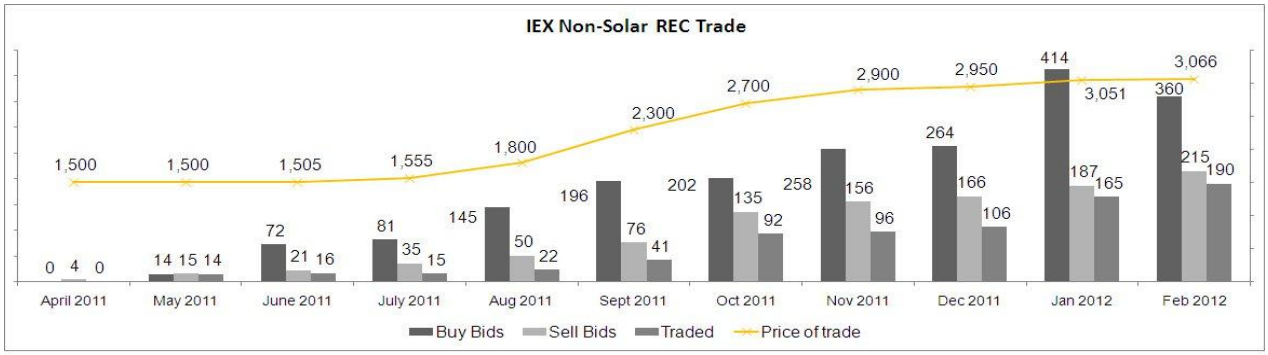
Prices stable towards end of Financial Year

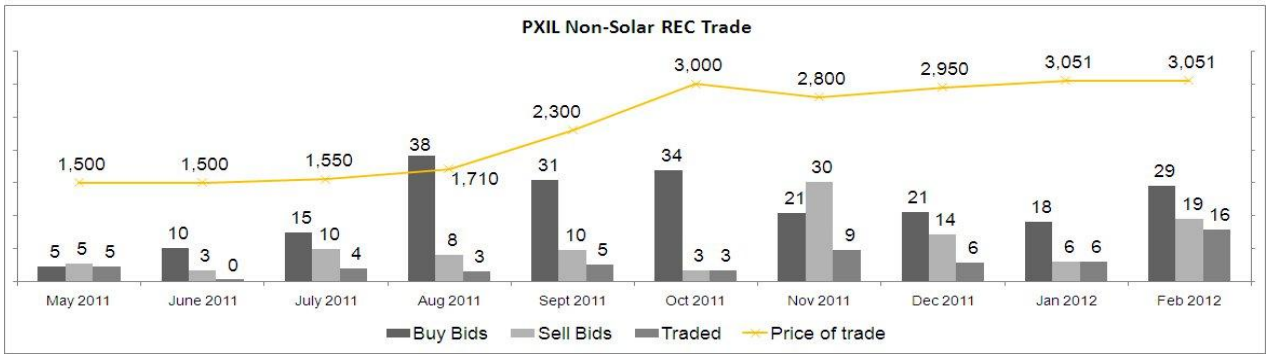
Volumes increase despite lower buy bids; Price improves to Rs. 3066 per REC

REC Trade February 2012		Buy Bids	Sell Bids	Volume Traded	Clearing Price Rs. per REC
Non-Solar	**IEX**	360,330	215,157	190,482	**3,066**
	PXIL	28,933	19,045	15,706	**3,051**
Solar	**IEX**	582	-	-	**-**
	PXIL	1,007	-	-	**-**

Trade volumes and value reach new highs in February

Close to end of the current financial year, REC prices continue to hover above Rs. 3000 mark with traded volumes rising significantly at both IEX as well as PXIL. Additional supply with expectation of higher sales realization countered demand driven by compliance to some extent. The net result was that prices while touching highs for this year, have stayed away from their forbearance (upper) limit.



