



CHAIRMAN'S SPEECH



Dear Shareholders,

It is my great privilege to extend a warm welcome to all the shareholders of IREDA at the Thirtieth Annual General Meeting of your Company. This AGM is a special one, as this year your company marks the completion of 30 glorious years since its incorporation in March, 1987. Your Company has evolved over these three decades, to be recognized as one of the most important player in financing and development of renewable energy sector. The Directors' Report and the Audited Statement of Accounts for the year ended March 31, 2017, duly certified by the Comptroller and Auditor General of India are also available with you, and with your consent, I shall take it as read.

Your Company has been proactive in all facets of its activities and continues to deliver robust financial and operational performance. Your Company has earned a record profit before tax of ₹528.18 Crore during the year, registering a growth of 26.47% over the previous year. The Net-worth of your Company has increased to ₹2,510.01 Crore from ₹2,296.07 Crore, an increase of 9.32% over the previous year. During the Financial Year 2016-17, IREDA sanctioned highest ever loans of ₹10,199.01 Crore, registering an increase of 30.65% over the previous year's loan sanctions of ₹7,806.46 Crore. Loans disbursal during the year stood at ₹6,593.49 Crore, registering an increase of 54.87% over the previous year's disbursement of ₹4,257.39 Crore.

ECONOMY

The Indian economy has witnessed several path breaking developments in the year 2016-17. From Demonetization,

Insolvency & Bankruptcy Code to the landmark GST Bill passage, the year has seen several initiatives & policy reform measures. These historical events coupled with other Regulatory & Structural reforms announced conjointly by Government of India and Reserve Bank of India has made India a bright spot for Business and Investment amongst Emerging and Developing Economies. These changes are taking place in the country at a time when inflation is relatively low amidst a modest current account deficit, credible fiscal discipline coupled with broadly stable rupee-dollar exchange rate, rising foreign exchange reserves, increase in foreign inflows and growth supportive policy measures and reform initiatives.

India's Gross Domestic Product (GDP) at market prices grew by 7.1% in FY17 as compared to 7.9% in FY2016.

RENEWABLE ENERGY SCENARIO

Energy is one of the most critical components of infrastructure and crucial for economic growth and welfare of the nation. India's power sector is one of the most diversified in the world and the country is equipped with different sources of power generations such as coal, lignite, natural gas, oil, hydro, nuclear power and viable renewable energy sources such as Solar PV, Wind, Small Hydro and Waste to Energy. With electricity production of 1,242 BU in FY17, the country witnessed growth of around 5.8 per cent over the previous fiscal year. India is the third largest producer and fourth largest consumer of electricity in the world, with the installed power capacity reaching 330.15 GW by June 2017. Thermal power plants accounting for the lion's share of 194.43 GW of this installed capacity, however the largest capacity addition has been witnessed in renewables during FY 2016-17 that now contribute to over 58.30 GW in India's power mix.

India with an estimated potential of 750 GW for solar and more than 302 GW for wind could become the fourth largest market for renewable energy development in the world by 2030 with 25% renewables in its energy mix. Investment in renewables needs to be scaled up significantly and to do this mobilizing, affordable financing and adapting new business models will be essential, though, there exist other challenges for renewable energy including handling intermittency of renewable power; improving forecasting technology; creating an efficient & resilient renewable power transmission infrastructure; and developing storage technologies.

The RE value chain employed over 21,000 people in India in 2016-17 and is expected to employ an estimated 25,000 people more in 2017-18, according to an analysis by the Council on Energy, Environment and Water (CEEW). Over 300,000 jobs would be created in the wind and solar industry over the next

five years if the country works towards its 2022 target of 160 GW for solar and wind.

Few key developments in the country in the last five years are highlighted below:

RE Capacity additions

With renewable energy ramping up at remarkable pace in the last decade, India's energy sector is witnessing a transition towards RE. The country is witnessing a shift towards cleaner, efficient and sustainable sources of power generation. India added 11 GW of RE in FY17, while the country's conventional power rose by a capacity of 10 GW. The share of renewable energy capacity in India's total installed capacity increased from 14.2% at the end of FY 2015-16 to 17.5% at the end of FY 2016-17, with total installed capacity of 330 GW. It is estimated that RE in total installed capacity of power shall increase to 40% by 2030.

