

# How Green Is Your Money? Capitalizing on Indian Renewables

## INTRODUCTION

India's climate-related targets are ambitious.<sup>1</sup> In pursuit of such ambitions, 15.5 gigawatts (GW) of renewable energy ("RE") capacity were added nationally in the last fiscal, reflecting an investment of USD 14.5 billion.<sup>2</sup> Acquisitions represented a large portion of this capital (more than two-fifths of the aggregate). While the rest included debt, equity, and mezzanine financing, a large component of this investment was bonds, amounting to USD 4 billion.<sup>3</sup>

A few weeks ago, the Union Cabinet approved the second tranche of its performance-linked incentive ("PLI") scheme in respect of high-efficiency solar photovoltaic ("PV") modules.<sup>4</sup> With an outlay of INR 195 billion (approx. USD 2.6 billion), the PLI scheme is aimed towards increasing local PV manufacturing. This, in turn, is expected to generate significant savings on imports. The government also expects the PLI scheme to catalyze investments worth INR 1,000 billion, leading to substantial additions towards domestic RE capacity. Importantly, even foreign companies are allowed to apply for this scheme, approvals in respect of which may be issued subject to applicable foreign direct investment ("FDI") norms. Over and above achieving self-sufficiency, India is hoping to attract high volumes of foreign investment as well.

## Foreign Equity

At present, India allows up to 100% FDI under the automatic route<sup>5</sup> for the generation and distribution of RE<sup>6</sup> (subject to provisions of the Electricity Act, 2003, as amended from time to time (the "**Electricity Act**").<sup>7</sup> According to a recent Press Release related to India's revised Nationally Determined Contribution ("**NDC**") under the United Nations Framework Convention on Climate Change (UNFCCC),<sup>8</sup> the country's RE

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program, driven by private sector investment, attracted close to USD 65 billion between 2014 and 2019, while FDI inflows in the non-conventional energy sector between April 2000 and June 2022 totaled (approx.) USD 12 billion. Further, India's extant FDI policy encourages foreign investors to enter into joint ventures (JVs) with Indian partners for financial and/or technical collaborations, as well as to establish RE-based power generation projects.

Accordingly, a diverse set of foreign investors have set up shop by going solo or joining local (and/or foreign) power producers to tap into India's growing RE market. For instance, (i) marquee sovereign wealth funds,<sup>9</sup> along with a wide variety of foreign investors, including (ii) global investment firms<sup>10</sup> (iii) financial institutions<sup>11</sup> (iv) RE-focused infrastructure fund managers<sup>12</sup> (v) oil and gas behemoths,<sup>13</sup> as well as (vi) utility/energy companies have acquired stakes in Indian RE projects,<sup>14</sup> often in collaboration with local developers. On their part, foreign investors might want to come (and keep coming) to India because they need a suitable place to invest, including as pledged for the purpose of meeting goals of the Paris Agreement<sup>15</sup> and COP27.<sup>16</sup> After all, going by past record, Indian RE projects yield much higher equity returns (almost 15%)<sup>17</sup> than those in developed markets.

To be sure, foreign investors may find India attractive for other reasons as well. For instance, the prospect of securing up to 100% ownership in a renewables project (unlike in China) might particularly appeal to some, along with the prospect of entering into a long-term power purchase agreement (“**PPA**”) secured by sovereign guarantee, or otherwise underwritten by government agencies. Meanwhile, a continuing rise both in India's economy and population will lead to even higher power demand in the future. According to a report on the electricity market,<sup>18</sup> India is already the third-largest consumer globally. Moreover, Indian solar and wind projects have among the lowest costs in the world, largely on account of increased scale and competition. Indeed, at present, solar and wind power are about 50% cheaper than their coal-fired equivalent.<sup>19</sup>

## Debt

As is typical with infrastructure projects, RE installations too depend mainly on debt. Thus, new Indian projects in renewables borrow from foreign and Indian private banks, Indian non-banking financial companies (“**NBFCs**”), as well as foreign development finance institutions. Although debt providers assess several factors – such as the identity and creditworthiness of the power purchaser (as well as those of the borrower) – they are often comfortable lending to Indian solar and wind projects which have

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secure, long-term PPAs. However, while larger power producers may benefit from lower interest rates in the Indian RE sector, they also face higher environmental, social and governance (“**ESG**”) disclosure standards (*i.e.*, higher than those required by extant government rules) since investors are increasingly focusing on such ESG factors. Moreover, domestic borrowing costs are now on the rise, as post-COVID inflation coupled with increasing repo<sup>20</sup> have pushed banks’ lending rates upwards.