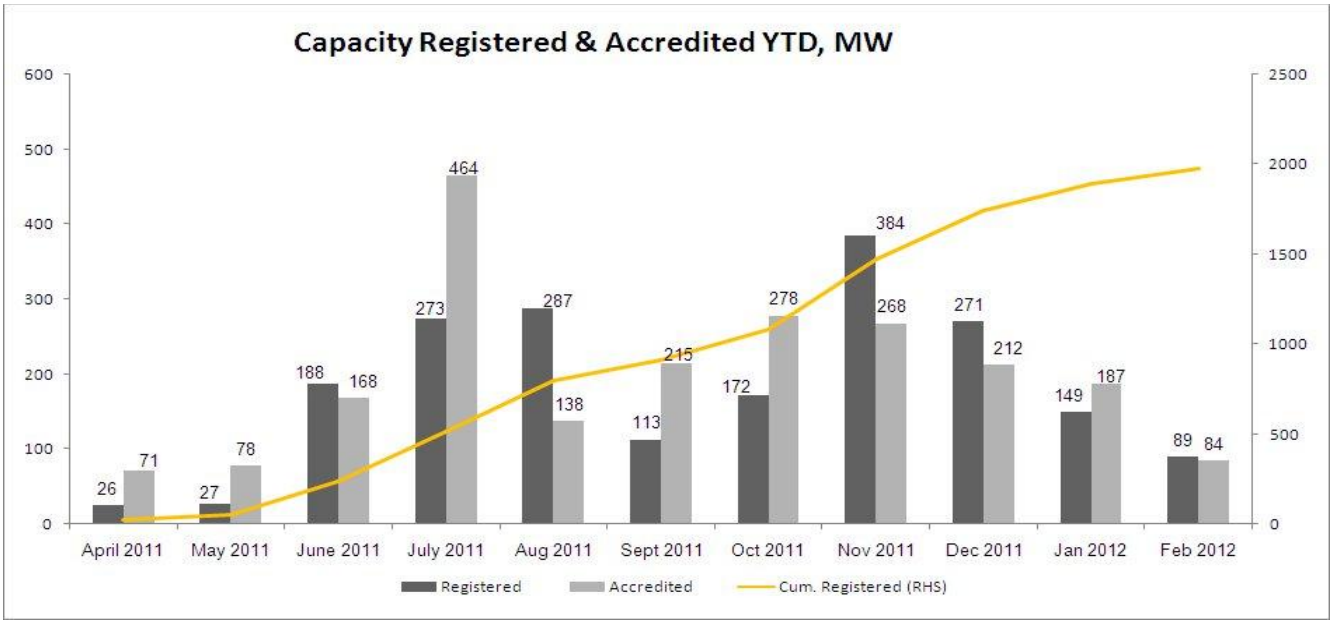


***Buy bids, Sell bids and Trade numbers in thousands**

Source of data – IEX, PXIL

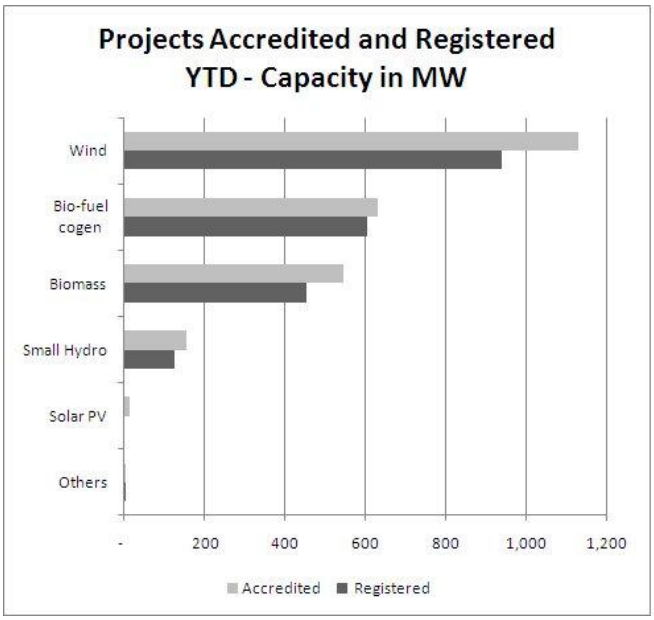
Trading volumes at IEX rose by 15% in spite of a big drop in demand while at PXIL, trade volumes jumped two and a half times to reach their highest ever so far. Overall trade value increased by 20% to Rs. 63 crores.