Energy Security

During last three years, the power sector has moved from power deficit to power surplus. With highest ever capacity addition of 80 GW plus, both conventional and non-conventional power in the last three years, the country has become the net exporter of power from net importer. India exported surplus electricity through its international transmission networks to Nepal, Bangladesh and Myanmar in 2016-17.

To meet increasing demand and improve reliability, the country increased its transmission capacity by 40% from 5.3 lakh MVA in March 2014 to 7.4 lac MVA in March 2017; over one-fourth increase in transmission lines from 2.9 lac ckm in March 2014 to 3.7 lac ckm.

Significant increase in the speed of rural electrification

Intensive electrification of villages from 14,956 villages in 2013-14 to 63,330 villages in 2016-17; 13,511 villages electrified out of 18,452 villages under Deen Dayal Upadhyaya Gram Jyoti Yojana. Govt. of India has also issued 22.4 lakh free connections to BPL households in 2016-17 versus 9.6 lakh during 2013-14.

Tariffs hitting the all-time low and revised payment security mechanisms to build investors trust

Solar in India has also witnessed new dynamics in the recent bids, reaching the all-time low of ₹ 2.44/KWh during 250 MW Bhadla Phase-IV Solar Park Bid carried out by SECI. A record low tariff of ₹ 2.97/KWh (with 5 paise escalation for 15 years) for any state Bid was also achieved for 750 MW Rewa Ultra Mega Solar Power project for power to be procured by Madhya Pradesh Power Management Corporation Ltd (MPPMCL) and the Delhi Metro Rail Corporation. This was achieved by engaging high credit rating power off-takers and introducing three-tier payment security mechanism to insulate the project developers from delayed payment risks.

Wind Power- FiT to competitive bidding

In a first for India, Solar Energy Corporation of India (SECI) floated a tender to setup 1000 MW ISTS connected wind power, which was oversubscribed 2.6 times and witnessed the tariffs dropping to ₹ 3.46 per unit under competitive bidding route. PTC India has tied-up this wind power for sale to DISCOMS of Uttar Pradesh (449.9 MW), Bihar (200 MW), Jharkhand (200 MW), Delhi (100 MW), Assam (50 MW) and Odisha (50MW) for meeting their Non-Solar Renewable Purchase Obligation (RPO).

UDAY- Recasting the DISCOMS burden

The UDAY (Ujwal Discom Assurance Yojana-a central government sponsored) scheme envisages financial transformation of Discoms. The impact of UDAY reduced the energy cost from ₹ 4.20 per KWh in FY 16 to ₹ 4.16 unit in FY17 for 6 states. With increased penetration of renewable energy, the costs are expected to go down further.

UDAY was able to re-cast the debt of the distribution companies. As per the government of India, 16 State Governments have raised debt amounting to INR 2.32 lakh Crore. The debt was sanctioned at rates ranging from 7-9% resulting in saving of ₹ 10,000 to ₹ 12,000 Crore. National average of all AT&C loss has come down to 20.1 per cent in FY17 from 21.1 per cent in FY16.

The scheme has completed 18 months and there are signs of revival and improvement on some parameters.

Investments Landscape

As per the REN 21- Global Renewable Status, Global Solar PV Capacity by end of 2016 was 303 GW and Wind Energy stood at 488 GW. Total Global investments in RE was \$241.5 Billion in 2016 and India stood 6th in terms of overall investment with \$9.7 billion invested in Renewable Energy during the same period. The reduction in technology costs, raw material costs, improved technology, conducive policy environment, better financial structuring of projects have resulted in low capital costs.

The country's clean energy share is dominated by Solar and Wind, due to ease of scale and rapid transformation in technology and cost. With the projected pace of installations in Solar and Wind power plants which are happening at GW scale, there is a huge scope for new entrants across the supply chain for smooth transition from low to high clean energy mix.

Indian solar sector reported over \$1.6 billion in funding and M&A Transactions in Q1 2017, in announced corporate, project funding and M&A deals. The total global corporate funding, including venture capital funding, public market and debt financing into the solar sector in Q1 2017 doubled to \$3.2 billion compared to \$1.6 billion in Q4 2016.





