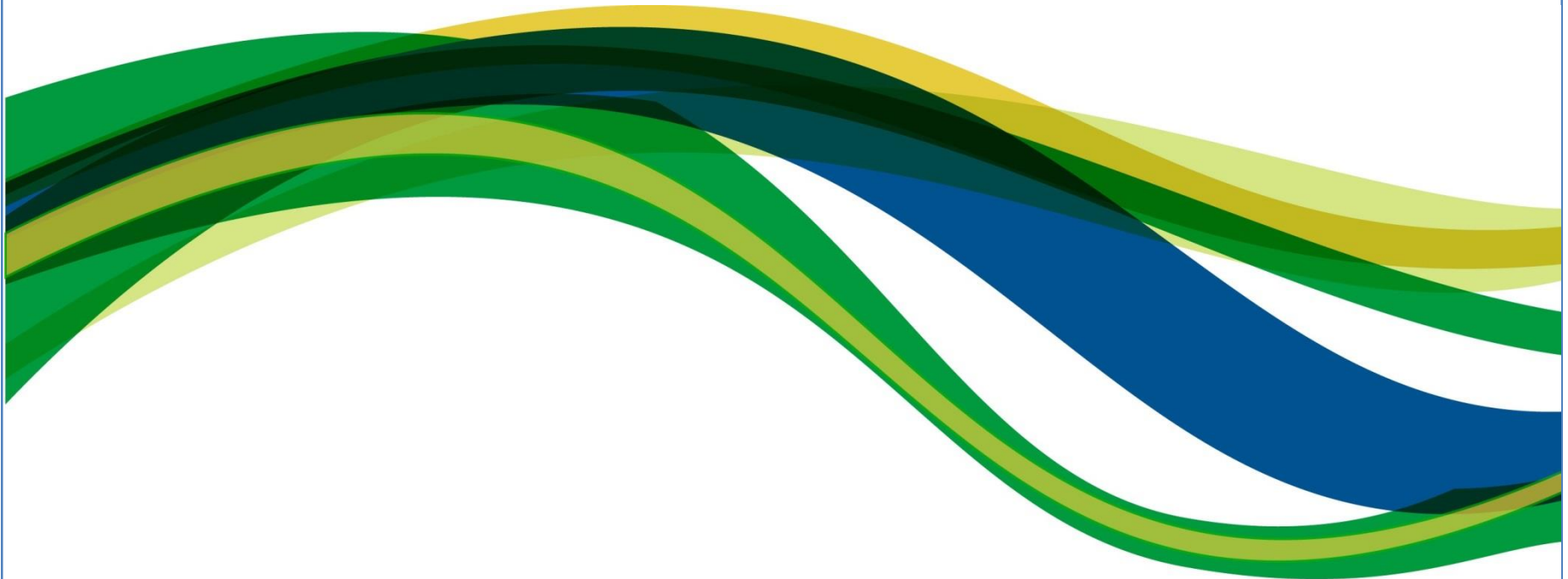


Financial approaches to lower the cost of capital for Renewable Energy projects



Present Scenario

- Renewable Energy Projects (i.e. solar/wind) have an average life of approx. 25 years
- RE projects suited for longer tenor debt financing (16-20 years) in line with project cash flows
- Equity
 - Return expectations
 - Tenor
- Debt
 - Predominantly financed by Commercial banks in India
 - Rupee Term Loan: Two tier interest structure: Pre-COD and Post-COD
 - Foreign Currency Term Loan: All-in cost (6 month LIBOR + spread + hedging cost)

Ways to Reduce Cost of Funds for Renewable Energy Projects

- **Project Structuring**

- Structuring project and mitigating risks associated with development of solar power projects (viz. land acquisition risk, power evacuation risk, PPA risk and counter party risk)
- Foreign Currency risk

- **Structured Financing Options**

- LC backed Buyers' Credit
- Green lines (raised at low cost through issue of green bonds)

- **Project Portfolio Management**

- Dedicated credit line to reduce cost of borrowing / transaction costs

- **Securitization of future receivables**

- Risk profile changes upon Project completion
- Top-up loan through refinancing to achieve longer tenor, cost of borrowing

Ways to Reduce Cost of Funds for Renewable Energy Projects...2

- **Credit Enhancement Schemes**

- Partial credit guarantee as first loss support to reduce cost of borrowing

- **Access to Public Capital**

- Developer may raise funds through issue of units under InvIT structure
- Low cost funds expected to be available to the developers under the proposed National Investment & Infrastructure Fund (NIIF) being set-up by Govt. NIIF would have access to long term cheap cost funds available with Pension funds, insurance funds, sovereign wealth funds etc.

- **Fiscal Incentives**

- Tax free bonds

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