### Bonds

Nevertheless, bonds have become a common means of refinancing Indian renewables. Indeed, refinancing has increasingly been put to use by independent power producers (“**IPPs**”) and RE-infrastructure developers, especially in respect of wind and solar projects. Besides, bond markets offer an alternative to banks and NBFCs for raising debt capital. Such IPPs/developers can then use this capital to refinance their project loans, which in turn allows existing lenders to further lend for newer projects without overstressing their extant portfolios.

‘Green bonds’ (“**Green Bonds**”)<sup>21</sup> are well-suited for RE *operating* projects in particular. Once the risks associated with project *development* are taken care of, RE projects have low operating costs, and besides, the underlying long-term PPAs in respect of such projects provide the basis for generating stable streams of revenue. Collectively, this arrangement satisfies bondholder requirements with regard to low volatility and predictable cash flows.

In addition, Green Bonds have certain advantages over loans in terms of refinancing. For instance, listed bonds can be traded in the secondary market (unlike loans), thereby providing flexibility to investors who may wish to alter their holdings later. Further, most Green Bonds have fixed coupons whereas most RE-based loans have a floating rate – which, in turn, exposes IPPs to higher interest-rate burdens. In addition, Green Bonds provide access to a wider pool of capital – including from foreign investors – when compared to the limited debt available from domestic banks and NBFCs. Such limitations exist on account of, *inter alia*, sectoral limits and a high percentage of existing bad loans.

Unsurprisingly, therefore, Indian RE developers are attracting a significant chunk of their required investment from Green Bond issuances. According to a recent report published by Bloomberg NEF in association with the Power Foundation of India, Green Bonds (both listed and unlisted) issued by Indian companies in the year 2021 alone aggregated almost USD 10 billion,<sup>22</sup> equalling the *cumulative* of such Green Bond issuances from the past (*i.e.*, until 2020). Further, such bonds can be backed by

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diversified asset portfolios with a co-obligor structure. For instance, a collection of discrete operational projects involving diverse (i) technologies, (ii) locations, and (iii) offtakers may be pooled together. In turn, such pooling reduces risks associated with volatility, especially in respect of cash flows which are to be ultimately utilized for debt repayment. In addition, each project company may cross-guarantee for every other such company within a ring-fenced group. Once cash flows from a given project have been channelized into servicing its underlying debt, the surplus, if any, can be allocated for repaying the debt of some other project company, as required. Under the traditional model, the parent IPP itself acted as the guarantor. At present, however, bond structures provide for cash flows within and between project companies within a ring-fenced group. Such a co-obligor structure is useful because shortfalls in one project can be covered by the cash flows from others.

In particular, Green Bond issuances have grown substantially in *international* bond markets. While bondholders might prefer dollar-denominated notes issued directly by an Indian IPP, continued depreciation of the Indian rupee has increased the costs of servicing such debt (in dollars). After all, cash flows from an RE project, which can be used for repayment, are denominated in domestic currency – PPAs being typically fixed for 25 years in nominal rupee terms. For the same reason, higher inflation lowers the real returns realized by investors. Nevertheless, to counter currency depreciation, the Reserve Bank of India (“**RBI**”) has further liberalized the regulatory regime related to External Commercial Borrowings (ECBs).<sup>23</sup>