The UN Environment Program's (UNEP) 'Global Trends in Renewable Energy Investment 2016' report ranks India amongst the top ten countries in the world investing in renewable energy. The Renewable Energy sector has experienced the highest solar power and wind power capacity addition over the last two years.

New reforms for tariff based competitive bidding to reduce risk, enhance transparency and increase affordability of solar power.

The Ministry of New & Renewable Energy (MNRE) recently released their guidelines for tariff-based bidding for procuring solar power which would reduce risk, enhance transparency and increase affordability. The guidelines have been issued under the provisions of Section 63 of the Electricity Act, 2003 for long term procurement from grid-connected Solar PV Power Projects of 5 MW and above, through competitive bidding. This will also help reduce off-taker risk and encourage investments, enhance bankability of the Projects and improve profitability for the investors.

Some of the salient features of the new norms include generation compensation for offtake constraints for reducing offtake risks. The 'must-run' status for solar projects was enforced. Besides, to ensure lower tariffs, minimum PPA (power purchase agreement) tenure has been kept at 25 years. Moreover unilateral termination or amendment of PPA is not allowed. The guidelines also streamline the provision for project preparedness to expedite and facilitate the setting up of projects. Further, the government provides for termination compensation to increase bankability of projects by securing the investment by the generator and the lenders against any arbitrary termination of PPA.

Under the norms, the risk of generator's revenue getting blocked due to delayed payment/non-payment by the procurers has been addressed through provision of Payment Security Mechanism through instruments like Letter of Credit (LC), Payment Security Fund and State Guarantee.

OUTLOOK AND CONCERNS

India's energy consumption growing by 4.2% p.a., faster than all major economies in the world. With rapid urbanization and the anticipated trends in the industrial sector growth, power demand which is projected to climb a new high in coming years has not witnessed the growth in demand anticipated. Harnessing renewable energy and protecting the environment are welcome intentions. But, how far can we push the agenda, and how fast? The stress is showing in terms of low capacity utilization in thermal power, made worse by the demand slump.

Flagging power demand and renewables rush: The debate is around the backing down of thermal plants and obligating

the RE projects under must run status, which further enforces Discoms to shift to plummeting cheap solar/wind power. For a healthy competition and survival of overall power sector there should be a comprehensive policy to support all the stake holders in the value chain and boost manufacturing sector to improve demand profile.

The other overarching concern over the adoption of RE at large scale is integration of intermittent sources into fragile Indian grids, with current penetration of around 17 per cent, which is technically manageable. Requisite infrastructure should be in place to support the intermittency due to large scale and electric grids should be designed to have a balanced source of generation. To adopt large scale RE, there is a need for integration of flexible energy storage, which again requires ancillary markets and dynamic demand side management for a healthy participation of consumers, generators and utilities.

IREDA'S OPERATIONS IN 2016-17

Performance Highlights

I am happy to share with you that your Company has made significant progress during the year which can be manifested from the following performance parameters that substantiate the operational and functional excellence: -

The Gross Income of your Company increased to ₹1481.67 Crore registering a growth of 26.15% over the previous year gross income of ₹1,174.54 Crore. The Profit Before Tax (PBT) increased to ₹528.18 Crore at the end of the financial year 2016-17 registering an increase of 26.47% over the previous year PBT of ₹417.62 Crore. Profit After Tax (PAT) increased to ₹365.02 Crore at the end of the financial year 2016-17 registering an increase of 22.47% over the previous year PAT of ₹298.04 Crore. Net Worth of the Company increased to ₹2,510.01 Crore at the end of the financial year 2016-17 registering an increase of 9.32% over the previous year's level.

During the FY 2016-17, IREDA supported projects with a total capacity of 2290.80 MW were commissioned. In addition, Loans sanctioned during the year by way of sole, co-financing and consortium financing arrangements are expected to result in a capacity addition of 2477.60 MW.

