

CHAIRMAN'S SPEECH



Dear Shareholders,

It is my pleasure to present to you the performance of your Company during the 35th year of its operation, which has been path breaking.

While the global economy is facing unprecedented volatility and disruption due to Covid-19 and global uncertainties, the Indian economy is still consolidating and emerging robust despite supply chain disruptions, inflation, etc. These difficult times have taught us ways of survival as well as doing business. While the year was full of challenges on operational and business fronts, I would like to inform you that, your Company with its committed manpower and focused approach towards sustainable performance, has not only maintained its position as India's leading financial institution dedicated to the Renewable Energy (RE) sector, but has also achieved highest ever sanctions, disbursements and profits for the financial year ended March 31, 2022 (FY 22).

Despite a volatile economic scenario in FY 22 and the second and third waves of Covid, your Company reported a historic all-time high annual Profit Before Tax (PBT) of ₹833.84 Crore and Profit After Tax (PAT) of ₹633.53 Crore in FY 22 thereby registering a massive growth of 46.41% and 82.88% respectively over FY 21. The Loan Book of your Company has grown from ₹27,853.92 Crore as at the end of FY 21 to ₹33,930.61 Crore as at the end of FY 22 (registering a growth of 21.82%). Your Company has achieved highest-ever loan sanction of ₹23,921.06 Crore, with a growth of 117.44% over the previous year's sanction of ₹11,001.30 Crore and a highest ever loan disbursement of ₹16,070.82 Crore registering a record increase of 82.04% over the previous year.

The net-worth of your Company as on 31st March 2022 has reached ₹5,268.11 Crore as against ₹2,995.19 Crore at the end of FY 21, an increase of 75.89 %, which includes equity infusion of ₹1,500 Crore by the

Government of India (GoI). With stringent review and monitoring as well as constant follow up, the Net NPAs of your Company have reduced to 3.12% ending FY 22 as against 5.61% as at the end of FY 21, which is a significant reduction as compared to the previous year.

This reflects your Company's ability to translate the unforeseen globally turbulent times into an opportunity to adapt and manage a successful transition. I am confident that, in the coming years, your Company shall scale newer heights and be successful in making our nation energy sufficient, energy efficient and energy independent.

With the rapid pace of innovation and technology development, there is a strong convergence theme emerging within the energy value chain of your Company. The Company, due to its special position in the renewable energy space and knowledge of the infra sector is in a strong position to encash the infra credit opportunities in our Country.

GLOBAL ENERGY SCENARIO

As per IEA report, the global power sector is constantly transforming with new energy sources and new players entering the arena of energy supply. Global CO₂ emissions from energy combustion and industrialization have reached their highest ever annual level with a 6% increase from 2020 to 36.3 Gigatonns (Gt) in 2021. The Covid-19 pandemic had far-reaching impacts on energy demand in 2020, reducing global CO₂ emissions by 5.2%. However, the world has experienced rapid economic recovery since then, augmented by an unparalleled fiscal and rapid vaccination drives. The recovery of energy demand in 2021 was compounded by adverse weather and energy market conditions, which led to more coal being burnt despite renewable power generation registering its largest ever annual growth. CO₂ emissions in India rose 80 Mt above 2019 levels, because of an increase in the use of coal for electricity generation. Coal-fired generation reached an all-time high in India, jumping 13% above the level in 2020 when coal generation had seen a decline by 3.7%. Energy-related CO₂ emissions have risen by 1% per year on an

average since 2010. However, more than 100 countries have pledged to work for carbon neutrality.

At the end of 2021, global renewable generation capacity stood at 3064 GW as per International Renewable Energy Agency (IRENA) with an increase of 257 GW (+9.1%) in 2021. Sixty percent of this additional capacity in 2021 was added in Asia, resulting in a total of 1.46 Terawatt (TW) of renewable capacity by 2021. Solar power alone accounted for over half of the renewable additions with a record 133 GW last year, followed by 93 GW of wind energy overall and offshore wind energy capacity hitting a record 21 GW. India ranked third globally in total renewable power capacity additions with 15.4 GW in 2021, second only to China (136 GW) and the US (43 GW) (REN21's Renewables 2022 Global Status Report).

