



# Report and Recommendation of the President to the Board of Directors

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Project Number: 50195-001  
November 2016

## Proposed Loans and Administration of Loans Special Purpose Vehicles owned by ReNew Power Ventures Private Limited ReNew Clean Energy Project (India)

This is an abbreviated version of the document approved by ADB's Board of Directors that excludes information that is subject to exceptions to disclosure in accordance with paragraph 97 (v) and (viii) of ADB's Public Communications Policy 2011.



## CURRENCY EQUIVALENTS

(as of 3 October 2016)

Currency unit	–	Indian rupee/s (Re/Rs)
Re1.00	=	\$0.015
\$1.00	=	Rs66.5

## ABBREVIATIONS

ADB	–	Asian Development Bank
EPC	–	engineering, procurement, and construction
ESMS	–	environmental and social management system
IDD	–	integrity due diligence
LEAP	–	Leading Asia's Private Sector Infrastructure Fund
LIE	–	lender's independent engineer
MW	–	megawatt
O&M	–	operation and maintenance
SPV	–	special purpose vehicle

## NOTES

- (i) The fiscal year (FY) of the special purpose vehicles owned by ReNew Power Ventures Private Limited ends on 31 March. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2016 ends on 31 March 2016.
- (ii) In this report, "\$" refers to US dollars.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 50195-001</b>	
<b>Project Name</b>	ReNew Clean Energy Project	<b>Department /Division</b>	PSOD/PSIF1
<b>Country</b>	India		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Energy	Renewable energy generation - solar		102.30
	Renewable energy generation - wind		92.30
		<b>Total</b>	<b>194.50</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Mitigation (\$ million)	194.50
Environmentally sustainable growth (ESG)	Eco-efficiency	CO <sub>2</sub> reduction (tons per annum)	1,200,000
	Global and regional transboundary environmental concerns	Climate Change impact on the Project	Medium
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Partnerships (PAR)	Implementation	No gender elements (NGE)	✓
	Private Sector		
Private sector development (PSD)	Promotion of private sector investment		
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG7		
<b>6. Nonsovereign Operation Risk Rating</b>			
<b>Entity Name</b>	<b>Implied Project Rating</b>	<b>Final Project Rating</b>	
Narmada Wind Energy Pvt Ltd	NSO7	NSO7	
Helios Infratech Pvt Ltd	NSO9	NSO9	
ReNew Saur Shakti Pvt Ltd	NSO10	NSO10	
ReNew Mega Solar Power Pvt Ltd	NSO10	NSO10	
ReNew Wind Energy (Sipla) Pvt Ltd	NSO9	NSO9	
ReNew Solar Energy (Jharkhand One) Pvt Ltd	NSO10	NSO10	
ReNew Solar Energy (Jharkhand Three) Pvt Ltd	NSO10	NSO10	
<b>7. Safeguard Categorization</b> Environment: B    Involuntary Resettlement: C    Indigenous Peoples: C			
<b>8. Financing</b>			
<b>Modality and Sources</b>	<b>Amount (\$ million)</b>		
<b>ADB</b>	<b>194.50</b>		
Nonsovereign LIBOR Based Loan: Ordinary capital resources	32.60		
Nonsovereign LIBOR Based Loan: Ordinary capital resources	12.70		
Nonsovereign LIBOR Based Loan: Ordinary capital resources	34.70		
Nonsovereign LIBOR Based Loan: Ordinary capital resources	25.60		
Nonsovereign LIBOR Based Loan: Ordinary capital resources	31.40		
Nonsovereign LIBOR Based Loan: Ordinary capital resources	29.10		
Nonsovereign LIBOR Based Loan: Ordinary capital resources	28.50		
<b>B-Loans</b>	<b>0.00</b>		
None	0.00		
<b>Official Cofinancing<sup>a</sup></b>	<b>194.50</b>		
Leading Asia's Private Sector Infrastructure Fund	194.50		
<b>Others<sup>b</sup></b>	<b>389.10</b>		
<b>Total</b>	<b>778.20</b>		

<sup>a</sup> Concessional financing from external sources.<sup>b</sup> Derived by deducting ADB financing, B Loans and Official Cofinancing from Project Total Cost.



## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on proposed loans of up to \$195 million (or Indian rupee equivalent), in aggregate, to seven special purpose vehicles (SPVs) owned and controlled by ReNew Power Ventures Private Limited (ReNew) for the ReNew Clean Energy Project in India. The report also describes the proposed administration of loans of up to \$195 million, in aggregate, to be provided by the Leading Asia's Private Sector Infrastructure Fund<sup>1</sup> (LEAP) for the ReNew Clean Energy Project in India. If the Board approves the proposed loans, I, acting under the authority delegated to me by the Board, approve the administration of the LEAP loans.

## II. THE PROJECT

### A. Project Identification and Description

#### 1. Project Identification

2. The Government of India has established ambitious renewable energy targets in the country's electricity-generation mix: 175 gigawatts of capacity from renewable resources by 2022, of which about 91% will come from solar and wind. Since 2007, ADB has supported several nonsovereign projects encompassing multiple segments of the renewable energy value chain, from generation to transmission. One such project in 2014 involved an early-stage equity investment into ReNew, an independent power producer and renewable energy developer in India, to help the company expand its scale of operations.<sup>2</sup> As ReNew executes its growth plan, which includes diversification of its portfolio across states, offtakers, and technologies, it requires debt financing for several of its solar and wind projects and has requested ADB to catalyze funding.

#### 2. Project Design

3. The project involves the construction of 398 megawatts (MW) of solar power and 311 MW of wind power subprojects across six states. Of this, 255 MW of solar subprojects will be located in Jharkhand in eastern India, representing ADB's first nonsovereign exposure to what is one of India's less-developed states. ADB will provide a nonsovereign loan from its ordinary capital resources, along with a loan from the ADB-administered LEAP (together the "facilities"), to seven SPVs that were established for executing the subprojects in the states of Andhra Pradesh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, and Telangana, each having (or required to have) a 25-year power purchase agreement. The project will be the first ADB transaction to catalyze LEAP funding. The facilities will be structured as separate loans to each of the seven SPVs on a project finance basis (Table 1).

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<sup>1</sup> Financing partner: Japan International Cooperation Agency.

<sup>2</sup> ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Equity Investment in ReNew Power Ventures Private Limited, ReNew Power Investment Project in India*. Manila.

### Table 1: Overview of Subprojects, by Special Purpose Vehicle

(Confidential information redacted under para. 97(v) of ADB's Public Communications Policy)

4. **Engineering–procurement–construction strategy.** (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy).

5. **Finance strategy.** (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy).

### 3. The Sponsors

6. **ReNew.** ReNew was established in 2011 with a vision of creating a best-in-class renewable energy company for the development of wind and solar power projects in India. Sumant Sinha, former chief financial officer of Suzlon, founded the company. Since its inception, ReNew has commissioned 1,167 MW of operational capacity as of 31 August 2016 (933 MW of wind and 234 MW of solar). As of August 2016, it has over 1.5 gigawatts of its renewable pipeline under construction or in early development, i.e., over 600 MW of wind farms and over 900 MW of solar capacity. (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy).

7. (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy).

8. (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy).

### Table 2: Key Financials of ReNew Power Ventures Private Limited, FY2014–FY2016

(Confidential information redacted under para. 97(v) of ADB's Public Communications Policy)

9. (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy).

10. **Integrity assessment.** Integrity due diligence (IDD) was conducted in accordance with ADB's IDD Guidelines for Nonsovereign Operations<sup>3</sup> and included analyses of the integrity risks posed because ReNew's shareholding structure involves several intermediate jurisdictions. The results of these analyses are set out in the IDD disclosure document.<sup>4</sup> None of the countries involved in ReNew's shareholding structure is listed by the Financial Action Task Force as being a strategically deficient jurisdiction. ADB's review of (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy) does not give ADB cause to believe that either entity or the SPVs have been established, or are being used for cross-border tax evasion, money laundering, or terrorism financing in the jurisdictions involved in the project.

