Welspun Group

Imports & Bottlenecks Faced Developer's Perspective

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Welspun Group Profile

A US$ 3.5 Billion fastest emerging global group with diversified portfolio - multiple countries strategy

Diversified business interests with leadership position in each business:

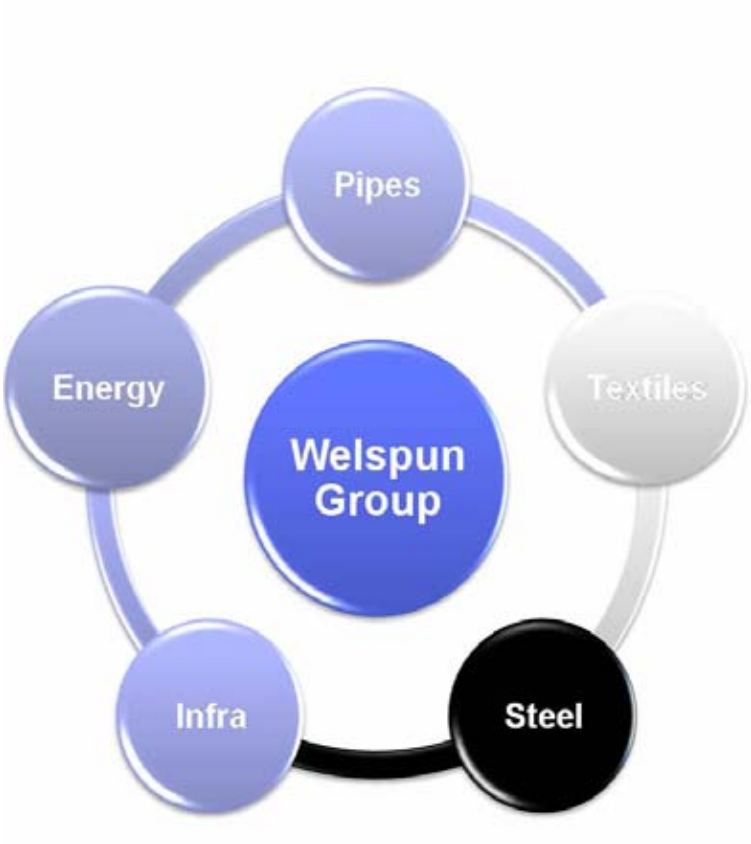
- Top 2 Large Diameter Pipe Company in World
- Globally renowned towel company

Key Markets - 80% export to US, Europe, Latin America, Africa, Middle East, etc

International Setup

- Christy, UK & Sorema, Portugal
- Textile facility in Mexico
- Office in Manhattan-NY, Huston-US
- Pipe & Coating Facility in Arkansas, US & Saudi Arabia

