

CHAIRMAN'S SPEECH



Dear Shareholders,

It gives me immense pleasure to welcome you all to the 31st Annual General Meeting of your Company. Your Company continues to be the leading financier in Indian Renewable Energy Sector. This year the sector has gone through various changes (1) Advent of auction route in case of wind energy against the prevalent FIT, (2) Solar sector becoming more organized, (3) Consolidation amongst the IPP segment (4) New Players both in the IPP and manufacturing space (5) Strengthening of lending rates and commodity prices (6) Move towards creation of off-shore wind energy projects & wind – solar hybrid, (7) Renewed interests in Waste to Energy Segment, this is a great advantage for IREDA, as we have always been at the forefront of newer technologies & expansion of RE sector. The Director's Report and the Audited Financial Statement for the year ended March 31, 2018, 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 a strong, uptrend financial and operational performance with growth on key fronts of sanctions, disbursements and profits. At IREDA, in spite of major changes in the RE space, we have not lost focus on our growth rate. Loans disbursal during the year stood at ₹8328.38 crore, registering an increase of 26.31% over the previous year's disbursement of ₹6593.49 crore; also IREDA sanctioned highest ever loans of ₹12130.01 crore, registering an increase of 18.93% over the previous year's loan sanctions of ₹10199.01 crore. We as a team will strive to continue the path of the growth in the future also.

ECONOMY

According to the IMF World Economic Outlook Report, India has made progress on structural reforms in the recent past and the implementation of the Goods and Services Tax (GST) will help reduce internal barriers to trade, increase efficiency and improve tax compliance. While the Medium-Term Growth outlook for India is strong, an important challenge is to enhance inclusiveness, as per the report. Indian GDP growth is expected to remain robust at 7.3% for the current fiscal year and is forecasted to grow at 7.5% for 2019-20. The gross investment as a percentage of GDP is projected to increase from 30.6% in FY18 to 32.2% this year. This makes us believe that the long-awaited turnaround in investment demand is bound to happen.

RENEWABLE ENERGY SCENARIO

As per India Brand Equity Foundation (IBEF), India accounts for approximately 4% of the total global electricity generation and contributes 4.43% to the global renewable generation capacity. The Indian Renewable Energy Sector is the second most attractive renewable energy market in the world as per the Renewable Energy Attractiveness Index 2017. The current year showed a record generation of more than 100 billion units coming from RE capacities, representing 7.5% of the total generation of electricity in India.

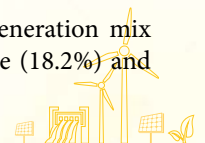
Further, considering commitment made at the COP-21 summit, Renewable Energy & Energy Efficiency is set to play an important role; as in the coming period, country would see closure of old thermal power plants, leading to demand for RE sources. With advent of better technologies, we will also see better capacity utilization factor, which is utility friendly as the intermittency would get reduced; this would also get complemented with hybrid options, storage/ancillary options too. Currently competitive tariffs registered by wind & solar are turning the main drivers in the RE space.

Solar Sector in India commissioned projects worth USD 10 billion in 2017 alone. During January-March 2018, solar installations increased by 34% quarter-on-quarter. Also world's largest solar park named 'Shakti Sthala' was launched in Karnataka in March 2018 and will attract an investment of approximately ₹16,500 Crore (US\$ 2.55 billion). Further solar installation in India is expected to threefold by 2020.

The major developments in the sector are highlighted below:

RE Capacity additions

India's installed Capacity is 330.8 GW with generation mix of Thermal (66.2%), Hydro (13.6%), Renewable (18.2%) and



Nuclear (2.0%). Also the country's installed Renewable Power (grid interactive) generation capacity (including hydropower) increased from 42.4 GW in FY07 to 116.7 GW in June 2018, which is 33.72% of the total installed capacity of 346.2 GW.