### B. Development Impact, Outcome, and Outputs

11. **Impact.** The project's impact will be in the form of continued diversification of India's energy mix via the addition of renewable energy capacity, providing the country with a secure,

<sup>3</sup> ADB. 2015. *Integrity Due Diligence Guidelines for Nonsovereign Operations*. Manila.

<sup>4</sup> (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy)



reliable, and sustainable source of electricity that strengthens energy security and reduces its reliance on fossil fuels. The project also contributes to the acceleration and expansion of private sector investments in, and scaling up of, clean energy infrastructure in India.

12. **Outcome.** The project's outcome will be increased renewable energy capacity developed and operated by the private sector. The project will generate 1,400 gigawatt-hours of clean energy per annum and contribute to avoiding 1.2 million tons of carbon dioxide emissions annually from 2018 onward.

13. **Outputs.** The project outputs are the development and commissioning of 398 MW of solar power and 311 MW of wind power for an aggregate of 709 MW of generating capacity by 2018, and generation of local employment opportunities in support of the project.

### C. Alignment with ADB Strategy and Operations

14. **Consistency with ADB strategy and country strategy.** The project supports infrastructure and environment, two of the five core operational areas of ADB, as reaffirmed by the Midterm Review of Strategy 2020.<sup>5</sup> The project also supports three of the five key thrusts of the country partnership strategy, 2013–2017 for India: (i) infrastructure development, (ii) job creation and access to jobs, and (iii) environmental sustainability.<sup>6</sup>

15. **Consistency with sector strategy and relevant ADB operations.** The project is consistent with ADB's Energy Policy,<sup>7</sup> which states that support for renewable energy projects will be prioritized and broadened. In September 2015, ADB announced that it would double its annual climate financings to \$6 billion by 2020, including \$4 billion annually for mitigation. Of this annual amount, \$3 billion would target clean energy projects such as solar (as well as wind, transmission, smart grids, and other technologies).<sup>8</sup>

16. **Lessons from previous operations.** Extended annual reviews of renewable energy projects in India previously financed by ADB's Private Sector Operations Department indicated that successful project implementation depends on the strength of the sponsor and its ability to understand the regulatory environment, and the terms and conditions governing the financing of such projects. Other lessons, that are not sector-specific, pertain to issues such as a long-term foreign exchange hedging strategy and coordination with domestic cofinanciers. ADB is confident that ReNew can successfully implement the project given its past track record, while the other lessons will be taken into account in the execution of the project.

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<sup>5</sup> ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

<sup>6</sup> ADB. 2013. *Country Partnership Strategy: India, 2013–2017*. Manila.

<sup>7</sup> ADB. 2009. *Energy Policy*. Manila.

<sup>8</sup> ADB. 2015. *ADB to Double Annual Climate Financing to \$6 Billion for Asia-Pacific by 2020*. Manila.

## D. Project Cost and Financing Plan

17. Table 3 breaks down the project's total cost of \$778.2 million by key items.

**Table 3: Project Costs**

Item	Amount (Rs, million)	Amount (\$, million)
Plant components	45,114.2	678.4
Land acquisition <sup>a</sup>	1,586.2	23.9
Evacuation <sup>a</sup>	311.5	4.7
Interest during construction	1,294.1	19.5
Other soft costs	3,441.2	51.7
<b>Total</b>	<b>51,747.2</b>	<b>778.2</b>

Note: Numbers may not sum precisely due to rounding.

<sup>a</sup> (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy).

Source: ReNew Power Ventures Private Limited.

18. Table 4 identifies the corresponding sources of funds.

**Table 4: Financing Plan**

Source	Amount (Rs, million)	Amount (\$, million)	Share (%)
Loans			
Asian Development Bank	12,936.8	194.5	25.0
Leading Asia's Private Sector Infrastructure Fund <sup>a</sup> (Parallel Debt Sub-program)	12,936.8	194.5	25.0
Other lenders <sup>b</sup> (including domestic lenders)	12,936.8	194.5	25.0
Equity (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy)			
<b>Total</b>	<b>51,747.2</b>	<b>778.2</b>	<b>100.0</b>

Note: Numbers may not sum precisely due to rounding.