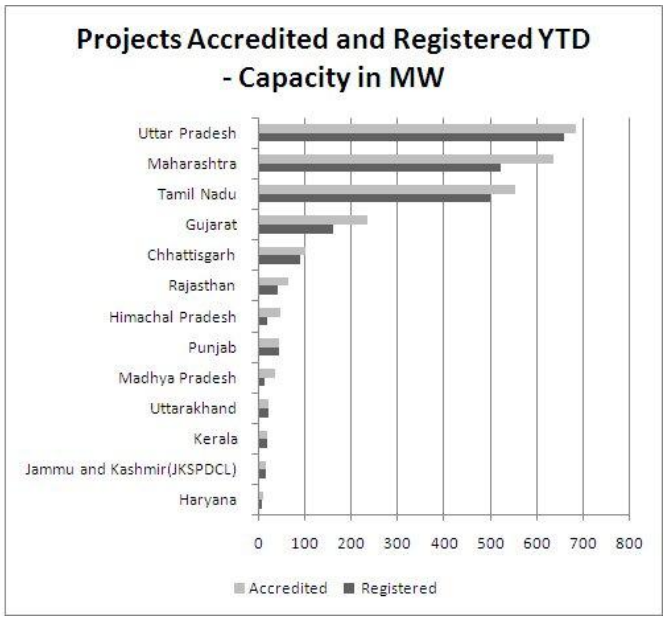
Registration as well as accreditation of projects however slowed down significantly in February, dropping by 40% and 55% respectively over last month.



YTD – Year to Date (April 2011 to Feb 2012); Source of data – REC Registry of India

In total, 89 MW of capacity was registered in February whereas another 84 MW was accredited. With these additions, the capacity registered year to date (April 2011 to February 2012) has touched 1,979 MW while the capacity accredited now stands at 2,164 MW.





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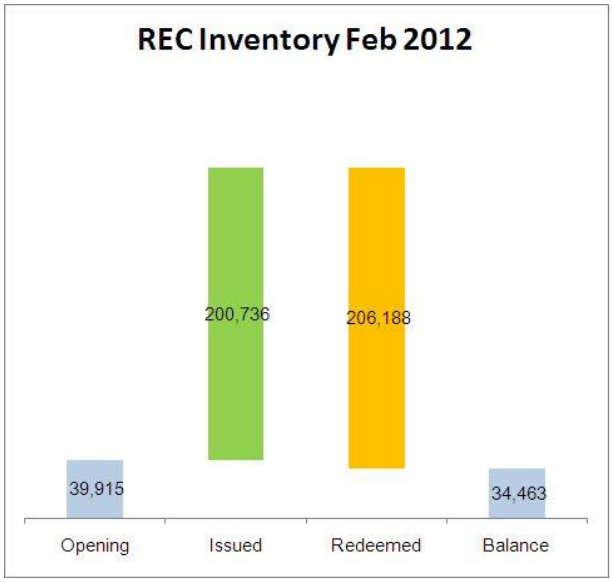
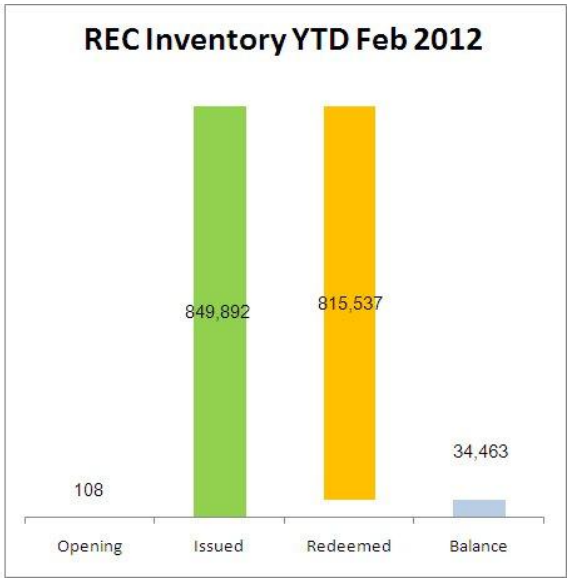
While Uttar Pradesh leads in terms of projects registered and/or accredited, project developers have not been able to secure issuances owing to differences with the SLDC. However with UPERC delivering a verdict in the case last week directing SLDC to submit generation data to NLDC, progress is expected soon. Meanwhile