*Domestic* bond markets, on the other hand, are dominated by institutional investors (such as pension funds). These investors typically do not/cannot invest in securities below a minimum credit rating. Accordingly, RE projects, not being able to achieve this rating on a stand-alone basis, are often unable to access capital from such domestic investors (meanwhile, foreign pension funds have, on occasion, picked up strategic equity in local RE projects, e.g., Canada Pension Plan Investment Board, which invested into ReNew Power Private Limited (“**RPPL**”) in 2018). However, alternative investment funds (“**AIFs**”)<sup>24</sup> and certain others, by dint of their corporate structure, might have more wiggle room in terms of being able to invest in lower-rated securities. For instance, starting April 2022,<sup>25</sup> infrastructure debt funds as companies (“**IDFs**”) have been permitted to issue zero-coupon bonds (“**ZCBs**”).<sup>26</sup> While this will provide IDFs greater flexibility to procure funds from domestic institutional investors, ZCBs must have an investment grade rating from at least 2 credit rating agencies.

Further, external support in the form of credit enhancement could help.<sup>27</sup> The aim of credit enhancement is to support a stand-alone credit rating through a structured

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obligation such that the erstwhile rating is enhanced towards a desired target. India Infrastructure Finance Company Limited (IIFCL) and Indian Renewable Energy Development Agency (“IREDA”) offer credit enhancement on a commercial basis for RE projects. The IREDA, for instance, offers a credit enhancement guarantee scheme to support bond issuances by project developers in wind and solar energy. By providing unconditional and irrevocable partial credit guarantees, the IREDA aims to enhance the credit rating of Green Bonds – thus improving their marketability – and ultimately seeks to bolster the ability of project developers to attract long-term funding at lower costs.

## Others

While conventional means of financing continue to fund Indian RE projects, new frameworks could also emerge, especially in light of the urgency with which India needs to catch up towards its NDC target. Indeed, Indian RE projects are already being funded via eclectic means. AIFs and IDFs are already in use, for example.

### InvITs

In particular, large IPPs can form infrastructure investment trusts (“InvITs”) for the purpose of better exploiting operational assets/projects, even while retaining a certain amount of flexibility in respect of adding more projects to such trusts later. For instance, investments made by KKR’s infrastructure fund facilitated the creation of Virescent Renewable Energy Trust (“Virescent”), India’s first *renewables* InvIT.<sup>28</sup> InvITs are pooled investment vehicles (where multiple operational projects are pooled into a single entity), enabling direct investment from both individual and institutional investors in such infrastructure projects. As InvITs aim to expand their diversified portfolios, they can identify investment opportunities that have stable cash flows stemming from long-term contracts with counterparties.

However, although already in use, the advantages offered by InvITs could be explored more robustly – and with regard to the RE sector in particular (as opposed to *non-RE* InvITs in respect of roads, transmission, highways, etc.). In accordance with the SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended (the “InvIT Regs”), InvITs are required to distribute at least 90% of their net distributable cash flows to unit holders.<sup>29</sup> In respect of the Indian RE sector, this makes InvITs appropriate for *income-seeking* – rather than *growth-seeking* – investors. Further, SEBI limits aggregate consolidated borrowings and deferred payments with respect to an InvIT to 70% of the value of assets,<sup>30</sup> and caps exposure to assets under construction as well. Despite relaxations in respect of strategic investor categories (which now include insurance

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companies, bilateral/multilateral development finance institutions, and foreign portfolio investors), the InvIT Regs establish clear governance, transparency, independence, and board-related safeguards.

Nevertheless, such regulatory oversight is perhaps necessary, including in light of historical experience. For instance, YieldCos were designed in the early 2010s as a new form of financial vehicle that owned and operated fully built power projects. The structure was intended to create a dividend-focused company, thus making the vehicle attractive to risk-averse investors. However, following a period of market hype and then bust – especially after the bankruptcy of a major RE developer – the YieldCo market collapsed very quickly. Although the YieldCo structure itself remains a viable mechanism for funding RE projects, such structure requires high governance standards and the alignment of growth expectations with sustainable practice (*i.e.*, feasible risk-return dynamics). With regulatory clarity, however, patient capital (*e.g.*, from pension funds, insurance funds, sovereign wealth funds, etc.) may be increasingly routed into the Indian RE sector through InvITs.<sup>31</sup>