<sup>a</sup> Financing partner: Japan International Cooperation Agency. Administered by the Asian Development Bank.

<sup>b</sup> Other lenders may potentially include other development finance institutions.

Source: ReNew Power Ventures Private Limited.

## E. Implementation Arrangements

19. Table 5 summarizes the implementation arrangements.<sup>9</sup>

**Table 5: Summary of Implementation Arrangements**

Aspects	Arrangements
Regulatory framework	The policies that govern renewable energy in India consist of the following, in order of precedence: (i) the Electricity Act of 2003; (ii) the National Electricity Policy of 2005; and (iii) the Tariff Policy of 2006.
Management	ReNew is led by Sumant Sinha, its founder and chief executive officer. ReNew's board is represented by investors with significant domain expertise in the infrastructure and renewable energy industries. ADB is an equity shareholder and holds a seat on the board. ReNew's management team comprises specialists with significant experience in India's power sector.
Due diligence	ADB appointed Lahmeyer (India) International Limited as the lender's independent engineer (LIE) for the two Telangana solar subprojects, and L&T Sargent & Lundy as LIE for the Karnataka wind subproject. Technical due diligence, including estimation of the energy yield, was completed for one solar subproject (ReNew Mega Solar Power Private Limited) and one wind subproject (Sipla SPV). LIEs will be appointed to assist with the technical due diligence and energy yield assessments of the remaining subprojects as those projects move forward in their development cycles and prior to disbursement from the facilities.
Implementation period	The project will be implemented over 1 year—construction will be from January 2017–January 2018. The project will be administered until final repayment of the solar subprojects in 2038.

<sup>9</sup> Details of Implementation Arrangements (accessible from the list of linked documents in Appendix 2).

Aspects	Arrangements
Construction arrangements	
Type of arrangement	(Confidential information redacted under para. 97(v) of ADB's Public Communications Policy)
Power generation equipment	(Confidential information redacted under para. 97(v) of ADB's Public Communications Policy). These suppliers have performed technical analyses of the proposed sites and will supply turbines that are optimized for the wind resources in that location. Solar components, including modules, inverters, and trackers, will be procured from reputable global manufacturers on a competitive basis and will be backstopped by robust warranties and performance guarantees.
Contractors	(Confidential information redacted under para. 97(v) of ADB's Public Communications Policy)
Operational arrangements	
Revenue structure	The subprojects will enter into 25-year power purchase agreements with respective state utilities (in Andhra Pradesh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, and Telangana) where they are located.
Operation and maintenance	Wherever ReNew is the project manager, it will also subsequently manage operation and maintenance (O&M) of a subproject. Where ReNew engages a third-party EPC contractor for a subproject, the contractor will also manage the O&M for the subproject.
Performance monitoring	Key performance indicators, including output and outcome indicators, will be reported by ReNew and monitored by ADB.

Source: ReNew Power Ventures Private Limited and Asian Development Bank.

20. (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy).

#### **F. Projected Financial and Economic Performance**

21. (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy).

### **III. THE PROPOSED ADB ASSISTANCE**

#### **A. The Assistance**

22. ADB will provide up to \$195 million (or Indian rupee equivalent), and administer up to \$195 million from LEAP as loans to seven SPVs controlled by ReNew. These SPVs were established to develop solar and wind subprojects in the states of Andhra Pradesh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, and Telangana. ADB's loans will have a tenor of up to 18 years for wind subprojects and 21 years for solar subprojects; administered loans from LEAP will have a tenor of up to 17 years for wind subprojects and 20 years for solar subprojects.

