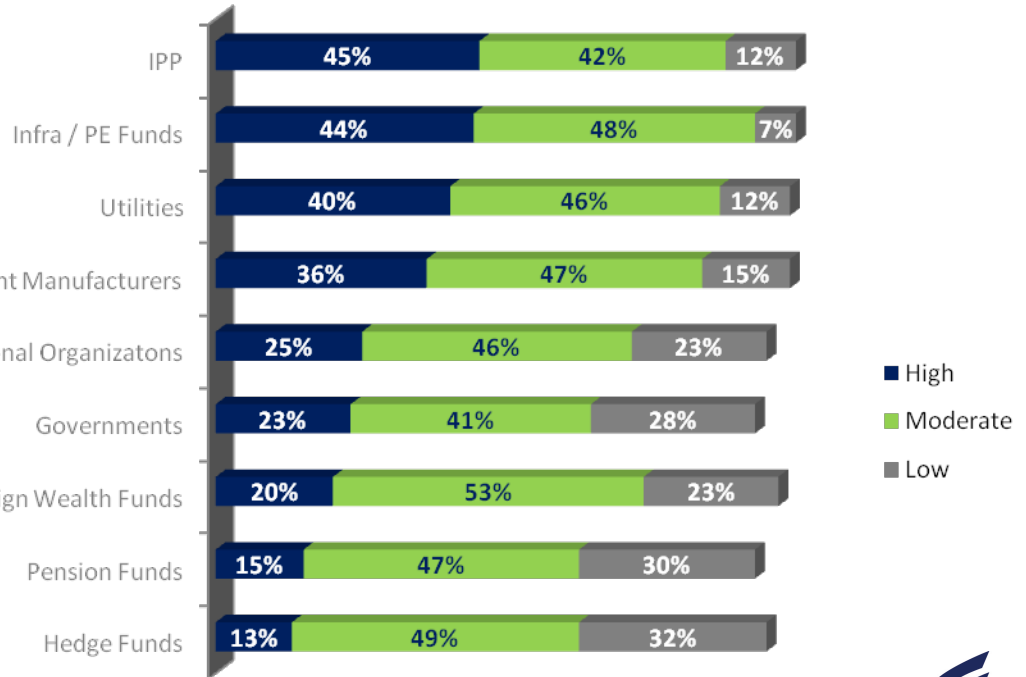
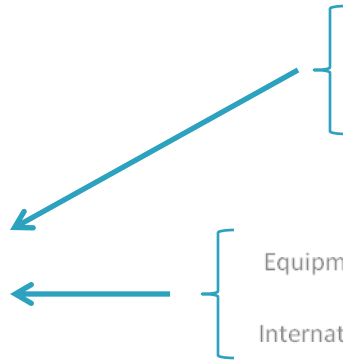
Good Governance Customer's Ability to Pay



International Partner's Level of Investment Activity

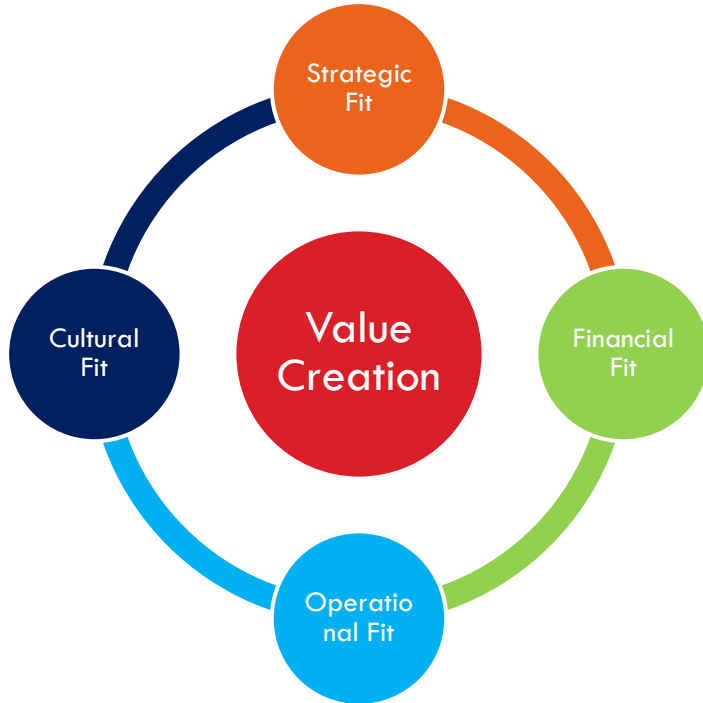
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**Actively Investing
in Indian
Renewable
Energy Projects**



Synergy Driven M&A / JV – Best Long Term Returns

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Critical that synergies be well understood to ensure successful realization of most value of tangible & intangible synergies

Creating Win-Win with International Partners

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Goal

Leverage complementary strengths
Jointly create enormous value



Indian Company & International Partner
have to work together to create value

Strategic International Partner



Entry into Indian Renewable Energy segment



Shovel ready project(s) and robust pipeline



Higher IRR's than other regions

Indian RE Company



Access to globally proven expertise



Leverage existing projects to build larger
portfolio of projects



Strengthen financial position

Key to Securing International Partners

Recommended 10-step Approach

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1. Setup project specific Special Purpose Vehicle
2. Plan the project details well in advance keeping financial closure in mind
3. Identify suppliers that can offer financing either themselves or via EXIM banks (while keeping offset requirements in mind)
4. Work with Partners with access to International debt and can utilize it to infuse equity
5. Structure and price the PPA with payment delays accounted for
6. Have a reasonable view on generation capacity
7. Perform sensitivity analysis on feedstock availability or lack thereof
8. Approach investors / partners that have experience in deploying projects globally
9. Structure the projects equitably
10. Most important of all, evaluate strategic fit!

About Encito Advisors

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Encito Advisors

Strategic & Financial Advisory Services

Services

Mergers & Acquisitions, Private Equity Syndication,
Joint Ventures, and Strategic Advisory

Focus

Renewable Energy, Environment & Enabling Technologies

Expertise

Domain knowledge, international reach, creating win-win

Location

Mumbai, India

References

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- Publications from
 - KPMG
 - Climate Policy Initiative
 - Various Websites
- Encito Advisors internal research

Thank you ...



Address 201 Triton, Greenfield Estates | A. B. Nair Road, Juhu | Mumbai 400049
Email prashant@encitoadvisors.com | Phone +91 99872 63480