Madhya Pradesh joined the REC scene with 38 MW capacity being accredited and 13.5 MW registered in February.





YTD – Year to Date (April 2011 to Feb 2012); Source of data – REC Registry of India

February opened with an inventory of just under 40 thousand RECs. Issuances as well as redemptions were around 200 thousand RECs each this month, leaving inventory at 34 thousand RECs by the end of the month – slightly less than opening inventory. Overall redemption crossed the 8 lakh mark, with 96% of the RECs issued so far having been redeemed.

Interesting Times for Renewable Energy

Steady Growth in Investments

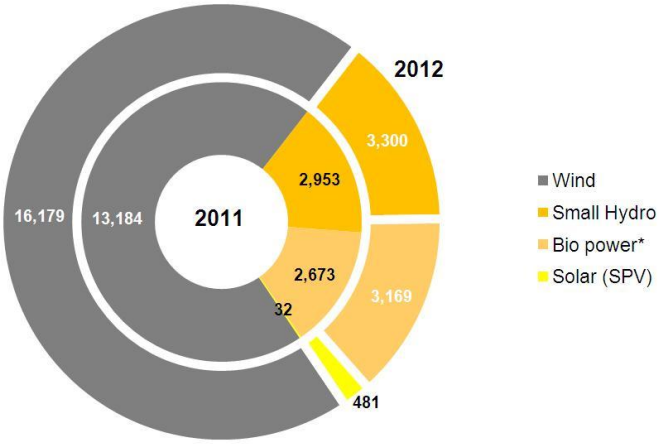
Investment in renewable energy continued to grow in 2011 albeit at a subdued pace. As per data released by Bloomberg New Energy Finance, new investments in RE touched US$260 billion in the year 2011, 5% up from US$247 billion in 2010. Surprisingly, solar energy beat wind this year, recording US$137 bn of investment compared to US$75 bn in wind energy. India, though still small in terms of share in total investments, was the fastest grower with investments jumping up by 52% to US$10.3 bn in 2011.

Mixed Signals from Markets

While investments in RE continue to grow, financial markets do not reflect a lot of faith in it for now. Fund raising from public markets has slowed down while funds focusing on RE portfolios have underperformed the market in the past year. This could be attributed to hyped-up sentiments over RE company stocks as well as the ongoing economic crisis. Also what the investment numbers do not reflect are bankruptcies of high profile bets like the solar panel maker Solyndra in the US. At the same time, investors maintain that compared to conventional energy projects like thermal power, alternative energy is still a safer bet. This is backed by numbers – for the first time, investment in RE (US$187bn) was more than that in fossil fuels (US$157bn) in the year gone by (Source: Bloomberg).

The India Story

It is well accepted that investing in alternative energy is a crucial imperative for India to mitigate the risk that energy shortage poses to its growth in the coming years. As per latest data released by the MNRE, installed capacity of RE in India grew by 23% in the year ending 31st January 2011. Wind Energy continues to be the highest contributor with 70% share of installed capacity.



RE capacity in India 2011-2012 (MW)

The Road Ahead

Sustainable Growth and Energy Security continue to underpin faith in the long term potential of RE globally. This is also reflected by Government policy in India. However, India has not experienced the full impact of turmoil in financial markets that international companies have faced in the last few months. These markets continue to search for a balance between short term profitability and long term sustainability. RE in India (especially wind energy), although late by international standards, has already begun the transition from being incentive-based to market-driven. The coming year is expected to test the fundamentals of this industry as well as mould Government Policy in new directions.