India added record 11,788 MW of Renewable Energy capacity in 2017-18 and 1,607.66 MW (grid interactive and off-grid) in April-June 2018. A total of around 69,784 MW of renewable energy capacity has been installed in the country as on 31.03.2018 from all renewable energy sources which includes 34,145 MW from Wind, 21,651 MW from solar, 4,486 MW from Small Hydro Power and 9,502 MW from Bio-power, approximately.

Power generation from renewable energy sources in India reached 101.84 billion units in FY18 and 8.45 billion units in April 2018. India has the fourth largest installed capacity of wind power. Installed renewable power generation capacity has increased steadily over the years, posting a CAGR of 9.29% over FY 08 to 18.

The Indian Renewable Energy Programme has received increased recognition internationally in recent years with many countries evincing interest in cooperation with India for promotion of new and renewable energy. Considering interest shown by Indian OEMs & IPPs in the RE space overseas, IREDA is also getting geared up to look at funding projects in overseas geographies (viz. South Asia, South East Asia & certain countries that are signatories of International Solar Alliance (ISA)

Fresh investments in clean and renewable energy in the country reached US\$11 billion in 2017. In the first half of 2018, investments in clean energy increased 22% year-on-year.

India's power demand has been rising at a fast pace. In the Union Budget 2018-19, ₹3,762 crore (US\$ 581.09 million) has been allocated for grid-interactive renewable energy schemes and projects. In addition to this, the import duty on components used in making solar panel has been done away with. In India 60 solar cities will be developed as part of Ministry of New and Renewable Energy's Solar Cities program which is expected to give a boost to Renewable Sector in the country.

The Scheme for Development of Solar Parks and Ultra Mega Solar Power Projects has enhanced its target of capacity from 20,000 MW to 40,000 MW with aim to set up 50 solar parks by 2019-20 with Central Government financial support of ₹8,100 Crore. The total capacity when operational will generate 64 billion units of electricity per year which will lead to abatement of around 55 million tonnes of CO2 per year.

To promote deployment of Offshore Wind Farms, the National Offshore Wind Energy Policy has been framed. To fasten the process of implementation of the projects single window

clearance and a tax holiday of 10 years for offshore wind energy generation is being offered to incentivize the private players.

Wind and solar are almost complementary to each other and hybridizing of two technologies would help in minimizing the variability apart from optimally utilizing the infrastructure, including land and transmission system. Further increasing competition and increasing FDI players particularly in the solar sector have started bidding at lower prices with solar tariffs reaching record low. Therefore, Power Purchase Agreements already signed with the states have become an important part for the commissioned projects. The renegotiation of existing PPA may adversely affect the future investments.

OUTLOOK AND CONCERNS

The Renewable Energy sector in India has huge potential both for grid and off-grid solutions. While the former seeks to reduce the reliance of the grid on fossil fuels, the latter has the potential to provide energy access to rural, far flung areas unserved and under-served by the grid. The success of the reverse auction-based bidding mechanism in lowering the wind power tariffs has prompted the state-owned discoms to also move towards the auction route.

However, higher penetration of RE in the coming period, would lead to higher level of intermittency which also needs to be addressed through smart grid management, shifting of load pattern, better forecasting & scheduling mechanisms, creation of ancillary services, storage etc;

IREDA'S OPERATIONS IN 2017-18

PERFORMANCE HIGHLIGHTS

I am delighted to share with you that your Company has shown progress in various facets during the year and the same may be perceived from the following performance parameters that substantiates the operational and functional excellence: -

The Gross Income of your Company increased to ₹1,780.02 Crore registering a growth of 20.14% over the previous year gross income of ₹1481.67 Crore. The Profit Before Tax (PBT) increased to ₹560.75 crore at the end of the financial year 2017-18 registering an increase of 6.17% over the previous year PBT of ₹528.18 crore. Profit after tax (PAT) increased to ₹393.20 crore at the end of the financial year 2017-18 registering an increase of 7.72% over the previous year PAT of ₹365.02 crore.