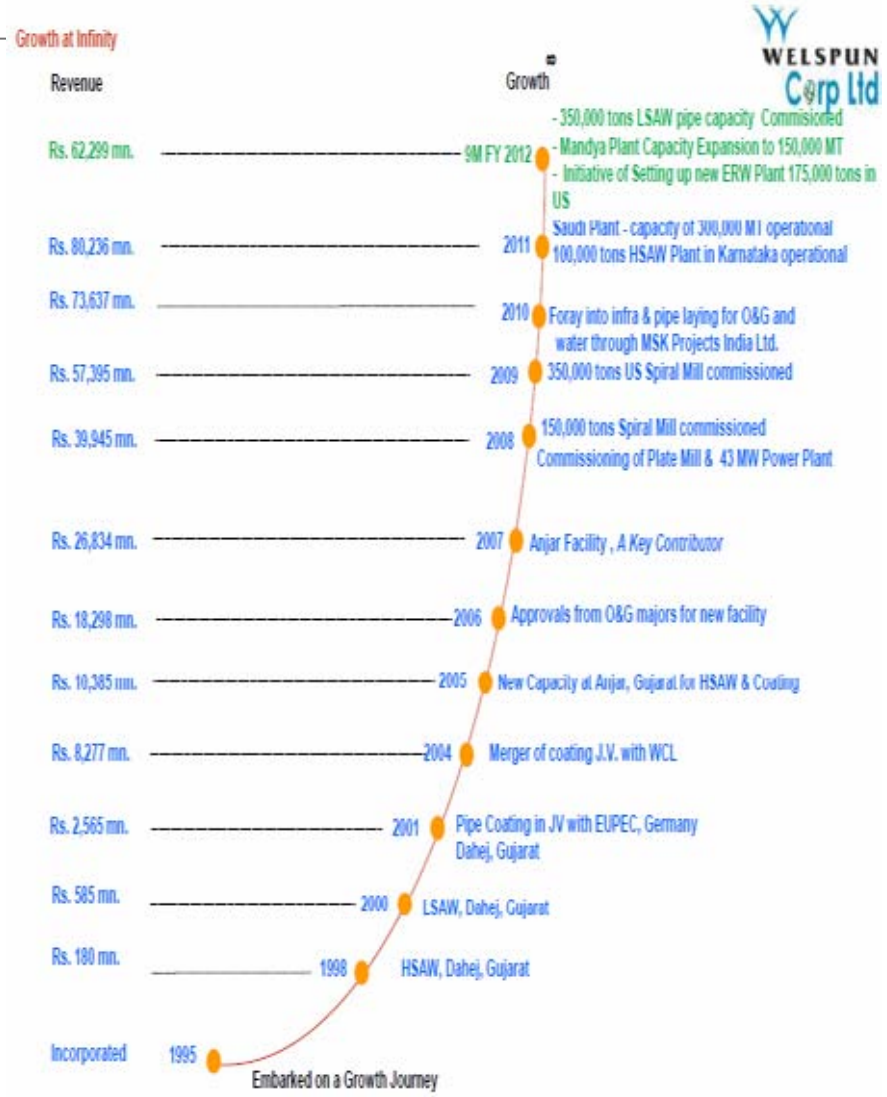
Business Verticals



Welspun's Growth Path & Recognition

- Welspun Corp: Top Indian Company under Metal Pipes-Dun & Bradstreet 2010
- Welspun Corp: Star Performer Award for the Year 2008-09 - EEPC 2010
- Welspun India: Vendor Excellence Awards 2009 -2010 - Target
- Welspun India: Gold Trophy for "Best Exporter" - TEXPROCIL - 2008
- Welspun India: Sustainability Award - Wal-Mart in 2007

Mr. B.K. Goenka, CMD Welspun, accepting the 'Emerging Company of the Year' Award from the Prime Minister of India Dr. Manmohan Singh



