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Director (Projects) Sh. V K Singh Interview in Powerline Magazine



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Interview with V.K. Singh

"We are charting the course for a greener future"

In a recent interview with *Power Line*, V.K. Singh, director (projects), REC Limited, shared his views about the current state of the power sector as well as the achievements and focus areas of the company. Edited excerpts...

What is your view on the current state of the power sector? How has it performed in the past one year?

India is one of the largest producers and consumers of electricity in the world, with a total installed capacity of 428 GW. The country's peak electricity demand has been increasing consistently, touching an all-time high of 240 GW in September 2023. In line with the "Panchamrit" target of achieving 500 GW of non-fossil fuel-based energy by 2030, the installed capacity is likely to reach 777 GW, involving an addition of 318 GW in non-fossil capacity over the current level of 188 GW. India's renewable energy capacity stands at around 181 GW, comprising roughly 43 per cent of the total installed capacity.

The factors that have fuelled the increase in investments in India's renewable energy sector include favourable policy interventions, government initiatives in driving clean energy adoption, and incentives such as tax benefits, subsidies, and low-cost financing options. Technological advancements and cost reductions in solar panels, wind turbines, and energy storage systems have made projects more economically viable. This has attracted a diverse range of investors who consider the sector a financially lucrative space. Further, the government has actively encouraged foreign investment in the sector through measures such as allowing 100 per cent foreign direct investment (FDI) and permitting FDI through debt instruments such as bonds. The launch of the PM Surya Ghar Muft Bijli Yojana, which aims to install rooftop solar power systems in 10 million households across the country, will further give an impetus to this sector.



What is the current investor sentiment in the sector?

The renewable energy sector in India is witnessing significant optimism. The country's renewable energy capacity has crossed the 181 GW mark, making India the fourth largest player globally in both wind and solar power. About 25 GW of renewable energy capacity is expected to be added in 2024, entailing an investment of Rs 1,375 billion (about \$16.5 billion). This is much higher than the 13.5 GW of capacity added in 2023, at an investment of Rs 742.5 billion (nearly \$9 billion).

In 2023, India's renewable energy sector witnessed pivotal policy initiatives. These included a structured bidding trajectory for 50 GW annually, a renewable purchase obligation trajectory till 2030, and the introduction of a uniform renewable energy tariff. However, to achieve the ambitious target of 500 GW by 2030, the country needs to add 25 GW of renewable capacity annually for the

next eight years. This translates into an estimated annual investment of Rs 1,250 billion (\$15 billion-\$16 billion), which is a considerable challenge.

What, according to you, are the measures needed to promote climate financing in India?

REC is continuously engaged in supporting green energy projects of various technologies through project financing. This includes solar, wind and hybrid projects, as well as promising upcoming technologies such as green hydrogen/ammonia and e-mobility. Our goal is to make low-cost funds readily available, facilitating India's ambitious target of achieving 500 GW of non-fossil-fuel-based capacity by 2030.

REC plays a crucial role as a nodal agency for various central government schemes, ensuring reliable and consistent power supply for every household. We remain committed to our mission as a project funding agency, providing viable projects with low-cost, tailor-made financing solutions.

What have been the key recent achievements of REC?

REC has recorded its highest-ever nine-month profit at Rs 100.03 billion, thanks to a combination of strategic financial management and improved asset quality. As of December 31, 2023, the company's net worth has reached a staggering Rs 647.87 billion, reflecting an impressive 18 per cent year-on-year growth.

For the nine-month period ending December 31, 2023, REC has achieved total sanctions of Rs 3,259 billion, which rep-

resents a 69 per cent growth over the same period last year. This includes sanctions of over Rs 1,250 billion in renewable projects encompassing solar, wind, hybrid, pumped storage plants (PSPs), green hydrogen/ammonia and e-mobility. In this segment, REC has achieved a whopping growth of 490 per cent in sanctions, which speaks of the company's focus on this sector. Earlier, in July 2023, REC hosted the Green Finance Summit on the sidelines of India's G20 presidency and signed MoUs worth Rs 2.85 trillion with various developers of green projects.