#### **B. Value Added by ADB Assistance**

23. ADB adds value by mobilizing a substantial financing package to a leading private sector renewable energy developer. ADB's assistance, structured as long-tenor loans to seven SPVs (as opposed to a single subproject), will be supplemented by \$195 million mobilized through LEAP. This approach results in a more efficient use of ADB's resources and further demonstrates the viability and bankability of the renewable energy sector in India. ADB's assistance also contributes towards meeting the government's target of renewable energy capacity addition.

### C. Risks

24. **Offtaker.** The sole source of revenue for each subproject is the offtake agreement with the respective state-level distribution company. Therefore, the long-term viability of each subproject is linked to the financial health of the distribution company. However, all the distribution companies in this project (except for Madhya Gujarat Vij Company Limited in Gujarat state) have moderate-to-weak credit risk profiles and rely heavily on timely tariff subsidies from their state governments to remain viable. The risk of delayed payments by such distribution companies is high and there are examples of payment delays to several wind energy projects in certain states. However, no distribution company has defaulted. (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy). However, these structural enhancements will only serve as short-term liquidity measures. The government's initiatives may improve the financial standing of the distribution companies, but the impact of these measures remains to be seen.

25. **Sponsor and guarantor risk.** ReNew has satisfactorily developed and operated wind and solar power projects. Its strengths include management's extensive experience in renewable energy in India and proven access to debt and capital markets. (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy)

26. **Foreign exchange.** Subproject revenues are paid in Indian rupees. ADB expects to arrange separate cross-currency swaps for the tenor phases 1 and 2 of its loans. ReNew will arrange hedging for the tenor phases 1 and 2 of the LEAP tranche, in line with similar hedging arrangements previously made for funding in United States (US) dollars provided by other bilateral lenders. However, there is no assurance that swap markets can support the envisaged hedges at the time the funds are required. This means that alternative Indian rupee funding mechanisms (e.g., a rollover of shorter swaps) will need to be included in the loan agreements. Moreover, in the event of any early repayment of the loans, any costs related to the unwinding of the swap will be passed on to the respective SPV. ADB will also have the option to disburse in US dollars, but this will only be undertaken if the foreign currency risk is hedged to ADB's satisfaction.

27. **Engineering, procurement, and construction.** (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy). The payments are linked to performance milestones, with strong liquidated damages clauses in case of nonperformance. (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy). ADB will require turnkey as well as in-house EPC arrangements to conform to market practices.

28. **Operation and maintenance.** (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy). The LIEs will evaluate all related-party arrangements and, before disbursement, verify whether ReNew—and its contractors—can manage the O&M requirements of the subprojects. Before ReNew commits to a subproject, the LIEs will also confirm the adequacy of transmission line arrangements and the ability of the relevant substations to accommodate the subproject to ensure that evacuation risks (during operations) are adequately mitigated.

29. **Solar and wind resources.** ADB's appointed LIEs will carry out energy yield estimates for each site. For wind subprojects, wind resource and energy yield assessments will also be conducted by ReNew's in-house team and third-party industry experts based on at least 2 years of uninterrupted wind data. The sites for the solar subprojects are in India's favorable solar radiation belt. Resource forecasts used for calculating the base-case cash flows in each subproject's financial model will be based on generation exceeding 90% probability each year. A

resource assessment by an LIE was completed for one wind and two solar subprojects; the rest of the assessments will be completed before signing of the respective loan agreements.

30. The proposed loans to SPVs owned by ReNew are rated NSO7 for the subprojects located in Gujarat and Madhya Pradesh; NSO9 for the subprojects located in Andhra Pradesh and Karnataka; and NSO10 for the subprojects located in Telangana and Jharkhand.

#### **IV. POLICY COMPLIANCE**

##### **A. Safeguards and Social Dimensions**

31. In compliance with ADB's Safeguard Policy Statement (2009), the project is classified category B for environment and category C for involuntary resettlement and indigenous peoples impacts. The facilities will support seven subprojects as described in para. 3. The potential environmental and social impacts of the project were identified, and effective measures to avoid, minimize, mitigate, and compensate for the adverse impacts are incorporated in ReNew's environmental and social management system (ESMS). Initial environmental examinations for the two identified solar subprojects were prepared in line with ADB's Safeguard Policy Statement requirements and reviewed by ADB. Initial environmental examinations for the other subprojects will be prepared by ReNew prior to disbursement, to ADB's satisfaction and in line with its ESMS provisions.

