KPMG

ENRich 2018

De-stressing the Indian power sector

11 December 2018

Hyatt Regency
Bhikaji Cama Place
New Delhi

About ENRich

The ninth edition of ENRich, KPMG in India's flagship event for the Energy and Natural Resources (ENR) sector, is scheduled to be held on Tuesday, 11 December 2018 at Hyatt Regency, Bhikaji Cama Place, Ring Road, New Delhi, India. The theme of the conclave is '**New partnerships for new energy**'.

Shri Dharmendra Pradhan, Minister of Petroleum and Natural Gas; and Minister of Skill Development and Entrepreneurship and **General (Retd.) V. K. Singh,** Minister of State in the Ministry of External Affairs have consented to grace the occasion.

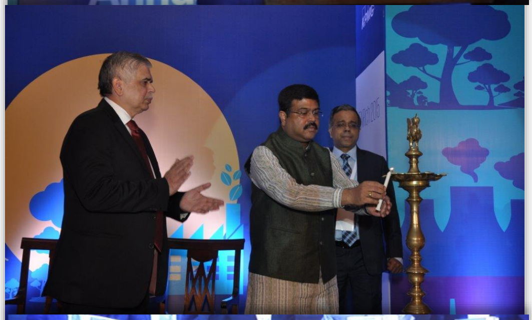
The energy sector in India is witnessing massive disruption due to alternative sources of energy, the geo political scenario and technological advancements. In the light of these developments, this year, the discussions will focus on the following themes:

- Role of energy in India's inclusive growth
- Geopolitics, energy & consumers
- Energy transitions, technology and innovation
- India's energy security and sovereignty
- Strategies for decarbonising India's energy sector
- Digital transformation in the ENR sector
- Energy and natural resources in new age mobility
- Forging new partnerships for new energy.

Like previous editions, ENRich 2018 is set to have interactive discussions with CXOs, policy makers, regulators, government utilities, private players, investors and sector experts.

We look forward to your presence at ENRich 2018.

Highlights from last year's ENRich conclave are available at https://home.kpmg.com/in/en/home/events/2017/11/enrich-2017.html



Sessions | ENRich 2018

Geopolitics, energy & consumers

Role of energy in India’s inclusive growth agenda

Towards energy and resources security and sovereignty

Decarbonising energy for sustainability

De-stressing the Indian Power Sector ✓

ENR: Digital and analytics revolution in the making

Energy and natural resources in new age mobility

New partnerships for new energy

Featured speakers

Breakout 2: De-stressing the Indian power sector

Ashis Basu

President (Corporate Functios), GMR Energy Limited

Expert in power and infrastructure sector, with expertise across business development, mergers and acquisitions, etc.

Ashok Kumar Khurana

Director General, Independent Power Producers Association of India

Formerly with the IAS; previously served as Government Representative at Power Finance Corporation Ltd., Vice Chairman at Jaiprakash Associates Ltd., etc.

L Viswanathan

Partner, Cyril Amarchand Mangaldas

Infrastructure and Energy specialist; named as Notable Practitioner by Chambers Asia Pacific, 2017 and as ‘Leading Lawyer’ by IFLR 1000, 2016

Dr. PV Ramesh

CMD, Rural Electrification Corporation (REC) Ltd.

Has held leadership roles in Government of India and Government of Andhra Pradesh in the energy sector

Vinod Giri

Senior Principal, NIIF

Investment professional with experience across the entire life cycle of investment management; previously served as Director with IDFC

Moderator

Hitesh Sachdeva

Partner, Deal Advisory-M&A, Infrastructure, Government & Healthcare

Master’s in Finance and Strategy; previously served as Head, M&A and Private Sector Solutions Group at CRISIL