With massive untapped renewable energy potential, India aims to become a major producer of green hydrogen to support the decarbonization of its industrial economy. As assessed by IRENA, hydrogen will account for around 12 percent of total energy supply in a 1.5°C world by 2050.

Falling cost of wind and solar power have been making way for increased investments in renewables, that are now the preferred mode for energy generation and sourcing. However, with the latest technological advancements, new RE capacity additions are expected in the fields of Green Hydrogen, Green Ammonia, RE Hybrids and Offshore Wind under the Atmanirbhar Bharat Mission and Panchamrit goals announced by the Hon'ble Prime Minister of India in Glasgow at the 26th Conference of Parties (CoP26) to the United Nations Framework Convention on Climate Change in November 2021.

Our Nation's power intensity is much lower as compared to the other BRICS nations and to achieve the \$5 trillion economy target by 2024-25 it definitely needs to work on infrastructure strengthening for which Public Private Partnership is the way ahead. For meeting our country's clean energy investment needs over the next decade, we need a financial system which keeps pace with the

financial requirements for the energy companies. As India moves ahead on the Sustainable Development Scenario (SDS) pathway, additional investment will be required for debt financing. Your Company is poised to play a crucial role in the Indian renewable story, as we are more agile than our larger counterparts and can thus exploit emerging market opportunities.

GOVERNMENT INITIATIVES AND INDIAN RENEWABLE ENERGY SECTOR

The Government of India (GoI) has been proactively engaged by setting in place a mechanism through favorable policies and regulations to support the Renewable Energy sector. Our Country has been aggressively pushing for innovative market mechanisms and business models, institutional strengthening, capacity building and demand creation to ensure the growth of Renewable Power generation for clean and sustainable energy transition.

Several of initiatives have been taken to incentivize local development and manufacturing of renewable energy equipment. The Modified Special Incentive Package Scheme (M-SIPS) Scheme of Ministry of Electronics & Information Technology mainly provides subsidy for capital expenditure – 20% for investments in Special Economic Zones (SEZs) and 25% in non-SEZs covering solar PV cells, solar PV modules, EVA, backsheet and solar glass. With the implementation of ‘Public Procurement (Preference to Make in India) Order’, procurement and use of domestically manufactured solar PV modules and solar inverters has been mandated for Government and its entities. Domestic products are also mandated under the MNRE Schemes of CPSU Scheme Phase-II, PM-KUSUM and Grid-connected Rooftop Solar Programme Phase-II. The Government has also imposed Basic Customs Duty (BCD) on the import of solar PV cells and modules. Hon’ble Prime Minister launched the National Hydrogen Mission on India’s 75th Independence Day to aid the Government meet its climate targets and make India a green hydrogen hub.

Your Company is the Implementing Agency for the PLI scheme for ‘High Efficiency Solar PV Modules’ with a

total outlay of ₹4,500 Crore and an additional outlay of ₹19,500 Crore announced in the Budget 2022- 23. The PLI scheme allocation in Budget 2022 will attract additional investment into manufacture of solar Photovoltaic cells and modules thereby cutting dependence on Chinese imports, and nurturing global champions apart from and provide employment. To decarbonize the road transport sector, the Government has introduced incentive programs to promote clean mobility solutions in the form of FAME-I, FAME-II apart from delicensing establishment for charging infrastructure under the Electricity Act 2003.

At COP-21, as part of its Nationally Determined Contributions (NDCs), India has committed to achieving 40 per cent of its installed electricity capacity from non-fossil energy sources by 2030. The country has already achieved this target. India has taken bold steps to help in creating a sustainable world and was ranked 3rd in renewable energy country attractive index. Our country has a liberal foreign investment policy for renewables allowing 100 per cent FDI through the automatic route. In recent years, RE Sector has seen inflow of investment in India from Global as well as Indian investors.