32. The potential environmental and social impacts of solar and wind power subprojects are generally site-specific, reversible, and mostly caused by associated construction activities. These impacts typically include land and vegetation clearing for site preparation and construction of access and internal roads within the solar and wind farms, transportation and delivery of equipment and materials, excavation and the laying of foundations, and installation of wind turbines and solar panels. Issues may potentially include occupational and community health and safety, shadow flicker, noise and vibration, soil erosion, and potential threats to bird and bat populations. All permanent land acquisition for the subproject SPVs will be through voluntary sale at market rates on a willing-seller, willing-buyer basis, compliant with requirements for negotiated land acquisition laid down in ADB's safeguard requirements for involuntary resettlement. The negotiated settlements will be confirmed through an external audit of the land procurement process. Impacts on indigenous peoples are not triggered since the site selection process will avoid procurement of lands owned, used, occupied, or claimed as ancestral domain by Scheduled Tribes<sup>10</sup> for the project. The ESMS includes screening procedures to assess whether the project will affect the human rights, livelihood systems, or culture of indigenous peoples. Subprojects with potential impacts on Indigenous Peoples, identified during the screening process, will be excluded from consideration for ADB financing.

33. ReNew adopted its ESMS, compliant with ADB's Safeguard Policy Statement requirements, on August 2014 to manage the environmental and social risks emanating from the construction and operations of its solar and wind projects. While ReNew's existing ESMS is compliant with ADB requirements, the company has hired a qualified and experienced third-party consulting firm to update and improve it to (i) account for ReNew's changing business model from turnkey development to self-development of subprojects, and (ii) to incorporate its lessons since

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<sup>10</sup> Scheduled tribes, refers to tribes or tribal communities or parts of or groups within such tribes or tribal communities as are deemed under Article 342 of the Indian Constitution as Scheduled Tribes, based on their primitive traits, distinctive culture, geographical isolation, shyness of contact with the community at large, and backwardness.

2014 from implementing the ESMS. ADB will review the updated ESMS for compliance with ADB requirements. The institutional capacity and commitment of ReNew to manage the project's social and environmental impacts are deemed adequate and capable to manage the envisaged environmental and social risks and impacts of the project. Information disclosure and consultation with affected people will be conducted in accordance with ADB requirements.<sup>11</sup>

34. ReNew will comply with national labor laws and, pursuant to ADB's Social Protection Strategy (2001), will take measures to comply with the internationally recognized core labor standards.<sup>12</sup> ReNew will report regularly to ADB on (i) their (and their contractors') compliance with such laws and (ii) the measures taken.

## **B. Anticorruption Policy**

35. ReNew was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism, and remedies for ADB in the event of noncompliance.

## **C. Investment Limitations**

36. The proposed loans are within the medium-term, country, industry, group, and single-project exposure limits for nonsovereign investments.

## **D. Assurances**

37. Consistent with the Agreement Establishing the Asian Development Bank (the Charter), ADB will proceed with the proposed assistance upon establishing that the Government of India has no objection to the proposed assistance to seven SPVs owned (or majority-owned) by ReNew. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB, following approval of the proposed assistance by the Board of Directors.

## **V. RECOMMENDATION**

38. I am satisfied that the proposed loans would comply with the Articles of Agreement of the Asian Development Bank (ADB) and, acting in the absence of the President, under the provision of Article 35.1 of the Articles of Agreement of ADB, I recommend that the Board approve the loans of up to \$195,000,000, in aggregate, from ADB's ordinary capital resources to seven special purpose vehicles owned and controlled by ReNew Power Ventures Private Limited in India, with such terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board.

