

Letter from the Chairman & Managing Director



Dear Stakeholders,

It is a great honor to present to you the 36th Annual Report of your Company marking another year of exceptional financial performance and contribution to India's green financing sector.

GLOBAL GREEN FINANCING SCENARIO

Global investment in energy transition reached an all-time high in 2022 with \$1.1 Trillion in investment, up from \$849 Billion in 2021 and just \$267 Billion in 2011 as per Bloomberg. This figure includes investment in clean energy projects, such as Renewables, Storage, Charging Infrastructure, Green Hydrogen, Recycling, and Carbon Capture & Storage as well as end-user purchases of Low-carbon Energy Devices, such as Small-scale Solar Systems, Heat-pumps and Zero-emission Vehicles. Renewable Energy was the largest sector attracting \$495 Billion in 2022 while the

Electrified Transport sector emerged as the fastest growing sector with \$466 Billion in investment, up by 54% from 2021.

As per International Renewable Energy Agency (IRENA) estimates, global renewable generation capacity reached 3372 GW by December 2022, an increase of 9.6% over 2021, with Hydro, Solar, and Wind power leading at 37%, 31%, and 27% of installed capacity respectively.

The landmark Paris Agreement 2015 adopted by 196 parties at the UN Climate Change Conference (COP21) emphasized the importance of limiting the average increase in global temperature to 1.5°C to control climate change related risks. As per International Energy Agency (IEA) estimates, achieving this temperature limit will require net-zero emissions globally by 2050. To this end, a massive influx of investment will be needed across the critical decarbonization pillars of Renewables-based

Electrification, Low-carbon Fuels, Energy Efficiency, and Carbon Capture & Storage.

In its global net-zero by 2050 roadmap, the IEA estimates that the annual global requirement for energy investment will touch \$5 Trillion by 2030 and \$4.5 Trillion by 2050, of which more than 85% will be utilized for green technologies and electrification. In this context, climate financing institutions will play a critical role in ensuring that global funds are appropriately channeled toward decarbonization investments to meet the burgeoning needs of the sector.

INDIA GREEN FINANCING SCENARIO

The past year was eventful for the green financing industry in India, bringing about significant opportunities as well as some challenges.

Our Country's green transition agenda gained international prominence with India's ascendancy to the G20 Presidency. Further, the announcement of India's Nationally Determined Contributions, building on the visionary "Panchamrit" targets, established a clear and common goal for the Country- 500 GW energy from non-fossil sources by 2030 and net-zero emissions by 2070. Achieving India's energy transition targets will require a significant quantum of investment every year. As per IEA estimates, \$160 Billion will be needed annually, on average, to achieve net-zero emissions by 2070. As a dedicated green lending institution, your Company is excited to support the Country in its climate transition journey by providing financing solutions across the spectrum of net-zero technologies.

Over the last year, our economy faced headwinds as interest rates rapidly escalated globally with implications for India as well. During FY 23, India's repo rate increased by 250 bps, one of the sharpest increases in recent years, which affected business growth as well as profitability for the financial services sector. However, despite the challenges, your Company proactively continued to support the financing needs of India's green sector by increasing the quantum of financing, offering competitive rates to our borrowers, and launching new

products to support new green technologies and emerging business models.

HIGHLIGHTS OF FINANCIAL & OPERATIONAL PERFORMANCE

Robust business growth and profitability

In FY 23, your Company achieved the highest-ever annual sanction, disbursement, loan book, profit, and net worth. A snapshot of our performance can be seen below:

- ₹32,586.60 Crore sanction (36.23% increase vs. FY 22)
- ₹21,639.21 Crore disbursement (up by 34.65% vs. FY 22)
- ₹47,076 Crore loan book (38.75% growth vs. FY 22)
- ₹1139.25 Crore profit before tax and ₹ 864.63 Crore profit after tax (up by 36.63% and 36.48% respectively vs. FY 22)
- ₹5,935.17 Crore net worth (12.66% growth vs. FY 22)

Healthy asset quality

Alongside business growth, your Company has maintained a strong focus on improving its asset quality. Your Company has put in place a structured recovery and monitoring mechanism with monthly internal status reviews and quarterly interactions with borrowers. In addition, your Company has taken steps to maximize recovery efficiency by amending its policy for the sale of assets under the SARFAESI Act 2002.

