

REC Limited Media Coverage 11 October 2024

CMD Interview with APAC News Network



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REC plays a key strategic role in the flagship schemes for the power sector : Vivek Kumar Dewangan, IAS, CMD – REC Limited



Vivek Kumar Dewangan, IAS, CMD – REC Limited

REC Limited has played a pivotal role in shaping India's power sector landscape, since its establishment in 1969 with a focus on electrifying rural India, As India's power sector is standing at the threshold of a significant transition committed to increase the green energy contribution and achieve the ambitious target of net zero emissions by 2070, REC is a key player in this journey.

In an exclusive conversation with CXO News and APAC News Network, Vivek Kumar Dewangan, IAS, CMD – REC Limited outlines how *REC* has evolved into a leading NBFC to finance the entire power sector value chain, including generation, transmission, distribution, and renewable energy segments.

How would you assess the emergence of REC as a critical financial arm for India's power sector? How are the targets being set by REC till 2030?

REC has emerged as a critical financial institution for the entire power sector. We provide loans for various power projects, including generation (thermal, hydro, renewable), transmission, and distribution including backward and forward linkages in Coal Blocks, Pollution Control measures to improve emission efficiency like FGD installation, Super Critical Thermal Plants etc.

The loan book has maintained its growth trajectory and has increased by 17% to ₹5.30 lakh crore as against ₹ 4.54 lakh crores as at 30th June 2023. Our approximate 90% lending is in state sectors and 10% lending in private sector. The company is witnessing healthy traction in the new projects and the same is evident from the healthy growth in sanctions. The sanction during Q1 FY25 achieved ₹ 1,12,791 crore vs. ₹ 90,797 crore in Q1 FY24, representing a growth of 24%.

The sanctions book shall translate into the loan book in the next couple of years. In line with the Installed Capacity projections of the country to grow from 441 GW in FY 2024 to 777 GW by FY 2030, REC's total Loan Book is targeted to grow from current level of ₹5.30 lakh crore to ₹10 lakh crore by FY2030.

Apart from power sector financing, REC is also financing in the non-power infrastructure. How much has been sanctioned recently and what is the target for 2030?

In September 2022, REC got Maharatna Status. Post this, Govt. allowed REC to lend to the logistics and infrastructure sectors up to 1/3rd of our total sanctions annually. In Q1 FY25, REC sanctioned Rs.19,815 Crore to non-power infrastructure sectors (Roads & Expressways, Metro Rail, Airports, IT Communication, Social and Commercial Infrastructure (Educational Institution, Hospitals), Ports and Electro-Mechanical (E&M) works in respect of various other sectors like Steel, Refinery, etc). The lending mandate accorded by Ministry of Power to finance non-power infrastructure is likely to comprise around 20% of the loan book of REC by FY 2030.

Besides financing the power sector, which all schemes involve REC as the nodal agency by the Govt. of India?

REC continues to play a key strategic role in the flagship schemes for the power sector and has been nodal agency for Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGAYA), Deen Dayal Upadhaya Gram Jyoti Yojana (DDUGJY) & National Electricity Fund (NEF) Scheme.

REC has also been made the nodal agency for the Revamped Distribution Sector Scheme (RDSS) under which Govt. targets to install 250 million smart meters by 2025. Recently, REC has also been Program Implementation Agency (PIA) of PM Surya Ghar Muft Bijli Yojana under which Govt. targets to install Roof Top Solar on 1 Crore households.

How is REC helping specifically in India's Renewable Energy targets?

The Renewables capacity in the country is estimated to reach 485 GW RE (Non-Fossil 500 GW) from current 190 GW RE (Non-Fossil 198 GW) by 2030. In line with this energy transition pathway of the country, REC's Renewables Loan Book is targeted to grow from current ₹42,936 crore to ₹3 lakh crore by 2030. The recent pace of sanctions in renewables confirms this target is on track as there has been an increase in Renewables in FY24 over FY23 by 533%.

How is REC focusing on innovation and efficiency?