Stephen P. Groff  
Vice President

11 November 2016

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<sup>11</sup> Summary Poverty Reduction and Social Strategy; Safeguards and Social Dimensions Summary; Findings of the Corporate Safeguard Audit: Environmental and Social Management System Arrangement (accessible from the list of linked documents in Appendix 2).

<sup>12</sup> ADB. 2003. *Social Protection*. Manila (adopted in 2001).

## DESIGN AND MONITORING FRAMEWORK

<b>Impacts the Project is Aligned with</b> India's energy mix diversified through the addition of renewable energy capacity (Ministry of New and Renewable Energy) <sup>a</sup>  Renewable energy in India accelerated and scaled up through greater private sector participation (Ministry of New and Renewable Energy) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b>  Increased renewable energy capacity developed and operated by the private sector	By 2018  a. 1,400 GWh generated annually (2016 baseline: NA)  b. 1.2 million tons of CO <sub>2</sub> avoided annually (2016 baseline: NA)  c. Number of jobs provided during operation amount to at least 200 (2016 baseline: NA)  d. Direct contribution (corporate tax) to government revenues amounts to an average of \$11.6 million per year, during project life (2016 baseline: NA)	a–d. Company's financial statements  a–d. Company's annual progress reports  a–d. ADB's annual review reports	Capacity utilization rates do not meet forecast because solar or wind resources are less than anticipated.  Power production falls short of plans because of accidents and delayed or inadequate maintenance.  Generated energy is not dispatched because transmission capacity at substation delivery point is inadequate.
<b>Outputs</b> 1. A total of 709 MW of solar and wind power subprojects developed and commissioned  2. Local employment generated	1a. 398 MW of solar capacity commissioned by 2018 (2016 baseline: NA)  1b. 311 MW of wind capacity commissioned by 2017 (2016 baseline: NA)  2a. Local purchase of goods and services amounts to Rs28 billion (approximately \$420 million equivalent) during construction (2016 baseline: NA)  2b. 6,000 full-time equivalent local jobs are created during construction (2016 baseline: NA)	1a–1b. Company's financial statements  2a–2b. ADB's annual review reports	Land acquisition is delayed.  Changes to prices of supplies and components  Trained human resources are not available.

<p><b>Key Activities with Milestones</b></p> <p><b>Output 1: A total of 709 MW of solar and wind power subprojects developed and commissioned.</b></p> <p>1.1 Execution of legal documentation completed by June 2017.</p> <p>1.2 Construction of the subprojects in the states of Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, and Telangana progressing on schedule and all subprojects complete construction by end of 2017.</p> <p>1.3 Construction of the subprojects in the state of Jharkhand progress on schedule and all subprojects complete construction by January 2018.</p> <p><b>Output 2: Local employment generated.</b></p> <p>2.1 Construction of the subprojects progressing on schedule and required personnel are employed.</p> <p>2.2 The subprojects are operating satisfactorily and employing the suitably skilled staff.</p>
<p><b>Inputs</b></p> <p><b>Debt:</b>  Asian Development Bank: \$194.5 million  Leading Asia's Private Sector Infrastructure Fund (Parallel Debt Sub-program): \$194.5 million  Other lenders: \$194.5 million</p> <p><b>Equity:</b>  (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy)</p>
<p><b>Assumptions for Partner Financing</b></p> <p>Not applicable.</p>

ADB = Asian Development Bank, CO<sub>2</sub> = carbon dioxide, GWh = gigawatt-hour, MW = megawatt, NA = not applicable.

<sup>a</sup> Government of India, Planning Commission. 2013. *Twelfth Five Year Plan, 2012–2017*. Delhi.

<sup>b</sup> (Confidential information redacted under para. 97(v) of ADB's Public Communications Policy)

Source: Asian Development Bank.



**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=50195-001-4>

1. Sector Overview
2. Details of Implementation Arrangements
3. Contribution to the ADB Results Framework
4. Financial Analysis
5. Economic Analysis
6. Country Economic Indicators
7. Summary Poverty Reduction and Social Strategy
8. Safeguards and Social Dimensions Summary
9. Findings of the Corporate Safeguard Audit: Environmental and Social Management System