Our country stands 4th in the world in terms of installed RE capacity; 5th in solar power and 4th in wind power in terms of installed capacity. Our Country also has an ambition to install 500 GW of non-fossil fuel capacity by 2030. As the economy grows, the electricity consumption is projected to reach 15,280 TWh in 2040 from 4,926 TWh in 2012. Renewable Energy is expected to tap majorly in this segment.

Though our country falls short in the resources of conventional energy as compared to its energy needs, primarily on account of its population and rapidly growing economy, its has been endowed with a wind power potential of around 695 GW at 120m above ground level and a solar potential of about 748 GW assuming 3% of the waste land area is covered by Solar PV modules. The Government of India is leaving no stone unturned in strengthening development of human and organisational capacities in these domain areas.

PERFORMANCE HIGHLIGHTS

Let me highlight the operational and financial achievements of your Company for the FY 22:

- Profit Before Tax- ₹833.84 Crore as against ₹569.52 Crore (up by 46.41%)
- Profit After Tax- ₹633.53 Crore as against ₹346.41 Crore (up by 82.88%)
- Loan Sanction- ₹23,921.06 Crore as against ₹11,001.30 Crore (up by 117.44%)
- Loan Disbursement- ₹16,070.82 Crore as against ₹8,828.35 Crore (up by 82.04%)
- Loan Book- ₹33,930.61 Crore as against ₹27,853.92 Crore (up by 21.82%)
- Net-worth- ₹5,268.11 Crore as against ₹2,995.19 Crore (up by 75.89%)
- Net NPA- 3.12% as against 5.61% (reduction by 44.39%)

The earning per share has increased from ₹4.42 for the FY 21 to ₹8.03 for the FY 22 which is an increase of ~82% over the previous year. As per DIPAM guidelines on Capital Restructuring, your Company is required to pay a minimum annual dividend of 30% of PAT or 5% of Net Worth, whichever is higher. However, for the FY 22, your Company has obtained exemption from DIPAM for payment of dividend. Your Company is rated “AA+” by CARE Edge, India Ratings & Research and ICRA credit rating agencies. Brickwork credit rating agency has assigned “AAA Negative” rating and “AAA (CE)” for outstanding bonds. Further, bank loans of your Company have been assigned “AAA Negative” rating by Brickwork credit rating agency.

During the year, your Company mobilized funds amounting to ₹106 Crore through the domestic bond market by private placement of unsecured taxable bonds. These bonds were issued with a maturity of 3 years 1 month and 14 days with a coupon rate of 5.98% p.a., which was lower by 25 bps as compared to similarly

rated CPSU/entity. These bonds are listed on NSE as well as BSE.

Your Company has played a significant catalytic role in the RE sector and in view of the expected growth in the sector has enhanced the scope of its operation. Your Company is now financing transmission and distribution companies, as well as companies operating in the areas of energy storage, Smart Meters, e-mobility, energy efficiency, Ethanol, CBG etc. as also for any project/scheme/activity directly or indirectly linked with renewable energy, energy efficiency and/or conserving energy and/or other environment friendly technologies. Your Company has been digitizing its operations and services to ensure transparency, ease of doing business and improving process efficiencies. Your Company has revamped its systems & business process to enable ease of doing business, good governance and for enhanced transparency practice to its customers without even visiting the office.

POLICY AND OPERATIONAL INITIATIVES

I would also like to share with you, the following major initiatives undertaken by your Company during the year to meet the requirements of business operations, enhance ease of doing business and improve transparency and overall efficiency of work and employee satisfaction:

- **Memorandum of Association (MoA) :** MoA of your Company has been amended to include e-mobility, energy storage, introduce new financing instruments & participate in trusts/funds/factoring business.
- **Memorandum of Understanding:** During the year, your Company has entered into Memorandum of Understanding (MoUs) with M/s. TANGEDCO, NEEPCO, BVFCL, THDC, GSL and CIPET for rendering consultancy services in the areas of techno-commercial feasibility studies and debt raising services for renewable energy.
- **Pan India presence:** Your Company has opened a new branch office in **Bhubaneswar** (Eastern

India) apart from its existing branch offices in **Hyderabad** and **Chennai** (Southern India) and **Mumbai** (Western India). It further plans to open branches across the country for ease of business and convenience of customers as per the operational requirements.