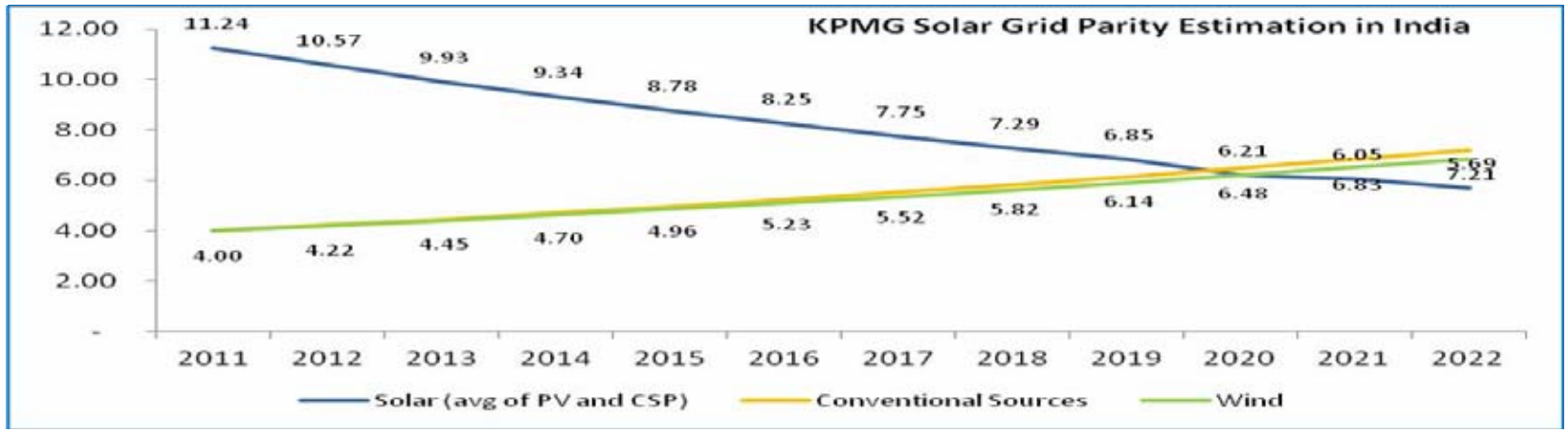
Welspun's Renewable Portfolio

- 30 MW – Operational
- 220 MW - Under development
- Successful bidder in
  - JNNSM Ph-1 Batch-2 – only bidder to have bagged 50 MW capacity
  - Karnataka Solar bid
  - MP Solar bid - only bidder to win 105 MW PV project in India
- Business plan by 2017
  - Solar – 1000 MW
  - Wind – 3000 MW

15 MW Project in Gujarat- commissioned in October 2011

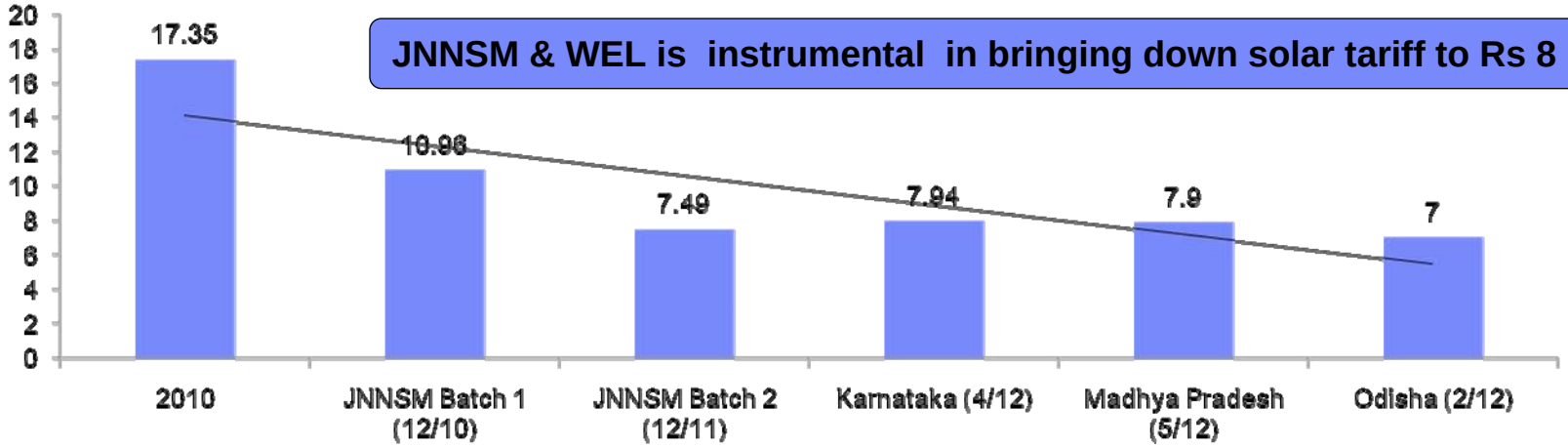
5 MW project in Andhra Pradesh- commissioned in Dec'11