### Miscellaneous

With respect to IPPs, selling a minority stake is always an option, even if the related economic outcome remains relatively modest (at least until an IPP can work its way towards an initial public offering (“IPO”)). Thus, for instance, as an IPP matures, it could consider getting itself IPO-ready. RPPL, one of the largest IPPs in the Indian RE space,<sup>32</sup> adopted a similar trajectory.<sup>33</sup> Pursuant to its US-listing, RPPL sought to cement its market-leader position, while the transaction itself – representing the biggest overseas listing of an Indian company through the ‘special purpose acquisition company’ (SPAC) route – provided an opportunity to fund RPPL’s medium-term growth opportunities and pay down extant debt.

## **CONCLUDING THOUGHTS**

Well-established IPPs, in particular, could continue with their use of revolving project finance facilities. Revolving debt allow IPPs to source finance from a pre-approved capital pool. In turn, this facilitates quicker deployment of funds because participating lenders have already agreed on a framework for lending. Debt drawn from such a facility is repaid during project refinancing, and the capital can then be re-used for a subsequent RE project.<sup>34</sup>

In terms of raising equity, project sponsors and investors should evaluate investments on the basis of their respective objectives. Key considerations could include the

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reliability of underlying technology, potential concerns with respect to the sponsor's organizational and operational structure, past and present experience, etc. For example, in light of issues unique to the RE sector, investors may prefer experienced management and pre-existing contracts with third parties (including customers). Further, based on whether a sponsor seeks passive investment or an active strategic partner, when equity investors become shareholders (and/or directors), the applicable levels of control ceded/sought will need to be negotiated clearly. Potential conflicts of interest may arise if the investor has previously committed capital into a competing entity, and such conflicts will have to be assessed and dealt with upfront, preferably at the term sheet-stage.

Other than PPAs themselves, project-related contracts could include, among others, arrangements in respect of Renewable Energy Certificates (“RECs”) and similar market-linked instruments – which, to the extent permitted under law/policy, may provide parallel revenue-generating streams, over and above the underlying electricity. Lenders and investors may thus get added assurance from such arrangements, *i.e.*, if and when RECs (or other tradeable ‘green’ certificates) can be packaged within the PPA's contractual matrix. Lastly, the concerned parties need to be on the same page with regard to commercialization timelines, use of proceeds, expected rates of return, and appropriate liquidity events (e.g., acquisition or IPO).

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## END NOTES

<sup>1</sup> At the 26<sup>th</sup> session of the Conference of the Parties (COP26) held in Glasgow last year, the Indian Prime Minister promised to achieve net-zero greenhouse gas (GHG) emissions for the country by 2070. Among other things, India also aims to (i) reach 500 gigawatts (GW) of non-fossil energy capacity (which, when done, will be the world's largest expansion in this regard);<sup>1</sup> and (ii) meet 50% of its energy requirements exclusively from renewable energy – both by 2030. See “National Statement by Prime Minister Shri Narendra Modi at COP26 Summit in Glasgow” (Ministry of External Affairs, Government of India, November 2, 2021).

<sup>2</sup> Representing an increase of 125% from Financial Year (FY) 2020-21, and 72% from FY 2019-20, respectively. Among the biggest deals of FY 2021-22 were the acquisition of SB Energy Holding Limited (which earlier was a 80:20 joint venture between Japan-based SoftBank Group Corp and the Bharti Group) by Adani Green Energy Limited (“**AGEL**”) for USD 3.5 billion; the green bond issuance by certain subsidiaries of Vector Green Energy Private Limited aggregating USD 1,031 million; the 100% acquisition of Norwegian solar manufacturing company REC Solar Holdings AS (REC Group) from China National Bluestar (Group) Co. Limited by Reliance New Energy Solar (a wholly-owned subsidiary of Reliance Industries Limited) for USD 771 million; AGEL’s green bond issuance through 3 year notes under the 144A/Reg S format aggregating USD 750 million, etc.

<sup>3</sup> See Vibhuti Garg, “Renewable Energy Investment Surges in India,” Institute for Energy Economics and Financial Analysis (IEEFA), June 2022.