Loans sanctioned during the year by way of sole, co-financing and consortium financing arrangements are expected to result in a capacity addition of 3007.13 MW against 2477.60 MW in last year.

During the year, your company has successfully raised ₹1950 Crore (equivalent to USD 300 Million) from Off-Shore Market in the form of Green Masala Bonds. Your Company's Green Bonds are listed on the London Stock Exchange and Singapore



Stock Exchange. The issue was oversubscribed of MTN set up i.e. equivalent to USD 300 Million and Masala Bonds were allotted to highest ever 49 number of investors. I am proud to inform that your company's Masala Bonds are the first which were listed at International Security Market, London. The issue was in accordance with 'Green Bond framework' formulated by IREDA and has been verified by approved verifier.

Your Company also raised resources aggregating to ₹203.10 Crore through draws under the lines of credit signed with multilateral and bilateral agencies viz. World Bank (IBRD) second line of credit and ADB second line of credit.

IREDA signed a new Line of Credit (LoC) of USD 100 Million with World Bank which includes USD 75 Million-IBRD Loan and USD 23 Million-Clean Technology Fund (CTF) Loan and USD 2 Million CTF Grant. Another, Line of Credit (LoC) of EUR 150 Million with European Investment Bank as EIB Second Line of Credit for a period of 15 years on Non-Sovereign Basis was signed.

New Initiatives

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

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

- a. Scheme for financing of Transmission projects with an exposure cap of 20% of the project cost to any single transmission project, and IREDA sanctioned Rs 500 Cr of such projects in FY18;
- b. Loan Repayment and Moratorium Period under "Securitization of Future Cash Flows", shall be maximum of 10 years for all sectors provided repayment period shall not be more than balance life of PPA less 5 years.
- c. Repayment period for Hydro Projects has been extended upto 20 years (excluding construction and Grace period)
- d. Line of credit for establishing roof-top solar projects

Collaborating with other Institutions: Your Company has signed an agreement with Rewa Ultra Mega Solar Limited (RUMSL) for development of Shared Infrastructure of 750 MW Rewa Solar Park and 250 MW Mandsaur Solar Park in Madhya Pradesh under World Bank LOC of USD 100 million available with IREDA and provided financial assistance of ₹210.62 crore. In addition, Guarantee facility of Rs.144 Crore has been sanctioned to Rewa Ultra Mega Solar Limited for providing payment security to the Solar Power Developers in Rewa Solar Park under three tier Payment Security Mechanism

which has resulted in lower tariff on account of mitigation of payment risk from the power offtakers. In case of any delay in payment to SPDs from power offtaker, three tier Payment Security Mechanism will trigger which has the options to make payments to SPDs through a) Letter of Credit b) Payment Security Fund i.e. IREDA guarantee facility and 3) Payment from Govt. of Madhya Pradesh. So, in case of any delay in payments, if SPD fails to recover its dues from Letter of Credit option under the first tier of Payment Security Mechanism as per Power Purchase Agreement, it subsequently triggers the option of payment from Payment Security Fund(PSF) i.e. the facility extended by IREDA to RUMSL so as to clear dues of SPDs. RUMSL has to pay back to IREDA within 30 days of trigger of PSF, from the payment deposited by offtaker or else RUMS will have to raise demand for payment to GoMP (viz. the third tier) within a period of next 15 days. This facility provided by IREDA may also be utilised voluntarily to avail benefit of early payment rebate or to avoid late payment surcharge. In this case, RUMSL has to pay back to IREDA within 9 months of trigger of PSF or else RUMS will have to raise demand for payment to GoMP within a period of next 15 days. Thus IREDA facility will play an important role in providing payment risk mitigation to the project developers.

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 2017-18, your company made a provision of ₹10.33 crore towards CSR activities at the rate of 2% of the average net profit of the company earned during the three immediately preceding financial years.