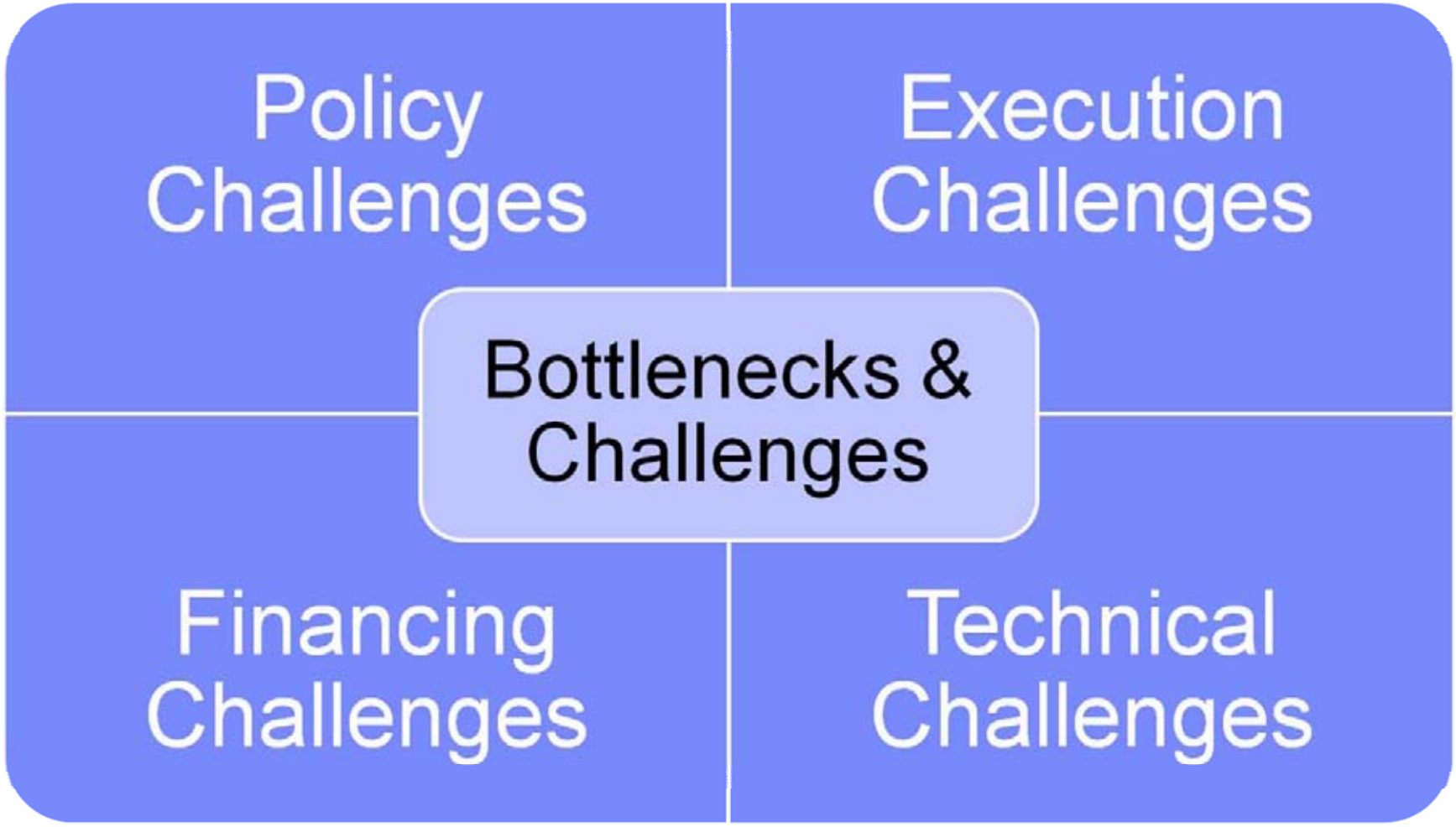
Solar Tariff -Trends in India



TRENDS IN TARIFF

JNNSM & WEL is instrumental in bringing down solar tariff to Rs 8 level




Policy Challenges
Execution Challenges
Bottlenecks & Challenges
Financing Challenges
Technical Challenges