Session context

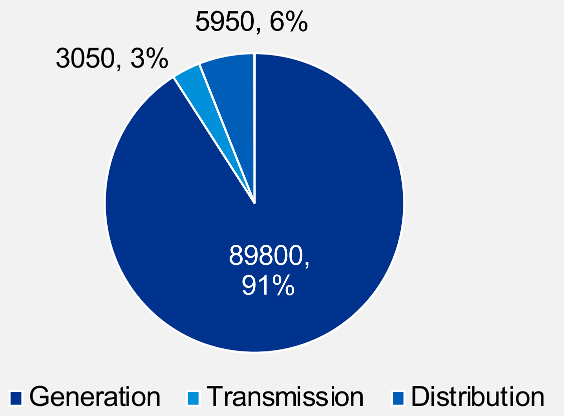
Investment decisions which were straightforward even a decade back, such as setting up a power plant to cater to growth in demand (largely under regulated tariffs) no longer remain so. Regulatory structures and contractual arrangements are weakening and policy shifts are increasingly putting returns at risk.

Over the past three years twelve largest Indian infrastructure companies with an asset base of approximately 800 k crores (c. 125 billion USD) have made negligible or negative profits. In no year since FY 13 did their aggregate equity returns cross 0.3 per cent.

The reasons for this predicament are many. Bidders for their aggressive bids and their search for EPC margins over sustainable business returns, governments for rigid and one sided contracts, regulators for their intransigence and sloth, slow justice and our proverbial red tape. Irrespective of whom and what we hold responsible, there are no winners in this. If large capital bases do not provide reasonable yields for such lengths of time (and the end is indeed not in sight), it will clog the economy and no amount of government spend can compensate.

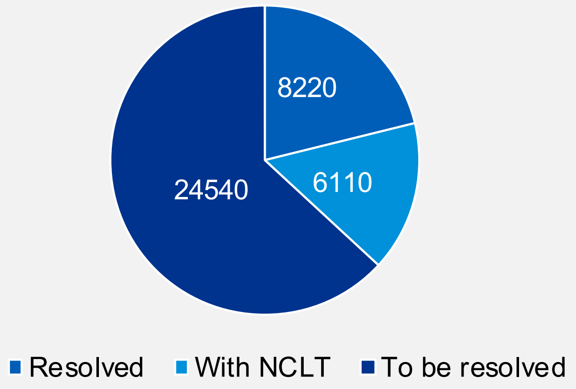
We need strong governance for public infrastructure projects, but we also need to let loose the entrepreneurial instincts and encourage capital formation. As a first step we need to address this legacy challenge comprehensively and move forward. Over the years a number of schemes and frameworks including through RBI (S4A, SDR, CDR JLF etc.) and the legal processes (NCLT, IBC) have emerged, often with limited success. Are we finally looking at a resolution now? What would be a 'fair' but achievable framework? What would be the roles and the responsibilities of the key actors? What would be the roles of partnerships? The session at ENRich 2018 will discuss these issues to contribute to the evolving debate and assess the options for sustainable resolution.

Composition of stressed assets (including restructured advances) as on Jun'17 *INR Crore*



Source: 37th Standing Committee Report on Energy, March'18

Status of resolution of 34 stressed Generation Assets, *in MW*



Source: 40h Standing Committee Report on Energy, August'18

Indicative issues for discussion

What are the top three factors for the severe stress in the sector and how could we have avoided them?

Among the resolution frameworks that have evolved over the past three years which is the most viable and ‘fair’?

With the large haircuts that look inevitable for the Banks and Fis would there not be a huge demand on taxpayer money for recapitalisation?

In the quest for resolution have the actors assumed fair energy prices or are they unrealistically low?

Fuel is a big source of concern. How can that challenge be mitigated or dealt with equitably?

Would the recommendations of the High Level Committee of the GoI have a significant bearing on resolution if implemented in letter and spirit?

At the point that we stand what are the biggest risks now to the resolution process?

What are the few biggest takeaways from the experience of the past few years when we look at the sector ahead?

What would be the role of partnerships in resolving the issues, and in moving the sector ahead to attract new investments?

Tuesday
December 11
14:15 hrs
ENRich 2018

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