During the financial year, your Company raised ₹700 Crore by way of taxable Green Bonds through Private Placement from the domestic market and also raised ₹1,640 Crore Green taxable - GOI fully serviced Bonds through Private Placement from the domestic market on behalf of Ministry of New and Renewable Energy. In addition, your Company mobilised resources aggregating to ₹2,565.47 Crore through various Lines of Credit from Bilateral/ Multilateral Institutions, viz. KfW-V, JICA-II, AFD-II, ADB-II and EIB.

IREDA has signed a fresh Line of Credit with KfW for € 20 million plus TA grant of €5 million on Non-Sovereign basis for "Access to Energy" Programme.

New Initiatives

I would like to share, some of the initiatives your Company undertook during the year to meet the growth aspirations in our business operations.

New Financial Products/Schemes: Introduced various Fund and Non-fund based instruments to supplement project financing and to add more business avenues. The new schemes introduced/modified during the year are:

- ❖ “Loan Scheme for Rooftop Solar PV Power Projects”, modified to support the industrial, commercial, institutional establishments proposing to install Solar Rooftop systems in their premises
- ❖ Bill discounting facility for the Energy bills of IREDA borrowers which are pending for payment with Utilities for up to 6 months. The credit under the bill discounting scheme is available to all IREDA borrowers (sole / consortium lending) who are selling Energy to state DISCOMS/SECI/NVVN etc.
- ❖ For promoting business model for increasing penetration and scaling up of Solar Thermal Energy, your Company has entered into a partnership proposal with UNIDO to act as Fund Manager for their solar thermal projects in India.
- ❖ Loan Repayment Period of hydro power projects under existing loan scheme of “Loan against securitization of Future Cash Flow of Renewable Energy Projects” increased to 10 years.
- ❖ “Credit Enhancement Guarantee Scheme” introduced to provide guarantee to enhance credit rating of the Bonds to facilitate the client for raising of Bonds towards Renewable Energy Projects (Solar/Wind).
- ❖ Loan Scheme for “Access to Energy Projects” with “First Loss Mechanism” under KfW Line of Credit - to increase the supply and use of sustainable clean energy services in rural areas through improved access to financing for project developers.
- ❖ Issue of Letter of Comfort (LoC)/ Letter of Undertaking (LUT) for opening Letter of Credit (LC) - Letter of Comfort (LoC)/Letter of Undertaking (LUT) can be issued to all sanctions of term loan where LC opening is a requirement under EPC/Equipment Supply Contract to enable the borrower to open LC with its bankers, increased from one year to three years.

Networking with other Institutions/ Other Initiatives:

Your Company has signed various MoUs with other Financial Institutions during the year, with a view to develop strategic partnerships, expand business and risk sharing.

- A Cooperation Agreement was signed with Tata Cleantech Capital Ltd. which will help standardize steps that lenders take when co-financing projects with Tata Cleantech Capital Ltd.
- Signed Memorandum of Understanding (MoUs) with National Institute of Wind Energy (NIWE), Sardar Swaran Singh National Institute of Bio-Energy (NIBE), National Institute of Solar Energy (NISE) for instituting the Annual Awards in the categories of solar, wind and Biomass sectors
- With Ministry of New & Renewable Energy (MNRE) for raising of GOI fully serviced Bonds by IREDA on behalf of Government of India.

The installation of 50 MW Solar plant, located at Kasargod in the State of Kerala, owned by IREDA is commissioned and is grid synchronized. The PPA had been signed between IREDA & Kerala State Electricity Board on 31.03.2017 and same is awaiting approval from Kerala State Electricity Regulatory Commission.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has a dedicated CSR unit in compliance with the Department of Public Enterprises (DPE) guidelines to undertake CSR activities of the company. During the FY 2016-17, your company made a provision of ₹7.51 Crore towards CSR activities at the rate of 2% of the average net Profit Before Tax (₹375.37 Crore) of the company earned during the three immediately preceding financial years.

During the FY 2016-17, projects worth of ₹7.05 Crore were sanctioned. Your Company has spent ₹4.60 Crore during the FY 2016-17 on CSR activities including projects sanctioned in the earlier years.