During the FY 2017-18, projects worth of ₹11.35 Crore were approved and your Company spent ₹3.61 crore during the FY 2017-18 on CSR activities for the projects which were completed/ongoing during the year (including 1.36 Crore paid for the projects which were sanctioned during the year 2017-18).

During the year, your Company has undertaken CSR initiatives in the fields of community development, empowerment of communities through education, health care & sanitation, environment protection, promotion of green and energy efficient technologies and development of backward regions.

MOU RATINGS AND AWARDS

I am happy to share with you that your Company is expected to be rated as "Excellent" by Government of India (GoI) based on your Company's performance against the MoU targets signed with the Ministry of New & Renewable Energy (MNRE) for fiscal 2017-18 by GoI. I would like to share that your company has been conferred with:



- Golden Peacock Award for Corporate Ethics for the year 2017
- MSME Banking Excellence Awards 2016
- CBIP Award for outstanding contribution for Development in Renewable Energy
- Hindustan Ratna PSU award-2017 in the category of Best financial performance (Mini Ratna Company)
- India Pride Award 2017-18 under Mini Ratna Category by Dainik Bhaskar
- Best Overall Performance (Financial) Award by Governance Now
- Infosec Maestros Award for the year 2018 for excellence in IT space.

HUMAN RESOURCES DEVELOPMENT

The Company gives utmost importance to capacity-building and well-being of its employees. In this direction, Training and Human Resource Policy of the Company aims to strengthen the business skills and competence of the employees for better performance and productivity. Further, trainings and workshops directed towards spiritual, health and attitudinal development of employees are also regularly conducted. Your company is complying 100% online Appraisal Reports in respect of their employees.

CORPORATE GOVERNANCE

Your Company's philosophy of Corporate Governance stems from its belief that the spirit of good governance lies in adherence to highest standards of transparency, accountability, ethical business practices, compliance of law in true letter and spirit, adequate disclosures, corporate fairness, social responsiveness and commitment to the organization to meet stakeholder's aspirations and societal expectations. The Company has been adopting and adapting the best practices that are followed in the area of Corporate Governance. 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).

FUTURE STRATEGIES

IREDA will continue its trajectory of registering growth, through innovation and repositioning in the ever changing space.

As part of providing its support, your Company to make available adequate and affordable resources for the sector. Your Company will continue its efforts with various international and multilateral lenders for new Lines of Credit to meet the resource needs of the sector and also shall make further issue of Green Bonds in the International and Domestic Market to garner capital for onward lending.

Your Company would develop new products and schemes that address the needs of the market. This would, I am sure, lead to significant increase in the market share of your Company.

ACKNOWLEDGEMENTS

I would like to place on record my personal gratitude and your Company's grateful appreciation for the Government of India particularly Honourable Prime Minister of India, Honourable Minister of State for Power and New & Renewable Energy, Secretary MNRE, Additional Secretary, Joint Secretary, Financial Advisor and the other officials of the Ministry of New & Renewable Energy, Niti Ayog, Ministry of Finance & other Ministries / Departments of the Government of India, Office of the Comptroller & 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), International Finance Corporation (IFC), USAID, World Bank and other financial institutions, agencies and investors for the continued support and co-operation of international financial institutions.

My very special thanks go to the bankers, bond-holders, domestic financial institutions, investors and clients for reposing the continued confidence and trust in your Company.

Every meeting of the Board of Directors is an evidence of the valuable insights my colleagues provide, helping me to take the important and critical decisions. They are and will continue to be a guiding force for me and your Company. I would like to place on record the valuable contribution made by my colleagues on the Board, past and present, in the growth of your Company.

The heights that your Company has achieved is largely the result of the complete commitment, faith, loyalty and excellent teamwork shown by employees. They have skillfully shouldered responsibilities, worked hard and produced timely results that are seen in the financial results. I, on behalf of the Board and on your behalf, place on record our 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 2018, be adopted.

Thank you,

KULJIT SINGH POPLI
Chairman and Managing Director
DIN:- 01976135

Dated: 30th August 2018
Place: New Delhi