As a result of a concerted drive, your Company was able to close/upgrade 18 non-performing project loan accounts with recovery of ₹202.43 Crore resulting in healthy improvement in NPA ratios at the close of FY 23 as can be seen below:

- 3.21 % Gross NPA (vs. 5.21% in FY 22)
- 1.66% Net NPA (vs. 3.12% in FY 22)

'Excellent' Performance expected on MoU with MNRE

Your Company has signed a Memorandum of Understanding (MoU) with the Ministry of New and Renewable Energy (MNRE) setting financial and operational targets for FY 23. Your Company is expecting an 'Excellent' rating basis its performance (subject to assessment by the Government of India). Your company achieved an Excellent rating in FY 21 and FY 22.

Recognitions and Awards

Your Company received recognition from several quarters for its stellar performance in the green financing sector:

- Conferral of *Infrastructure Finance Company (IFC)* status by the Reserve Bank of India;
- Credit rating upgradation to *AAA (Stable)* from *AA+ (Positive)* by ICRA Limited (a Moody's company) for IREDA's bond issuances.
- "Company of the Year", "CMD of the Year" and "Operational Performance Excellence (1st runner-up)" under Miniratna Category at the 12th PSE Excellence Awards 2022 organized by the Indian Chamber of Commerce;
- "Central Board of Irrigation and Power Awards 2022" for *Outstanding Contribution to the Development of Renewable Energy in India; and*
- "Best performing NBFC for highest Loan Sanctions and Disbursements in 2021-22" in the Renewable Energy Sector by the Association of Renewable Energy Agencies of States (AREAS).

PRODUCTS, POLICIES & SERVICES OFFERED

New products launched and financing policies updated

As a catalytic financing entity for the green energy sector, your Company has augmented its scope of

operations to support new and emerging technologies. Your Company is now providing financing support for entities engaged in the Transmission and Distribution of power, Energy Storage, E-mobility, Energy Efficiency, Smart Metering, Ethanol & Compressed Biogas production, etc. as well as any other projects, schemes, or activities relating to green energy technologies.

Your Company has updated its financing policies in response to the sector's evolving needs. Some of the key updates are:

- Short term loan for RE project expansion/investment in subsidiaries (against collateral);
- Term loan extension & refinancing for commissioned projects;
- Term loan for Transmission projects;
- Enhanced debt cover, up to 95% of project cost, for First-generation Ethanol projects; and
- Higher debt cover, up to 80% of project cost, for Solar, Wind, Hydro, and Energy Efficiency & Conservation technology based projects.

Implementation support provided for key MNRE Schemes

Your Company served as the implementing agency for four key MNRE Schemes and Programs, namely:

- MNRE, Central Public Sector Undertaking Scheme, Phase-II (Government Producer Scheme);
- National Bioenergy Program;
- National Programme on High-Efficiency Solar PV Modules under PLI scheme, Tranche-I; and
- Generation-Based Incentive (GBI) Scheme.

Co-lending and consulting services offered to partners

Your Company has entered into MoUs with:

- *Bank of India* for co-lending and co-origination of RE projects.

- *Mahatma Phule Renewable Energy and Infrastructure Technology Limited (MAHAPREIT)* to provide techno-financial consultancy for RE projects.

KEY OPERATIONAL INITIATIVES LAUNCHED

Your Company has launched several major initiatives for its key stakeholders geared towards improving borrower experience, developing its human resources, enhancing Corporate Governance, and driving impactful CSR activities.

Initiatives to improve borrower experience

- **Regular connect with borrowers:** Physical and virtual interactions with borrowers, industry experts and IREDA management were held across cities to understand and proactively address borrower concerns, build a strong rapport with our borrowers, and usher transparency.
- **Digitally enabled process efficiency and transparency:** Reduction in cycle time for sanction and disbursement has been achieved through digital processing via our integrated IT solution (E-office and Dynamics 365 ERP). Further, your Company has launched an online customer portal where customers can track the status of their application in real-time and digitally upload and access relevant documentation seamlessly.

Initiatives to develop human resources

- **Best-in-class techno-financial employee trainings:** Your Company is continually strengthening its internal capabilities by ensuring our employees receive best-in-class training and development opportunities. Employees cumulatively completed 1,671 days of training from leading academics and professionals to understand emerging green technologies and innovative financing structures as well as build leadership skills.