- **Reduction in Lending rate:** To retain the competitive edge and support the RE developers with attractive interest rates, lending rates have been revised five times in FY 22 to align them with market conditions.
- Reduction in cycle time for sanctions, documentation, and disbursement ensured because of simplification of procedures and implementation of E-Office.
- **Streamlining of Systems & Procedures:** Credit appraisal mechanism has been strengthened by introducing *Financial Concurrence* team. A project's progress and recovery are monitored on a fortnightly basis. Your Company has ensured ease of doing business through faceless sanctions. A **Whistle-blower portal** has been hosted which has been appreciated by the CVC.
- **Leveraging Technology:** Cutting edge technology is being implemented for ensuring contactless and transparent transactions. Your Company is migrating to Dynamics 365 ERP system, a fully integrated IT solution.
- **MNRE Scheme on Production Linked Incentive (PLI-I):** MNRE has designated your Company as the Implementing Agency for the PLI-I scheme for 'High Efficiency Solar PV Modules'. Letter of Award (LoA) for support under the scheme have been issued to three agencies for an outlay of ₹4500 Crore.
- **MNRE Scheme on CPSU Scheme - Phase-II:** Your Company is the Implementing Agency for the VGF Based Bidding (Tranche-III) for 5,000 MW Grid Connected Solar Power Projects under CPSU Scheme - Phase-II. Capacities have been allocated to qualified bidders post e-reverse auction.
- **Stakeholder Consultation:** Quarterly Interactions with stakeholders, industry experts, borrowers and your Company's veterans and employees ensure streamlining transactions, bring transparency, reducing delays and increasing efficiency.
- **Participation in World Expo:** Your Company showcased its corporate journey at the World Expo held in Dubai and deliberated on the various issues with investors, developers, policy makers and other stakeholders.
- **Focused Training and Development Programs:** Your Company has introduced virtual weekly/fortnightly lectures focused training and development programs from reputed professionals/ institutions in various fields for enhance capacity building of employees.
- **Covid Response and Work from Home:** Your Company took proactive steps including RT-PCR and antibody tests for all employees, vaccination drives for employees of the Company, MNRE, MoP, NHPC and other CPSEs and Government Departments. A meditation session is held every morning apart from a Yoga session every evening to reduce stress and improve the overall health of the employees.
- **Important Policy changes:** Your Company has introduced/ reviewed the following policies to expand its business portfolio:
 - Introduced a new product where lending rates are aligned with incremental cost of borrowing.
 - Scheme for financial assistance to "Compressed Bio- Gas (CBG)" projects under SATAT Scheme of GoI.
 - Increasing exposure limits to 70% of the project cost for Municipal Solid Waste (MSW) based Waste to Energy (WTE) projects.
 - Increasing exposure limits to 90% of the project

cost for Ethanol projects of existing sugar mills, eligible for availing interest subvention.

- ♦ Increasing exposure limits to 75% in case of takeover of commissioned Small Hydro Power (SHP) Projects.
- ♦ Comprehensive policy for financing new technologies to promote usage/ penetration of Renewable Energy viz. Battery Energy Storage Systems (BESS) and manufacturing of batteries, production of Green Hydrogen (Electrolysers), Electric Mobility Segment, Waste Recycling units.
- ♦ Option to pre-close a loan with replacement of asset as a step towards ease of doing business.
- ♦ General eligibility conditions modified to include projects with losses due to depreciation and interest on account of CCDs, OCDs, Unsecured Loans, NCDs or other mezzanine debt which are subservient to senior lenders.

