Advert%20your%20company

Interview: Sharat Goyal
Founder at Impact Infracap

Impact Infracap Bridges Market Gaps for Key Renewable Energy Components

November 29, 2024. By Aishwarya

Tags: interviews Impact Infracap Renewable projects Renewable Solutions Renewable energy sector

Impact Infracap focusses on risk-adjusted returns while assessing the financial viability of projects, discusses Sharat Goyal, Founder, Impact Infracap in his recent interaction with Aishwarya Saxena, Energetica India.

Que: **What are the key challenges in scaling renewable energy projects in India and what factors drive the operational efficiency of large-scale infrastructure assets?**

Ans: Challenges:

• Land availability: According to a study by Institute for Energy Economics and Financial Analysis' (IEEFA), India would need about 50k-75k km2 of land for solar and 15k-20K km2 for wind power. This would amount to ~1.7 to 2.5% of India's total land area.
• Grid connectivity: ICRA estimates that in India the share of RE in the overall energy generation would increase from 21% in FY24 to over 35% by FY30. In order to accommodate the intermittent nature of RE generation, planning and balancing of the power grid for the effective supply, backup and storage power would require significant investment.
• DISCOMs: Rising debts (over 1 lakh crore) to the power companies due to the poor solvency and cash flow positions of DICSOMs also pose a barrier to setting up RE projects on a large scale.

Factors for Operational Efficiency of an infrastructure asset:

• Technological adoption: Use of construction management software, building information modelling and using higher levels of automation
• Use of best practices: Project management, risk assessment and regular governance mechanisms

---

Que: **How does Impact Infracap assess the financial viability of renewable energy projects and mention some of the best practices for managing governance in infrastructure investments?**

Ans: Impact Infracap focusses on risk-adjusted returns while assessing the financial viability of projects. Infrastructure while viewed as a single asset class can have very diverse range of risk profiles. Further, these risks can change significantly over the life of the asset from construction to operation. As an example, a power transmission asset is very risky during construction but becomes almost as risk-free as a sovereign bond post completion due to superior payment mechanism and limited operational risks. As another example, toll roads are subject to patronage risk but the secular nature of India's growth has considerably tempered this risk. The overall viability of projects is measured by internal rate of return and the expectations of this return are decided based on risk-return trade-offs.

Best Practices for Governance:

• 100-day plan: We start with creating a 100-day plan to establish the right systems and procedures immediately after investment
• Devising appropriate management information systems: Identify key tracking areas, for example, land acquisition, traffic, financials, regulatory issues or any other issues that require close tracking over the life of the investment. We thereafter, create appropriate MIS formats to track these key factors.
• Board and shareholder fora: Disciplined approach to preparation and participation in various governance fora
• Stay close to investment documentation: Be aware of roles, responsibilities and rights under investment documentation at all times and do not shy away from exercising those rights
• Establish communication channels at various levels: Effective communication with all stakeholders should take place at appropriate cadence to ensure timely decision making

---

Que: **How does Impact Infra structure strategic capital allocation for renewable energy projects and what are the benefits and risks of private equity involvement in renewable energy?**

Ans: Opportunities for investment in renewable energy projects can arise for under-construction projects or for operating projects. Investor's risk appetite will decide the right kind of opportunity to be accessed. Certain investors also like to allocate capital to a combination of the two strategies, and we can evaluate the weighted average risk-return of such opportunities as well.

Benefits:

• Provide capital: PE funds are able to provide large sums of capital for long durations, something which is very necessary to drive the renewables sector
• Expertise and partnerships: PE funds can help grow the RE business by leveraging their networks and industry knowledge
• Better governance: PE funds provide frameworks and guidelines to set-up and run projects in a more structured way
• Operational efficiency: PE funds can drive efficiency of their investee projects in order to maximise their returns

Risks:

• Cluttering of the market due to too many projects in the pipeline
• Increase in the supply and demand gap for key RE components, thus increasing their prices

---

Que: **Regarding your recent project of Smart Metering, how did you approach risk assessment in large-scale infrastructure investments?**

Ans: Smart metering is a relatively novel investment opportunity. The risks under-pinning the execution of the projects and the implementation of the concession agreements are relatively unknown due to lack of experience of the players in this segment. Therefore, we focussed on identifying risks very clearly in this transaction. We carried out a very comprehensive study of the concession agreement and laid out the risks based on experiences in other infrastructure sectors. Further, we identified key attributes in implementing the projects and how some of these risks could play out in practice.

We were thereafter able to evolve a risk-sharing structure that would allocate risks to each participant depending upon their ability to control and manage such risks. This approach is consistent with the approach that we typically adopt for any large infrastructure project.

Que: **What are the long-term benefits of renewable energy integration into infrastructure?**

Ans: • Reduced carbon footprint: RE has a significantly lower carbon footprint than any other source of energy
• Lower costs: Currently in India, solar in one of the cheapest sources of energy generation
• Sustainable energy: RE sources are sustainable as compared to fossil fuels and can provide energy for a much longer period of time
• Scaling: The potential of scale in RE generation is far higher than traditional or thermal sources of energy

---

All magazines

Our bloggers

Next events

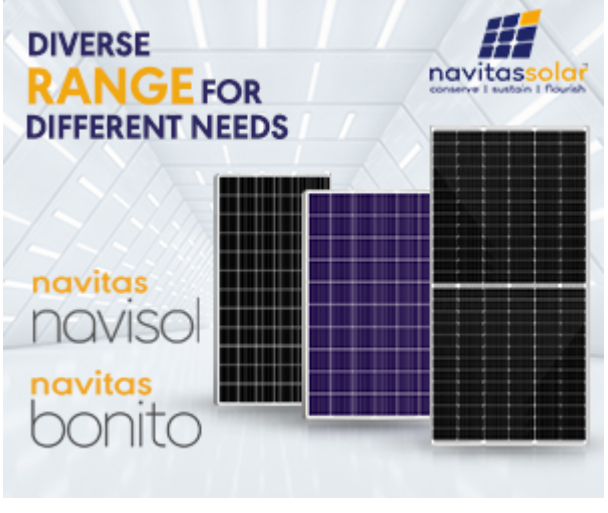
SNEC 18th (2025) International Photovoltaic Power Generation and Smart Energy Conference & Exhibition

June 11, 2025

...

more information

All events



Last interviews

Pashu Gopalan

President & CEO

The Future of Distributed Solar in India: Market Potential, Growth, and Fenice Energy’s Role

All interviews