- **Fresher and lateral recruitment:** We are expanding our organization in line with our robust growth. 10 new personnel were hired this year ranging from Executive-Trainee to General Manager level. We plan to further augment our employee base through fresher hiring from premier institutions such as IITs, IIMs, etc., and select lateral hires with significant experience in large-scale/renewable financing.

- **Promotion of diversity:** Women employees constitute 26.87% of the workforce at your Company. We are committed to ensuring fair representation and diversity with our talent attraction, employee engagement, and retention practices geared toward fostering an inclusive culture.

- **Regular activities for employee well-being:** Daily meditation sessions and yoga classes are conducted for employees to improve mental and physical health and enhance work efficiency. Health camps and sports events like friendly cricket matches and cyclothons were also organized throughout the year to promote a close-knit environment.

Initiatives for robust Corporate Governance

Your Company strives to ensure the highest standards of professionalism, integrity, accountability, fairness, transparency, social responsiveness, and business ethics for the efficient and ethical conduct of business.

In FY 22, your Company was the first CPSE to publish Annual Audited results within 30 days after the close of the financial year whereas SEBI allows 60 days. In FY 23, your Company published its audited annual results within 25 days after the close of the financial year which bears testimony to its streamlined internal processes and digitized data management.

Your Company has been digitizing its operations and services to ensure ease of doing business, without the need for physical visits for sanctions, for its customers.

An online Complaints portal has been hosted to enable stakeholders to raise any concerns for increased transparency.

Initiatives for impactful Corporate Social Responsibility

Your Company has aligned itself with the guidelines issued by the Department of Public Enterprises (DPE) regarding the annual theme of "Health & Nutrition" for CPSEs in FY 23.

Out of the total 13 CSR projects sanctioned during FY 23, your Company has undertaken 10 projects that specifically focus on the DPE theme of "Health & Nutrition". In addition, your Company has undertaken the solarization of various Government schools and health centers across different locations, including Aspirational Districts such as Chandauli and Balrampur in Uttar Pradesh. In terms of outlay, your Company spent a total of ₹697.44 Lakhs towards CSR projects in this financial year.

VISION FOR THE FUTURE

Outlook for India's green financing sector & key Government initiatives

In the recently released National Electricity Plan (NEP), the Central Electricity Authority emphasized the increasing share of renewable energy in India's power mix and the importance of building energy storage capacity to effectively incorporate renewables with the grid. Basis the 10-year roadmap outlined by the NEP, approximately ₹21 Lakh Crores will be required over FY 22 to FY 30 to meet the target of 500 GW energy from non-fossil sources.

As the sector continues to focus on technological advancements, grid augmentation, and enhancing the availability of financing, the Government of India is proactively taking steps to create a conducive policy environment demonstrating India's commitment to a sustainable and green future. Some of the key Government of India schemes and initiatives, currently in place, for the promotion renewable energy are:

- Obligations for renewable energy generation/purchase and energy storage;
- Green Energy Open Access rules for easy transmission of renewable energy across states;
- Green Energy Corridor (GEC) scheme to build transmission infrastructure for integrating renewable energy;
- Solar Rooftop Policy and PM KUSUM Scheme to support decentralized solar power generation;
- Central Financial Assistance to support Waste to Energy, Briquette and Biomass Cogeneration projects;
- Schemes to promote manufacturing & promote supply-chain resilience through production-linked incentives for Integrated Solar PV manufacturing & Module manufacturing linked tenders, etc.;
- National Green Hydrogen Mission to promote domestic green hydrogen & derivative production with the vision to establish India as a global leader;
- Tariff-based competitive bidding guidelines for Wind Solar hybrid projects; and
- Inauguration of Green Day-Ahead and Term-Ahead markets for renewable energy.

Holistic strategy for growth

The availability of sustainable financing will be critical for the scale-up of traditional and new technologies for net-zero emissions.

In addition to traditional RE generation from Solar, Wind, and Hydro power, the Government of India is also promoting multiple emerging and new green technologies. Some of the high-potential emerging areas set to gain prominence are Green Hydrogen and other derivative based fuels, Energy Storage (including Battery Storage and Pumped Storage Hydro), E-mobility, etc.