Policy Challenges

- **Lengthy process involved to avail duty exemption**
  - Involvement of multiple agencies – State & MNRE
    - ✓ Issue one time BOM approval by MNRE
    - ✓ Allow duty exemption on CEO's certification
- **Small capacity projects**
    - ✓ Capacity of 50 MW and above to drive down tariff

Policy Challenges

- **Allow SEBs to claim RECs for the purchase of RE power beyond the RPO limit**
  - RPO target – 15% from RE projects by 2022
  - Solar RPO – 0.25% in 2012-13; to be increased by 3% per annum
    - ✓Strict enforcement of RPO obligations by states
    - ✓Promote REC bilateral trading
    - ✓States with good resources should be allowed to take REC beyond the RPO target
- **Restriction on Solar plant CUF**
  - With evolving solar technology, CUF restriction in the PPAs is an obstacle
    - ✓Restriction on upper CUF to be taken off

Financing Challenges

- **Project financing**
  - Less time available for project evaluation & financial closure –
    - ✓Lack of understanding of RE sector
    - ✓Need clarity on land & major contracts
  - Ovrall Sectoral Cap – Most banks reduced the allocation for power sector, considered as high risk area.
  - RE Sector – Low risk, but need separate allocation
  - DE ratio and Tenure a big concern -
  - Long duration requirement for international funding agencies
- **Payment Security**
  - A major concern for Investor & Lenders – Financial health of SEBs/Discoms
  - Timely payment - concern even on JNNSM

Execution Challenges

❖ Land acquisition

- Delay in Land acquisition impacting basic design, procurement & construction
- Time delay in NA conversion
- Right of way

❖ Enhancing grid infrastructure

- Advance execution of grid infrastructure

❖ Infrastructure

- Poor infrastructure facilities – construction power, water, basic amenities, etc
  - ✓ State Govt. – develop large Solar Parks in advance with –
    - ➢ Land
    - ➢ Power evacuation
    - ➢ Construction power & water
    - ➢ Infrastructure

Technical Challenges

Local content requirement – Detrimental to growth of solar projects

- Technology
  - Non availability of advanced technology for thin film in India
- Demand supply Mismatch
  - Solar RPO target of India by 2022 ~ 40 GW; Existing Indian manufacturing capacity 1604 MW only – (Crystalline – 1504 MW & Thin film – 100 MW)
- Domestic supply is not cost competitive
- Raw Materials & Machinery – generally imported
- R&D – Negligible expenditure in R&D space

Technical Challenges

- Job Creation
  - Automated solar manufacturing industry requires less manpower
  - Manufacturing accounts for only ~14% of solar jobs
  - Installation , Sales & distribution accounts for ~ 57% & 21% of solar industry jobs
  - 1 GW manufacturing line employs 300 manpower (i.e.0.3 people/MW)
  - Installation requires 55 people/MW

Technical Challenges

- Technology & quality of Indian modules still need to be proven compared to imported modules
- Imported modules are cost competitive – bring down tariff
- Imported modules are ready stock – No delivery concerns
- Suggestions –
  - Govt. subsidy in manufacturing sector for
    - ✓ Improved efficiency and R&D
    - ✓ Low cost manufacturing
  - Remove all restrictions on domestic content to bring down tariff

Summary

- States should identify potential sites with good solar radiation
- Develop Solar Parks with Land, Infrastructure, Power, Water and evacuation facilities – In advance
- Implement RE capacity addition on long term basis
- RPO obligations should be enforced
- No restriction on import of equipment
- Simplify administrative procedures

THANK YOU