Mr. Kuljit Singh Popli
Chairman and Managing Director,
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Development Agency [IREDA]

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Energetica India talks to Mr. Kuljit Singh Popli, CMD, IREDA on the coming year and IREDA's tax free bonds to boost growth of renewable energy in the country

Energetica India: What kind of new initiative /change do you foresee IREDA playing for the growth of renewable energy in India in the coming few years?

Mr. Kuljit Singh Popli: Since its inception in 1987, IREDA has played a seminal role in the commercialization of renewable energy technologies in the country by providing innovative and customized financing requirements. IREDA comes out with new and innovative financing schemes from time to time in line with the market demand and requirements.

By the end of financial year 2014-15, IREDA has sanctioned more than 2200 clean energy projects with cumulative disbursements amount to INR 16,939 Crores in the country. Recently, IREDA has introduced some new financial products/ instruments to address the market needs in financing renewable energy projects. New and innovative initiatives such as funding under VGF scheme, higher Debt Equity ratio for Solar and Wind Projects , bridge loan scheme & Short term loan assistance, structured repayment with longer tenor of 10 – 15 years in Solar/ Wind energy sector, new scheme namely "Securitization of future cash-flows" for meeting the additional fund requirements for future business expansion in RE projects and NCEF refinancing scheme to revive existing biomass power and small hydro projects (upto 5 MW) are in line with the focus area of Government of India and national missions.

The government's roadmap for 175 GW of renewable energy by 2022 provides huge business opportunity for IREDA. Our endeavour would be to finance / co-finance by retaining our leadership position in financing RE projects in India.

Energetica India: IREDA is coming out with tax-free bonds. Please let us know how will this money be used?

Mr. Kuljit Singh Popli: The proceeds from the tax free bonds shall be utilized majorly for the purpose of financing, re-financing renewable energy and energy efficiency projects, augmenting the resource base of the company and setting up of renewable energy projects.

Energetica India: Are tax-free bonds viable for renewable energy investment in India? Please explain?

Mr. Kuljit Singh Popli: The bond market not only improves market liquidity and diversifies the investor base for the renewable energy sector but also brings down the cost of capital. This in turn helps in meeting the financing requirement for upcoming capacity additions.

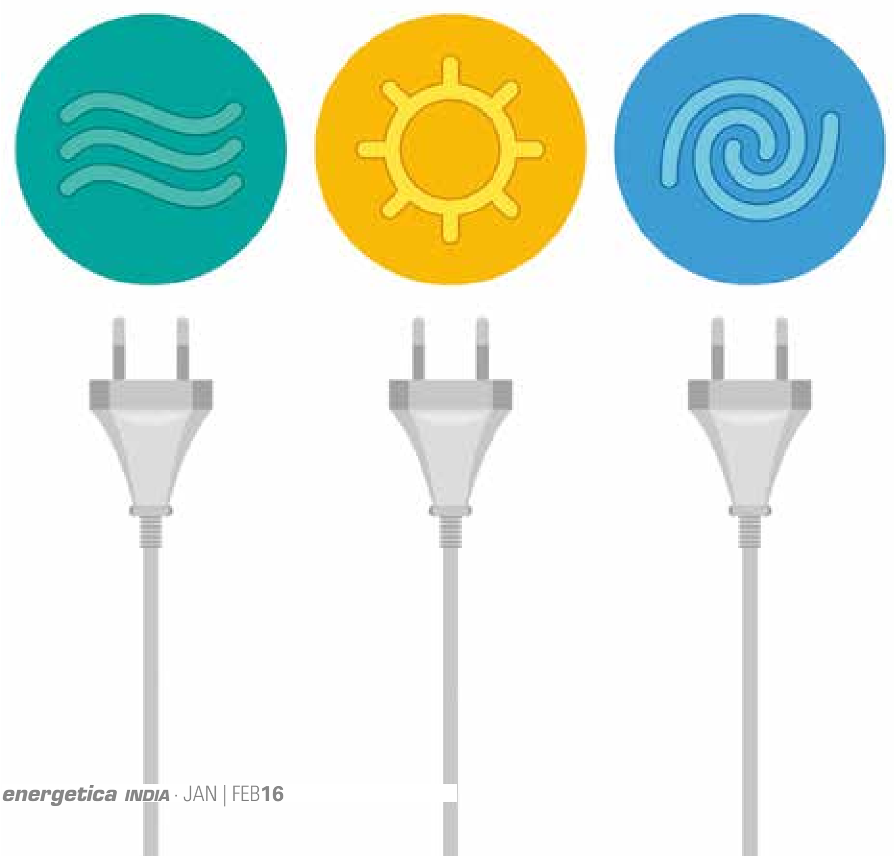
The tax-free bonds are long term source of funds as bonds are of maturity 10, 15 and 20 years. Also cost of raising funds through tax-free bonds is comparatively lower than other sources as for AAA rated issuer the ceiling coupon rate is reference G-Sec rate less fifty five basis points in case of Retail Individual Investor and reference G-Sec rate less eighty basis points in case of other category investors such as QIBs, corporates and HNIs. Thus tax-free bonds meet the financing need of the RE sector as renewable energy projects need low cost long tenure financing to become viable and profitable venture.