CORPORATE SOCIAL RESPONSIBILITY (CSR) - BEYOND BUSINESS

As a socially responsible corporate, your Company is committed in increasing its CSR impact and reach over the coming years, to play an important role in India's sustainable development by inter-weaving economic, social and environmental objectives. In compliance with the Companies Act, 2013, your Company has made a budgetary allocation of ₹6.85 Crore, based on 2% of the average standalone Profit Before Tax.

For the FY 22, a CSR Budget of ₹6.85 Crore was available, against which an amount of ₹9.51 Crore was spent on various projects including the contribution of ₹132 Lakh to Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM-CARES Fund). This amount includes the unspent fund in respect of projects sanctioned in the previous years.

Let me also share that one of the CSR initiatives of your Company, "Therapy on Wheels" has been recognized for

the "Zero Project" award by Austrian ESSL Foundation. The Zero Project is an initiative of the Austrian ESSL Foundation focusing globally on the rights of people with disabilities. The Zero Project's approach aims to identify, curate, and share inclusive solutions, as intended, and encouraged by Article 32 of the United Nations (UN) Convention on the Rights of Persons with Disabilities (CRPD). "Therapy on Wheels" is a mobile therapy-center-on-wheels, a well-equipped setup which provides physiotherapy, occupational therapy, and speech therapy to children with disabilities. The project was launched in November 2020.

Your Company will continue to assist meaningful community development projects in line with its business plans and GoI's vision for the nation's sustainable development.

MoU RATING

Your Company has signed a Memorandum of Understanding (MoU) with the Ministry of New and Renewable Energy (MNRE), GoI setting key targets for the FY 22. For the FY 21, your Company has achieved 'Excellent' Rating as per MoU evaluation. For the FY 22, final rating on MoU is subject to assessment by the Government.

HUMAN RESOURCES DEVELOPMENT

In a service industry, employees constitute the core. The management of your Company understands the importance of its core resource and invests in their development and retention.

With 156 full-time employees ending March 2022, your Company is committed to utilize the available human resource optimally and continue regular capacity building of the employees through weekly focused training and development from subject matter experts in all spheres of power and RE sectors. Your Company provides equal growth opportunities for women and they represent around 24% of the total work force. The management ensures conducive work policies to facilitate work-life balance, thus enabling the employees

to focus on achievement of the Company's strategic goals through increased productivity.

During the Covid-19 Pandemic of FY 22, an exemplary internal Covid-Care Response Team took care of COVID-19 positive employees, their family members and others by providing 24x7 support including vaccination camps, mental health support including regular meditation sessions, delivery of food and medicines, hospitalization, arranging for plasma, Oxygen Concentrators etc. Your Company has not suffered any casualty due to COVID.

CORPORATE GOVERNANCE

Your Company strives to ensure highest standards of professionalism, integrity, accountability, fairness, transparency, social responsiveness and business ethics for efficient and ethical conduct of business. It makes consistent efforts to inculcate good Corporate Governance practices in the systems and processes to ensure compliance with statutory obligations and also to follow the underlying spirit. Your Company believes that good corporate governance is a way of life and the way we do our business, encompassing every day's activities and is enshrined as a part of our working. Your Company is focused on enhancement of long-term value creation for all its stakeholders without compromising on societal obligations, environment and regulatory compliances. The essence of Corporate Governance is about maintaining the right balance between economic, social, individual and community goals. These principles have been and will continue to be our guiding force in future.

FUTURE STRATEGIES

Over the several years of its operation, your Company has acquired core competence as well as sectoral expertise, which has resulted in a competitive edge and quick response mechanism. Your Company has weathered several difficult situations in the past and has yet continued to grow.