- ❖ Projects undertaken by IREDA under CSR initiative are:
 - Installation of Solar PV Systems and Hot Water Systems
 - Solar Street Lights in rural Areas
 - Supported Cochlear implants and modern electronic artificial limbs
 - Solar decentralized power plants in remote area

MOU RATINGS AND AWARDS

I am happy to inform with great honour and pride that your Company has been awarded with various prestigious awards,





I would like to highlight some of the awards and accolades garnered by IREDA:

- “SCOPE Award for Excellence and Outstanding Contribution to the Public Sector Individual Leadership Category III (Other Profit Making PSEs) 2014-15” by the Hon’ble President of India.
- “Golden Peacock Award” for “Excellence in Corporate Governance” for the year 2016 by Institute of Directors.
- Renewable Energy Award 2016 under the category “Best Funding Agency of the Year by UBM India
- India Pride Award 2016-17 by Dainik Bhaskar

It is my privilege to share with you that your Company is likely to be accorded “Excellent” Rating by Government of India (GoI) based on your Company’s performance against the MoU targets set for fiscal 2016-17 by GoI.

HUMAN RESOURCES DEVELOPMENT

Vibrant organizations grow because of the continuous upgradation of knowledge and strengths of its talent pool. IREDA has undertaken various steps to enhance the knowledge and skills of its employees/workforce through various training programmes organized by reputed institutions. Your Company has nominated many employees for trainings and study tours in India and abroad. Your Company has recruited manpower across various departments to meet the growing organizational requirements.

CORPORATE GOVERNANCE

Your Company is driven by a strong philosophy of Corporate Governance. IREDA’s ultimate aim is to enhance the long-term economic value of all our stakeholders and of society at large. Your Company has been complying with the requirements of Corporate Governance as stipulated by the Department of Public Enterprises (DPE) for Central Public Sector Enterprises (CPSEs). Our Corporate Governance report for the year 2016-17 forms part of this Annual Report.

FUTURE STRATEGIES

Renewable Energy sector financing has become increasingly competitive with the entry of new FI/Banks. IREDA strategy would focus on providing long term finance at competitive terms and without losing its market share in RE financing.

As part of attracting new customers and to meet the market requirements of the RE Sector, IREDA would continue to introduce Innovative financing schemes/mechanisms to meet specific needs of the sector.

Considering the RE target of 175 GW by 2022, the envisaged debt requirement would be approx. ₹4,00,000 Crore in next 5 years until 2022. The domestic sources includes taxable/ tax

free bonds and long term loans from financial institutions and banks. IREDA is in process of raising funds through Masala bonds by listing at Singapore stock exchange / London Stock Exchange.

Cabinet Committee has approved the proposal of an Initial Public Offer (IPO) consisting of 13.90 Crore equity shares of ₹ 10 each. The Public issue of equity will provide IREDA the necessary growth capital, and enable IREDA to increase its funding to the sector.

ACKNOWLEDGEMENTS

I would like to place on record my personal gratitude and your Company’s grateful appreciation for the Government of India particularly Secretary, Additional Secretary, Joint Secretary, Financial Advisor and other officials of Ministry of New & Renewable Energy, Ministry of Finance & other Ministries / Departments of the Government of India, Niti Ayog, Office of the Comptroller and Auditor General of India, Statutory Auditors, Reserve Bank of India and other regulatory authorities for the continued guidance, co-operation and assistance.

I am thankful to Japan International Cooperation Agency (JICA), Kreditanstalt fur Wiederaufbau (KfW), Asian Development Bank (ADB), Agence Francaise de Development (AFD), European Investment Bank (EIB), World Bank, International Finance Corporation (IFC), UNIDO and other financial institutions, agencies and investors for the continued support and co-operation.

I convey my appreciation to my colleagues on the Board for their invaluable contribution in strengthening the Company. My very special thanks go to the bankers, bond-holders, domestic financial institutions, investors and clients for reposing the continued confidence and trust reposed in your Company.

I, on behalf of the Board and on my own, place on record my appreciation for contribution of the employees to the growth of the company and look forward to their continued commitment and support towards the progress of the Company.

May I now request that the Directors’ Report, the Audited Balance sheet, the Profit and Loss Account and Auditors’ Report for the year ended 31st March 2017, be adopted.

Thank you,

KULJIT SINGH POPLI
Chairman and Managing Director
DIN: - 01976135

Dated: 20th September 2017
Place: New Delhi