Energetica India: How can the government and IREDA encourage banks and other financial institutions to participate more actively in the renewable energy sector?
Mr. Kuljit Singh Popli: The most important challenge in Renewable Energy financing as perceived by the bankers and financial institutions is the financial health of power off-takers, mainly state utilities / DISCOMs and delays in payments by them thereby adversely impacting the cash flows for repayment to the lenders. There are other issues

like non-compliance of Renewable Purchase Obligation (RPO), inter-state sale of power, transmission charges, transmission corridor congestion, clearances and infrastructure required for evacuation of power.

The Government is seized of the problems related to financial health of many of the state utilities / DISCOMs and it is heartening to note that scheme for debt recast for Discoms under UDAY scheme has been announced recently and the central transmission utility is also taking up special efforts for adding transmission capacity for evacuation of RE power. The regulators are also closely monitoring the REC market and are doing their best to ensure that it revives and become one of the most important instruments for renewable power market development.

Various other new initiatives and developments for the growth of Renewable Energy in the country has taken place:



- The allocation of Tax Free Bonds for INR ₹ 5,000 crores,
- Approval Rs 33,000 crore for the Green Energy Corridor,
- Initiative to train 50,000 skilled solar professionals "Surya Mitras" in the next three years,
- Increase in Coal Cess from INR ₹ 100/Ton to INR ₹ 200/Ton,
- launching of Off-shore Wind Energy Policy,
- "Priority sector lending" status accorded to RE sector by Reserve Bank of India
- Recent orders by Appellate Tribunals & Hon'ble Supreme Court of India in enforcement of RPO / REC are some of the positive steps likely to assist the sector in achieving new heights.

More than 21 states have issued regulations for setting up rooftop solar power units with net-metering scheme that allows customers to reduce their electricity bills by generating solar power and feeding the excess back to the grid. India's climate change offer "Intended Nationally Determined Contributions" (INDCs) focuses on reducing India's emissions intensity per unit of GDP by 33 to 35 percent from 2005 levels by 2030; to achieve about 40 per cent installed electric power capacity from non-fossil fuels by 2030; and to create an additional carbon sink of 2.5 to 3 billion tonnes of CO_2 equivalent through afforestation by 2030.

IREDA has played a pivotal role in the developing of the renewable energy sector by financing the RE projects which have been considered risky by other financial institutions and demonstrating success in them. IREDA shall continue to play the leading role in financing of the sector and implementing the Government policies.

With these initiatives more bankers/Financial Institutions is have started financing Renewable Energy Projects. The banks which were only financing conventional energy projects are now venturing into financing RE projects as well. Banks/FIs have also increased tenure of loan repayment from typically 10 yrs to 15 yrs making door to door repayment in the range of 16-20 years. The renewable energy technologies today are seen as mature technologies & cost competitive and hence gained the confidence of bankers/FIs ◂◂