<sup>4</sup> See Press Release “Cabinet approves Production Linked Incentive Scheme on ‘National programme on High Efficiency Solar PV Modules’ for achieving manufacturing capacity of Giga Watt (GW) scale in High Efficiency Solar PV Modules” issued by the Ministry of New and Renewable Energy, published by the Press Information Bureau of India, New Delhi, September 21, 2022; available at: <https://pib.gov.in/PressReleaseframePage.aspx?PRID=1861128>

<sup>5</sup> No prior government approval is required

<sup>6</sup> As per extant policy, FDI up to 100% under the automatic route is permitted in the power sector (except atomic energy). This includes generation, transmission and distribution of electricity, as well as power trading, subject to the provisions of the Electricity Act, 2003, as amended from time to time (the “**Electricity Act**”).

<sup>7</sup> Since RE is part of the electricity sector, it is governed by the Electricity Act, which provides a framework for the generation, transmission, distribution, trading, and use of electricity. The Ministry of Power administers the implementation of the Electricity Act and plays a supervisory role in respect of overseeing the development of the electricity sector in the country.

<sup>8</sup> See the Press Release issued by the Ministry of Environment, Forest and Climate Change in this regard dated August 3, 2022; available at: <https://pib.gov.in/PressReleaseframePage.aspx?PRID=1861128>

<sup>9</sup> Among others, sovereign wealth funds from Singapore (e.g., GIC Holdings Pte Ltd. (“**GIC**”)) and the Middle East (e.g., Abu Dhabi Investment Authority (“**ADIA**”), Mubadala Investment Company PJSC (“**Mubadala**”), etc.) have made significant investments in India. Both GIC and ADIA, for instance, invested into Greenko Energy Holdings (“**Greenko**”), a local RE firm that seeks to focus on building integrated RE assets with storage facilities. Further, along with Tata Power Company Limited (“**Tata Power**”) and other members of a consortium led by BlackRock Real Assets (“**BlackRock**”), Mubadala entered into an agreement in April 2022 to invest in Tata Power’s RE subsidiary - Tata Power Renewable Energy Limited (“**Tata Power Renewables**”). Accordingly, BlackRock, together with Mubadala, invested USD 525 million (INR 4,000 crore) by way of equity/compulsorily convertible instruments for a 10.53% stake in Tata Power Renewables.

<sup>10</sup> Such as KKR & Co. Inc. (“**KKR**”). Investments made by KKR’s infrastructure fund, for instance, have facilitated the creation of Virescent Renewable Energy Trust (“**Virescent**”), an infrastructure investment trust (“**InvIT**”) established under the Indian Trusts Act, 1882 with the objective of undertaking investment activities as an InvIT in accordance with the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014. Further, along with the Hero Group (“**Hero**”), KKR agreed to invest USD 450 million in Hero’s RE arm a few weeks ago.

<sup>11</sup> For instance, Goldman Sachs Group Inc. made equity investments into ReNew Wind Power Private Limited (“**ReNew Wind**”), an independent power producer (“**IPP**”). In addition, GS Wyvern (part of Goldman Sachs Asset Management) had previously invested into ReNew Power Private Limited (“**RPPL**”), one of the largest IPPs in India. Further, Continuum Green Energy (India) Private Limited, an RE company with solar hybrid and wind projects servicing commercial and industrial (“**C&I**”) consumers, is majority-owned by a global infrastructure fund managed by Morgan Stanley Infrastructure Partners. Furthermore, Japan’s Orix Corporation completed its acquisition of a 21.8% stake in Greenko in March 2021.

<sup>12</sup> In August last year, Copenhagen Infrastructure Partners P/S signed an investment agreement through its Copenhagen Infrastructure New Markets Fund I (CI NMF) with Amp Energy India Private Limited. The agreement enables joint equity investments of over USD 200 million in RE projects in India, with the potential for future expansion.

