

# REC Limited Media Coverage 07 May 2024

## CMD Interview in BW BUSINESS WORLD



# We Envisage A 10-fold Increase In Our Renewable Energy Portfolio To Rs 3 Lakh Cr: REC CMD

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# Renewable Energy # Vivek Kumar Dewangan # REC

*Ending FY24 with record loan sanction and disbursements, REC CMD Vivek Kumar Dewangan caught up with Arjun Yadav of BW Businessworld to delineate the financing firm's strides in diversifying its loan book, the razor sharp focus on asset quality, the plan for the solar rooftop scheme and more. Excerpts:*



## How would you describe REC's financial performance in FY24?

FY24 was a fabulous year for REC. The total return to shareholders has been tremendous. We started the financial year with a share price of about Rs 110. We ended it above Rs 450 per share, almost more than 350 per cent return to the shareholders. We achieved the highest-ever loan sanctions worth Rs 3,56,000 crore compared to Rs 2,68,000 crore. The disbursement too was phenomenally high to the tune of Rs 1,61,000 crore, compared to last year's Rs 97,000 crore. With this growth in our loan book, we are committed to the fact that our assets under management will double in the next five to six years.

By 2030, we intend to take our loan book to about Rs 10 lakh crore, and 30 per cent will come from the renewable energy portfolio. We envisage a 10-fold increase in our renewable energy portfolio to about Rs 3 lakh crore from the current Rs 35,000 crore. Similarly, we are also seeing that there will be a 4-fold growth in our non-power infrastructure logistics loan book. It will grow to about Rs 2 lakh crore by the year 2030.

## Talk us through the portfolio division as of now for the loan book. How has the progress been on the infrastructure sector?

We were a bit cautious about the non-power infrastructure logistics sector. Initially, we sanctioned only those projects that were supported by state government guarantees. We are gaining confidence and have brought sector experts specialising in the infrastructure and logistics sector.

With the strengthening of the workforce, we are hoping that we will be able to finance certain private-sector projects also in the infrastructure logistics space. However, we will ensure that we will not finance any infrastructure projects until successive revenue and cash flows are

assured. The revenue cash flow should be sufficient to meet our repayment obligation. We are targeting good assets. We are not in a hurry to finance the infrastructure logistics sector.

**You have had no new non-performing assets (NPAs) lately. How is such high focus on asset quality being achieved? And in turn due to it, is there any effect on the margins?**

Yes, we are willing to take a bit of a hit on the margin, but we do not want any asset to become a NPA. In the last eight quarters, we have not had a single NPA added. We hope that by December 2025, we will become a net zero NPA company because assets under resolution are heading towards liquidation.

**And on the cost of funding, how would you describe the current macroeconomic environment? Talk us through the borrowing plan as well.**

We had borrowed about Rs 1.5 lakh crore in the last financial year. Our board has approved a borrowing limit of up to Rs 1.6 lakh crore in the current financial year. However, as the year progresses, we can also increase the borrowing limit if the need arises. Our conscious effort is to bring down the cost of financing. We have brought down our financing cost to about 7.16 per cent. Since we are targeting good quality assets, our margins will be able to hold on to our net interest margin at more than 3.55 per cent.

**Your loan book still heavily consists of the state sector. Is it strategic or are there efforts being made to lend to the private sector as well with the same trajectory?**

Yes, right now, 90 per cent of our loans are towards the state sector. We are a bit cautious about the private sector because most of our NPAs from old coal-based thermal power plants were in the private sector.

But going forward, since we are targeting to increase our renewable energy portfolio to about 30 per cent of our loan book by the year 2030, and most of these projects are coming from the private sector, the share of the private sector is bound to increase automatically. From the present 10 per cent, it will rise to about 30 per cent by 2030.

**What exactly will be your role as the overall programme implementer of the solar rooftop scheme?**

Our job is to coordinate with various stakeholders, including rooftop owners, distribution companies, vendors, banks, and financial institutions that will be giving loans. The Ministry of New and Renewable Energy has indicated to us that they are targeting the installation of about one crore rooftop solar modules in the next two years. So, our job is quite complex because we need to coordinate with all such entities.

A grievance redressal mechanism has also been put in place. After the model code of conduct is lifted, we will also plan an outreach programme through a comprehensive communication strategy.

Moreover, the Ministry of Power has amended some rules. The technical feasibility report has now been done away with for projects below 10 kilowatt capacity. Subsequent to these amendments, the distribution companies and the State Electricity Regulatory Commissions are also making suitable provisions to facilitate doing away with the technical feasibility report, which will help expedite installations.

Our central public sector undertakings (CPSEs) will also play an important role in being trusted vendors in ensuring the pricing and quality of the solar modules being installed on rooftops.

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