An enabling policy framework with a twin objective of ensuring power availability to all and reducing the adverse environmental impact because of generating

electricity with conventional sources. With support from the GoI, Renewable Energy (RE) capacity addition gained momentum. With our country's commitment to be a Net Carbon Zero nation by 2070, the RE capacity is poised to increase manifold. The sector continues to enjoy focus from the MNRE, Government of India, in terms of policy initiatives, removal of bottlenecks and consequent shortening of implementation timelines, etc. Several new projects are underway and the Government is putting in place all possible enablers. Infrastructure investment is a huge opportunity and your Company is geared up to use this opportunity by tapping potential opportunities in the coming years. A proposal for upgradation of your Company to Schedule 'A' CPSE and grant of "Navratna" status has been submitted to the MNRE.

Your Company is expected to continue its growth trajectory through innovation and repositioning itself in a dynamic market. The Government has introduced a Production Linked Scheme (PLI) to set-up an efficient domestic manufacturing capacity of Solar Modules of GW-scale and reduce dependence on import. The MNRE has designated your Company as the Implementing Agency for the said scheme.

Your Company is in the process of setting up a debt fund (Fund) in the form of an Alternate Investment Fund (AIF) to tap large Institutional Investors viz, Pension funds, Insurance Funds, Environmental, Social and Governance Funds, etc. AIF will also help your Company in financing new projects of those borrowers who are nearing the exposure limit. Further, your Company is also planning to do Asset-Based Securitization (ABS) by issuance of Pass-Through Certificates.

The emerging power ecosystem heralds a great potential for your Company. Your Company is in turn committed to provide its support to ensure adequate and affordable resources for the sector. Your Company will continue its efforts through various international and multilateral lenders for new lines of credit to ensure availability of cheap finance to the sector. While your Company is a debt listed company, it is fully geared up to get its equity

listed and your Company is also planning to come out with an IPO and also issue Green Bonds in the international & domestic market to garner capital for onward lending.

Your Company is set to support sustainable energy solutions under proposed National Hydrogen Energy Mission in sync with the Government's vision, for hydrogen energy utilization.

While your Company's current portfolio is spread across the southern, western and northern regions of the country, the Company is exploring capacity addition in the eastern and north eastern regions on the country. Your Company plans to open multiple branches to ensure Pan-India presence, in the near future, subject to operational requirements of the Company.

ACKNOWLEDGEMENTS

I take this opportunity to place on record my sincere thanks & gratitude to the Government of India particularly the Ministry of New & Renewable Energy, Department of Investment and Public Asset Management (DIPAM) for their support especially equity infusion and dividend exemption. I am grateful to other organs of the Government like Department of Public Enterprises, NITI Aayog, Ministry of Finance and Ministry of Power, Ministry of Corporate Affairs and other Ministries / Departments of the Government of India, Office of the Comptroller & Auditor General of India, Reserve Bank of India, Securities and Exchange Board of India, National Stock Exchange of India Ltd. & BSE Ltd. & other regulatory authorities for continuous support, guidance, co-operation and assistance. My

special thanks to the Statutory Auditors, Secretarial Auditors, Cost Auditors and the Internal Auditors for their contribution. I express my sincere gratitude to all investors, lenders, borrowers and customers including State Governments, state power utilities and private entrepreneurs in the Renewable Energy sector, for continuing to place their trust in the Company.

I am thankful for the support and co-operation of international financial institutions namely Japan International Cooperation Agency (JICA), Kreditanstalt für Wiederaufbau (KfW), Asian Development Bank (ADB), Agence française de développement (AFD), European Investment Bank (EIB), Nordic Investment Bank (NIB), International Finance Corporation (IFC) and The World Bank.

I convey my appreciation to my colleagues on the Board for the immense value they add in strengthening the Company and last but not the least, the untiring efforts of the employees for their commitment and involvement.

May I now request that, the Directors' Report, the Audited Balance Sheet, the Profit and Loss Account and Auditors' Report for the FY 22, be adopted.

Thank You,

sd/-

Pradip Kumar Das
Chairman & Managing Director
DIN:- 07448576

Date: August 5, 2022

Place: New Delhi