REC has continuously embraced innovation to improve its services and efficiency. We have implemented online loan applications, streamlined processes, and adopted digital solutions for faster loan disbursements. Additionally, REC actively participates in the development of new financial instruments, such as green bonds, to support sustainable power projects. REC shall continue to strive to raise cheaper resources from all sources, domestic and international and provide cost effective financing products to the sector.

What is the credit rating of REC and how much is your current NPA?

REC has maintained a strong financial performance, contributing to India's overall economic well-being. We have consistently achieved healthy profitability and a strong credit rating, allowing us to provide competitive financing options. REC holds the highest credit rating from CRISIL, ICRA, IRRPL & CARE and internationally rated at par with the sovereign ratings.

Additionally, our focus on diversified loan portfolios helps mitigate risk and ensures long-term financial stability. It is not only the credit growth REC is focusing but also the quality of loan assets, which is evident from the fact that no new NPA has been added during the last nine consecutive quarters and the net NPA has come down to 0.82% as at June'24 from 0.97% as at June'23. We expect, by March 2025, we shall be a Net zero NPA company.

How is REC bringing philanthropic changes in society through CSR activities?

At the core of REC's business practices, there has been a constant endeavour to balance economic, environmental, and social growth. Through its CSR arm, the REC Foundation, the company has been actively involved in facilitating inclusive growth through projects in areas including health and wellness, women empowerment, rural development, environmental sustainability, and education among many others.

REC Foundation has made major impact by supporting the training and incubation of sports talent in the country, providing medical assistance and educational facilities to the last mile, and running skilling programmes for the youth. Through these projects, REC is working constantly to create a more equitable and sustainable society, and bringing about meaningful difference in lives of the beneficiaries.

REC has supported over 400 projects in healthcare, sanitation, clean water access, education and skill development, women empowerment, sports and environmental sustainability. With over Rs.1,300 Crore of CSR funds disbursed, REC's cumulative commitment towards CSR activities stands at more than Rs.2,000 Crore.

How would you assess REC's achievements over the years?

REC's achievements over the past five decades have been instrumental in shaping India's power sector. From illuminating rural homes to fostering renewable energy adoption, our multifaceted efforts have empowered communities, strengthened the economy, and paved the way for a sustainable future.

REC Achievements over years

2017 – First Indian PSU to issue USD Green Bonds on London Stock Exchange

2018 – Achieved 100% village electrification under DDUGJY as Nodal Agency

2019 – Achieved 100% Household Electrification under SAUBHAGYA as Nodal Agency

2021 – Appointed as Nodal Agency for RDSS

2022 – Raised Largest-ever Syndicated Term Loan by an Indian NBFC with USD 1,175 Million Term Loan

2022 – Conferred Maharatna Status by the Govt. of India

2022 – With Government's permission forayed into Infrastructure and Logistics sector financing.

2023 – Issued Green Bonds of USD 750 million & listed on GIFT IFSC Stock Exchanges

2023 – Secured place in MSCI Global Standard Index

2023 – Becomes the largest NBFC on standalone basis

2024 – Lowest net NPA in the Industry at 0.86%

2024 – With market sentiment on the rise and investors showing stronger interest, ascended from Mid Cap to Large-Cap basket in the AMFI's latest list published (Jan'24).

2024 – Issued first ever Yen denominated Green bonds by Indian PSU of JPY 61.1 Billion, which marked the largest ever Euro-Yen issuance and also non-sovereign Yen-denominated issuance ever by a South & South-East Asian issuer.

2024 – Appointed as Project Implementing Agency for PM Surya Ghar Muft Bijlee Yojana.

2024 – Received approval from RBI to set up subsidiary in GIFT City

Rojneesh De, APAC News Network

Full Interview Link - <https://apacnewsnetwork.com/2024/10/rec-plays-a-key-strategic-role-in-the-flagship-schemes-for-the-power-sector-vivek-kumar-dewangan-ias-cmd-rec-limited/>