Mitigation measures to limit existing carbon emissions sources (such as Energy Efficiency Devices) etc. and adaptation solutions to manage climate change that has already occurred (such as Climate-resistant and Green Infrastructure, Drought Management, Land management, practices, etc.) will also become more prevalent in line with the Mission LiFE initiatives announced by the Government of India which takes a holistic and behavioral-change driven approach to climate sustainability.

As India's catalytic green financing agency, your Company is committed to ensuring that the sector has access to (a) the right financial products (b) the right cost of finance, and (c) the required quantum of financing at the right time.

Your Company is working closely with green energy developers to identify their evolving financial product needs and build awareness of new products. We have already launched financing products for several emerging areas such as E-mobility, Green Hydrogen, Green Transmission, etc.

Your Company will be focusing on ramping up its credit appraisal expertise in new and emerging areas for accurate appraisal of project risk ensuring the right cost of funds for borrowers. Our technical team is already receiving training on new green technologies and business models through sessions with experts and training programs at leading institutions in India and abroad.

Your Company is also continually upgrading its financial assessment processes for credit appraisal and metrics for post-disbursement monitoring in line with best-in-class practices. In addition, your Company has established a dedicated Financial Concurrence team to serve as an additional layer of validation for project viability financials, compliance certification, and other project related documentation over and above the checks carried out during credit appraisal.

Your Company will continue its efforts in raising financing at competitive rates from domestic and

international capital market issuances, including green bonds, as well as through partnerships with national and international financial institutions and multilateral development organizations. In addition, your Company plans to set up an office in IFSC GIFT city to meet the foreign currency loan requirements of green developers. Your Company is also looking at establishing an Alternate Investment Fund (AIF) to tap into low-cost and patient capital from international investors.

Your Company's enabling functions of Treasury Management, Legal Documentation, Recovery, Risk Management, Internal Audit, and Compliance/Governance are being strengthened concurrently to support its growth.

Approval for Initial Public Offering

Presently, your Company is currently debt-listed. The Cabinet Committee on Economic Affairs (CCEA) in its meeting dated 17.03.2023 approved the listing of shares of the Company on stock exchanges through an IPO by the partial sale of the Government's stake in the Company and the issue of fresh equity share capital of the Company.

Approval sought for Upgradation to "Navratna" status

A proposal for the upgradation of your Company to Schedule "A" CPSE and grant of "Navratna" status has been recommended by MNRE to DPE, Government of India.

ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude and appreciation to the Government of India, specifically the Ministry of New & Renewable Energy and the Department of Investment and Public Asset Management for their unwavering support to our organization. I am especially grateful for their assistance in terms of capital infusion, and dividend exemption for capital augmentation.

I extend my thanks to other government entities such as the Department of Public Enterprises, NITI Aayog, Ministry of Finance, Ministry of Power, Ministry of Corporate Affairs, and various other ministries and departments of the Government of India.

I would also like to acknowledge the Office of the Comptroller & Auditor General of India, the Reserve Bank of India, the Securities and Exchange Board of India, the National Stock Exchange of India Ltd., the BSE Ltd., and other regulatory authorities for their support and cooperation.

I would like to express my deep appreciation to the Statutory Auditors, Secretarial Auditors, Cost Auditors, and Internal Auditors for their contribution towards consistently improving the standards of governance at institutions across the Country.

My sincere gratitude goes out to our customers and lenders, including state governments, state power utilities, private entrepreneurs in the green energy sector, and our domestic and international funding partners. Their continued trust in our Company is truly valued and the driving motivation for us.

I would like to express my appreciation to my esteemed colleagues on the Board for their invaluable contribution towards strengthening our Company.

Last but certainly not least, I would like to acknowledge the tireless efforts of our dedicated employees, whose commitment has helped IREDA achieve new standards of excellence year on year.

With that said, I kindly request the adoption of the Directors' Report, the Audited Balance Sheet, the Profit and Loss Account, and the Auditors' Report for the Fiscal Year 2022-23.

Thank you

With warm regards,

sd/-
Pradip Kumar Das
Chairman & Managing Director
DIN:- 07448576

Date: June 28, 2023

Place: New Delhi