Adding another dimension to its growth trajectory, REC secured government approval last year to diversify its operations into the infrastructure and logistics sectors. This strategic move expands its reach beyond its traditional focus on the power sector. REC recently signed several MoUs with infrastructure developers for financing power and non-power infrastructure. The company has also signed significant MoUs with banks such as Punjab National Bank, Bank of Baroda and Bank of India for co-financing arrangements; and with entities such as RailTel Corporation of India Limited, Rail Vikas Nigam Limited, Maharashtra State Road Development Corporation Limited, Odisha Power Generation Corporation Limited, and other large private road developers for financing such projects. REC has also been made the nodal agency for certain states and union territories for the Revamped Distribution Sector Scheme. Recently, the company has also been entrusted with the responsibility of overseeing the PM Surya Ghar Muft Bijli Yojana by the central government.

In order to lower the cost of funds and provide competitive financing to the renewables sector, REC raised green bonds of \$750 million in April 2023 and listed them on the GIFT IFSC stock exchanges. More recently, in January 2024, the company issued the first-ever yen-denominated green bonds by an Indian PSU, amounting to JPY 61.1 billion (approximately Rs 35 billion). This issuance is the largest non-sovereign yen-denominated issuance and the largest-ever euro-yen

"REC aims to increase its renewable energy portfolio tenfold to Rs 3 trillion by FY 2030."

issuance from South and Southeast Asia.

What is the current loan book of REC across various segments? How has it evolved in the past couple of years, and what can be expected in the near to medium term?

REC's loan book has maintained its growth trajectory and has increased by 21 per cent to reach Rs 4.97 trillion as of December 31, 2023, compared to Rs 4.11 trillion in the corresponding period of the previous year. During the same period, its asset quality has improved further, with net credit-impaired assets reducing to 0.82 per cent from 1.12 per cent in the previous year. Additionally, the provision coverage ratio on non-performing assets stood at 70.41 per cent, as of December 31, 2023. In line with the country's capacity addition targets, REC aims to increase its renewable energy portfolio tenfold to Rs 3 trillion by FY2030.

REC is looking forward to financing the entire renewable energy power value chain. Its financial assistance includes projects such as wind, solar, hybrid, round-the-clock (RTC), e-bus, PSPs, solar cell and module manufacturing, waste-to-energy projects, and projects under the Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM KUSUM) scheme.

Furthermore, REC is actively pursuing the financing of green hydrogen and ammonia projects, and is open to new and upcoming technology-based initiatives in the green space. REC has set an ambitious target to have 30 per cent of its total loan book in the renewable energy sector by 2030, amounting to approximately Rs 3 trillion, when the total loan book is expected to be at Rs 10 trillion.

What are REC's plans for new and emerging segments such as electric vehicles and battery

energy storage systems?

REC's renewable ambitions are not limited to solar and wind. We are also charting a course for a greener future by diving into new frontiers by investing in hybrid and pumped storage projects to stabilise the grid, paving the way for seamless green energy flow through interstate transmission lines. We are also capitalising on India's domestic solar module boom. Investing in the gearing up of storage systems in the country is a major focus area for us. During the current financial year, REC has sanctioned 3,950 MW of PSP projects worth approximately Rs 210 billion.

REC has been financing e-buses since 2019 and we have sanctioned more than 10,000 e-buses. In FY 2024, we have sanctioned projects worth Rs 66.3 billion for 5,150 e-buses along with charging infrastructure in Maharashtra, 100 e-buses in Bihar, and a rolling stock lease of Rs 4.95 billion for 500 e-buses in Hyderabad.

What has been the progress in the diversification of operations and what can be expected in the coming months?

REC has diversified its lending operations to include the infrastructure and logistics (I&L) sector, including roads, highway and expressways, metro rail systems, airports, IT communication, social and commercial infrastructure (educational institutions and hospitals), ports, and electrical and mechanical works related to sectors such as steel and refinery. In FY2023, REC sanctioned Rs 857.35 billion in the non-power infrastructure sector, which is 32 per cent of the total sanction for the year. During the nine-month period ended December 31, 2023, REC sanctioned Rs 400.69 billion for the I&L sector, representing a year-on-year growth of 49 per cent.

Apart from I&L projects, REC has ventured into financing hybrid e-vehicles, energy-efficient equipment, smart transmission and distribution systems, tariff-based competitive bidding projects, etc., to create new business opportunities. ■

Interview Link - <https://powerline.net.in/2024/03/11/interview-with-v-k-singh-we-are-charting-the-course-for-a-greener-future/>

Magazine Link - <https://digitalissues.indiainfrastructure.com/51522/52022/127988/PL93Read-February24/index.html>

Thank You