<sup>13</sup> For example, Malaysia's state-owned Petroliam Nasional Berhad Group ("**Petronas**") operates in India through 'Amplus Solar', a brand that Petronas acquired in 2019 pursuant to its acquisition of Amplus Energy Solutions Private Limited. Among MNCs, BP p.l.c. invested into the Green Growth Equity Fund, which further invested in businesses like Ayana Renewable Power, Radiance Renewables, and GreenCell Mobility. Among other British MNCs, Shell Overseas Investment B.V. signed an agreement with Actis Solenergi Limited in April this year to acquire 100% of Solenergi Power Private Limited for USD 1.55 billion – and with it – the Pune-based Sprng Energy group of companies. Further, French MNC Total Energies SE ("**Total Energies**") formed a 50-50 JV a couple of years ago with AGEL, a subsidiary of the Adani Group. Last year, Total Energies expanded its partnership with the Adani Group by acquiring a 20% interest in AGEL.

<sup>14</sup> JERA Co., Inc., a Japanese JV, purchased a 10% stake in ReNew Power Ventures Private Limited. In July last year, the Alfanar Group, headquartered in Saudi Arabia, completed its 100% acquisition of Senvion India – a wind turbine original equipment manufacturer (OEM) – from Senvion GmbH. Further, Green Infra Wind Energy Limited – a company engaged in the development of wind-based RE projects across five Indian states, and Sembcorp Energy India Limited, are both part of the Sembcorp group associated with Sembcorp Industries Limited – a company listed on the Singapore Exchange. EDF Renewables S.A., the wholly-owned subsidiary of a French utility group, and Total Eren, also a French RE company, established EDEN Renewables India in 2016 – a JV dedicated to the Indian solar photovoltaic market. In addition, CLP Holdings Limited, incorporated in Hong Kong, holds a 60% indirect equity ownership in Cleansolar Renewable Energy Private Limited through Apraava Energy. Similarly, Vena Energy Pte. Ltd., headquartered in Singapore, operates in India through a network of local subsidiaries. Further, Finland's Fortum Corporation, which launched Indian operations in 2012, signed an agreement in June 2018 to sell 54% of its solar power company in India to UK Climate Investments and others.

<sup>15</sup> The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at the 21<sup>st</sup> session of the Conference of the Parties (COP 21) held in Paris on December 12, 2015, and it entered into force on November 4, 2016. Its goal is to limit global warming to well below 2, and preferably to 1.5, degrees Celsius, compared to pre-industrial levels.

<sup>16</sup> The 2022 Conference of the Parties of the UNFCCC, or COP27, is the 27<sup>th</sup> United Nations Climate Change conference, held between November 6 – 18, 2022 in Sharm El Sheikh, Egypt.

<sup>17</sup> See Arjun Dutt, Lucila Arboleya, and Pablo Gonzalez, "Clean Energy Investment Trends 2020: Mapping Project-Level Financial Performance Expectations in India," Council on Energy, Environment and Water (CEEW) and International Energy Agency (IEA) Report, November 2020; available at: <https://www.ceew.in/cef/solutions-factory/CEEW-CEF-clean-energy-investment-trends-2020.pdf>

<sup>18</sup> See "Electricity Market Report," International Energy Agency (IEA), July 2021; available at: <https://iea.blob.core.windows.net/assets/01e1e998-8611-45d7-acab-5564bc22575a/ElectricityMarketReportJuly2021.pdf>

<sup>19</sup> Solar and wind power are available at INR 2 - 2.5/kilowatt-hour ("**kWh**") (USD 26 - 32/megawatt-hour) in the market. In February 2021, India witnessed an 18% year-on-year decline to a new record low in respect of solar tariff, translating to about INR 1.99/kWh with zero inflation indexation. Some forecasts suggest that Indian solar will likely reach INR 1/kWh by 2030.

<sup>20</sup> The repo (or repurchase) rate, *i.e.*, the rate at which the Reserve Bank of India ("**RBI**") lends funds to commercial banks and other financial institutions within the country. The current Repo Rate as fixed by the RBI is 5.4%. The repo rate was increased from 4% to 4.4%, an increase of 40 basis points ("**bps**"), on May 4, 2022, and then to 4.9% on June 8, 2022, and most recently, to 5.4% on August 8, 2022 – an increase of 50 bps from the last.

