

Betting on Infrastructure and Renewables

Shirish Navlekar, CFO at Mytrah, a leading player in the renewable energy space, traces his journey across two of India's key sunrise industries

An engineer by training with a Masters' in Management from Jamnalal Bajaj Institute of Management Studies, Shirish Navlekar is one of India's most canny CFOs, specialising, as he says himself, in infrastructure as a sector and in project financing as a core skill. Over three and a half decades of experience largely in India's infrastructure sector places Shirish among those most experienced in the field, one who has had the privilege of various vantage points from which to view this high potential sector.

Those vantage points include stints as Founder of a fund targeted at the infrastructure sector and crucially, as head of project finance at GMR and then as CFO of DIAL. Shirish's nine-year stint with GMR saw him build a massive pipeline of funding that saw the rise of private airport infrastructure in the country apart from roads and conventional power sector. It saw him, together with the rest of the senior team at GMR, build internal policies and give structure and form to private enterprise in India's infrastructure sector. Concession and state-support agreements for the Hyderabad green-field airport were all developed from scratch, funding attempted at that scale again, for the first time in modern history. This gave him a chance to contribute to the reality of world-class infrastructure as a categorical possibility in India. Any of us who have travelled through the Hyderabad and Delhi airports will bear testimony to the quality of the end product.

Stints at GMR, and then as CFO of DIAL, were opportunities to help develop world-class infrastructure in India



Six years ago, Shirish joined Mytrah, one of India's leading players in the renewable energy space. Predominant in wind energy and now in solar, Mytrah has a total capacity of 2 gigawatts (GW) today including operational and under construction projects, spread across 17-18 projects in 9 states. In many ways, Shirish's engagement with Mytrah, where he now serves as Joint Managing Director and CFO, is yet another unique experience in Shirish's arsenal.

As a youngster, Shirish was always curious about the ability of sunlight to create power and energy. Today, six years into his journey at Mytrah, the overwhelming sense is one of achievement, despite intense, and continuing, challenge as this sunrise sector makes its way to

maturity. Although present in India for over two decades prior, the era of renewable energy in India dawned around the time that Shirish joined Mytrah, because the economics of renewables had begun to make sense. The current government's thrust into renewables is laudable - and it is necessary. From all perspectives, it is unlikely that the government's target of 175 GW of renewable energy (a 100 of which will come from solar, 60 from wind and 15 from other sources such as biomass and hydro) by 2022 will be achieved. We stand at 55 GW today. But the very fact that renewable energy is now viable per se and is a part of the mix speaks for itself. It speaks to the power of a government at the Centre who is committed - UDAY, that seeks to overhaul the financial health of India's State Electricity Boards, is itself testament of that intent - and it speaks to the power of an industry that has through innovation and design been able to create technologies that bring down cost of production. There are complexities no doubt and dealing with massive imports is one of them but for players like Mytrah, the opportunity remains significant.

Shirish's personal journey at Mytrah started when he met with the firm's founders by associates in the financial sector. Unique business model with scalability options, several rounds of discussions and meetings fructified into Shirish's involvement with Mytrah then as CFO. Shirish's focus was dual, and razor-sharp: to provide growth capital and to diversify risk.

On the count of the latter, the Mytrah team worked under Shirish's



Shirish Navlekar,
Joint Managing Director and
CFO, Mytrah Energy

guidance to diversify risk, both by expanding customers to ensure the group was geographically diverse (that matters a lot in renewables like wind and solar as placement is, quite literally, everything, most of all in wind) as also by enabling the resultant fact of numerous counter parties. Over the course of the first few years, Mytrah diversified into 7-8 states, the most recent being Punjab and Madhya Pradesh. It was tempting, Shirish admits, to continue to concentrate only on one-two states like Maharashtra and Gujarat, which were encouraging investment in generation capacities and were also well suited geographically for quality of wind.

However, the mark of a mature CFO is the fact that he/she can recognise how quickly things can change, as they did in Maharashtra. Mytrah spread out projects in Rajasthan, Tamil Nadu, Karnataka, Andhra Telangana and Punjab as well, also mitigating counter-party risks. Late payments, a reality in this sector for a number of states, are now offset by other states where the firm has a presence and who have a strong track record of timely payments. Rajasthan proved to be a great bet, given how dramatically payment terms are responded to post UDAY.

The greatest need for a sector like this is for capital to first set up projects. Viability subsequently is a function of three elements – the plant load factor, capital cost and tariffs. Shirish's inherent skill in capital raising was brought to the fore through multiple tranches of mezzanine financing that he has enabled as well as project level debt. The route forward will lead to raising equity, the eventual means to the end, but for now, Mytrah, for reasons of timing and availability, has concentrated on mezzanine financing. He has just refinanced Rs 1,800 crores of debt from the Piramal Group, a complex transaction that saw Shirish's ability to engage investors stretched to the

Career Highlights

- A bachelor's degree in engineering and a master's in management
- Over 35 years of experience, mainly in the infrastructure sector
- Stints as CEO of Cairn's Power business, Founder of an infrastructure fund, Head of Project Finance at GMR, and CFO of Dial
- In his seven years at GMR, Shirish built of massive pipeline of funding that catalysed private airport development
- Six years at Mytrah, with its 2GW of capacity spread across 18 projects in 8 states

The greatest need in a sector like renewable energy is capital to set up projects. Shirish's inherent skills in this area enabled multiple tranches of mezzanine financing



maximum. Mezzanine financing in specific demands the need to continually engage with investors as indeed, continue to identify how to move forward through refinancing. Eventual viability will lie in Mytrah's ability to ensure a lower cost of capital and expand plant load factor by using improved technologies. Mytrah's wind turbines – and the supplier base too was expanded as a way to reduce risk and adoption to new generation wind of turbines having a hub height of 120 metres as compared to 70-80 metres earlier. The blades are bigger in diameter and lighter in weight leading to improvement in turbine technology and efficiency driving the cost of production to new lows.

Viability will also lie in the ability of regulators and industry to work together with transparency and lack of bias. Tariffs and fairness of tariffs is core, and both regulators and industry will need to be more responsible in the level at which bids are placed and accepted. Current euphoria and irrational bidding especially in solar can become far damaging if economic fundamentals are ignored. Eventually, India's

renewable sector and its success will depend on the commitment of India's state governments to truly desire this sustainable source of energy as a key part of their mix. Those states will then gain in many ways, including in quality of living. That will then demand much clearer playing field to access global capital. India's renewable sector capital requirements are massive, going to 5 lac crores by some estimates. Clearly Indian banking system is not geared to meet this demand, and foreign lenders will not take big bets. That will need regulators such as the RBI and SEBI to work together to allow newer source of capital to participate in the funding, just as it will need regulatory oversight on state governments for the private sector in renewable energy to get, quite literally, its place in the sun. Domestic insurance and pension sector have to provided with enabling framework which currently is too rigid for anyone's comfort. Domestic debt capital market development is essential and unlike ample liquidity in the international debt markets, domestic borrowers greatly suffer for lack of easy access. This obviously leads to a ripple effect on over dependence of banks and also the vicious cycle of banks NPA books rubbing the wrong way on genuine projects and borrowers.

In the meantime, crusaders like Shirish will continue to create value, will continue to engage with regulators, investors and customers in a bid to create a renewable energy sector in India that is truly mainstream. For Shirish, the journey continues, and it has been one of value creation, of seeing a larger vision, and of honouring the power of persistence, and of belief. ■