<sup>21</sup> Green bonds are fixed-income financial instruments which are used to fund projects that have positive environmental and/or climate benefits. While similar to 'regular' bonds, the proceeds raised from investors are pledged by the issuer to be utilized exclusively to finance projects in sectors such as RE.

<sup>22</sup> See Shantanu Jaiswal and Rohit Gadre, "Financing India's 2030 Renewables Ambition," White Paper, Bloomberg NEF, June 22, 2022 (published in association with the Power Foundation of India); available at: <https://assets.bbhub.io/professional/sites/24/BloombergNEF-Financing-India%E2%80%99s-2030-Renewables-Ambition-2022.pdf>

<sup>23</sup> Pursuant to a circular (A.P (DIR Series) Circular No. 11) issued on August 1, 2022, the RBI has doubled the borrowing limit for ECBs availed under the automatic route to USD 1.5 billion or equivalent, from the previous limit of USD 750 million.

<sup>24</sup> An AIF is any fund established or incorporated in India which is a privately pooled investment vehicle, which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors. AIFs include venture capital funds, SME funds, infrastructure funds, social impact funds, special situation funds, and such other AIFs as may be specified (Category I), as well as Categories II and III, respectively, pursuant to Section 3(4) of the SEBI (Alternative Investment Funds) Regulations, 2012, as amended until July 25, 2022.

<sup>25</sup> On April 6, 2022, the Central Board of Direct Taxes (CBDT) changed the Income-tax Rules, 1962, as amended from time to time.

<sup>26</sup> The IDFs that are eligible to issue ZCBs are only those that are set up as companies and registered as NBFCs under applicable RBI regulations, and do not include SEBI-regulated IDFs which are set up as trusts.

<sup>27</sup> External support is generally extended through one, or a combination, of the following ways: (a) on commercial terms in the form of an explicit fee charged by a specialized financial institution –which is in the business of extending credit enhancement; (b) at no cost to the issuing entity, but the issuer’s parent (or some other group company) underwrites the issuance with guarantees, cash collateral, or its balance sheet.

<sup>28</sup> Virescent was established under the Indian Trusts Act, 1882 with the objective of undertaking investment activities as an InvIT in accordance with the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended. Terra Asia Holdings II Pte. Limited, the sponsor to the Virescent funds, is an affiliate of the vehicles and/or entities managed and/or advised by affiliates of KKR.

<sup>29</sup> Regulation 18(6) of the InvIT Regs.

<sup>30</sup> Regulation 20(2) of the InvIT Regs: “The aggregate consolidated borrowings and deferred payments of the InvIT, holdco and the SPV(s), net of cash and cash equivalents shall not exceed seventy per cent. of the value of the InvIT assets.”

<sup>31</sup> InvITs were initially introduced in India as a listed vehicle with certain restrictions, which made it unfeasible for the RE sector.

<sup>32</sup> RPPL has utility-scale wind and solar energy projects, as well as RE projects catering to the requirements of commercial and industrial (C&I) customers.

<sup>33</sup> First, RPPL entered into a definitive business combination agreement with RMG Acquisition Corporation II (“**RMG II**”), a special purpose acquisition company (“**SPAC**”). RMG II, a shell company already listed on the NASDAQ, like with SPACs in general, had been previously set up for the express purpose of acquiring an operating company, such that the acquisition itself resulted in the listing of the latter. Upon closing, the combined entity was named ‘ReNew Energy Global PLC’ and was publicly listed on the NASDAQ Stock Market LLC under the symbol “RNW” (while its warrants commenced trading under a different symbol).

<sup>34</sup> For instance, AGEL raised (i) USD 1.35 billion from a consortium of 12 banks in March 2021, and (ii) USD 288 million from seven banks in March 2022, respectively. The underlying definitive agreements related to such revolving facility established a financing framework of agreed principles and procedures, pursuant to which AGEL was required to engage with the financiers to raise financing for all future projects pursuant to parameters as agreed upon.