

Message from CMD

Dear Stakeholders,

I am honoured to present the 55th Annual Report of your company, highlighting another year of remarkable outstanding achievements. On behalf of the Board of Directors and the entire team of REC Limited, it is my great pleasure to welcome you to the 55th Annual General Meeting of your company. Your continued support and trust inspire us and drive our commitment to elevate REC to new heights. Your company remains unwavering in its commitment to excellence in advancing the power, infrastructure & logistics sector.

During the financial year 2023-24, your company achieved record-breaking milestones, with the highest-ever sanctions amounting to ₹3,58,816 crore and the highest-ever disbursements of ₹1,61,462 crore. Additionally, we have maintained the highest domestic rating of "AAA" for our debt instruments from all four major rating agencies i.e. CRISIL, ICRA, CARE, and India Ratings & Research. Internationally, REC enjoys ratings on par with India's sovereign rating, with "Baa3" from Moody's, "BBB-" from Fitch and "BBB+" from Japan Credit Rating Agency. These strong fundamentals, combined with our future-ready outlook, position us well poised for the times ahead.

The Ministry of New & Renewable Energy, Government of India has approved Pradhan Mantri Surya Ghar Muft Bijli Yojana with a total outlay of ₹75,021 crore for installing rooftop solar and providing free electricity up to 300 units every month for One crore households. We are honoured to be designated as the National Program Implementation Agency for this scheme.

In the energy sector, we are experiencing an unprecedented transition. The demand for electricity is rising, driven by the resurgence of economic activity and enhanced electrification in rural areas. There is a clear shift towards green energy and the Government is implementing various reforms to modernize, improve efficiency, and ensure sustainability in the sector. These initiatives are poised to enhance the consumer experience and improve the overall quality of life with environmental sustainability at its core.

The Government has transformed the power sector from power-deficient to power-sufficient by adding 1,94,394 MW of generation capacity over the past nine years. India has ambitious plans for energy transition, aiming for 500 GW of non-fossil-based installed electricity capacity by the year 2030. REC continues to play a key strategic role in the Government's flagship schemes for the power sector. In the past, REC has served as the nodal agency for the Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) for universal access to electricity covering each willing household, Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) for 100% village electrification, and National Electricity Fund (NEF) Scheme as interest subvention scheme for strengthening Distribution infrastructure. These initiatives have strengthened the last-mile distribution system, achieved 100% village electrification, and facilitated household electrification across the country. REC has also been designated as the nodal agency for many States and Union Territories under the Revamped Distribution Sector Scheme (RDSS).

REC has emerged as a critical financial institution for the entire power sector and it provides 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 Power Plants etc. After



getting Maharatna Status, Government allowed REC to lend to the logistics and non-power infrastructure sectors. In financial year 2023-24, REC sanctioned ₹40,569 crore to non-power infrastructure sectors comprising 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.

ECONOMIC OVERVIEW

The global economy remains remarkably resilient during the review period, with growth holding steady as inflation returns to target. In recent years, the Indian economy has experienced remarkable growth, positioning itself as the world's the fifth-largest with a GDP of about \$4 trillion as per IMF, driven by sweeping business reforms, technological advancements, and a flourishing entrepreneurial landscape. Government initiatives have been instrumental in fostering macroeconomic stability and creating an environment conducive to business growth. The Government's proactive stance towards implementing reforms has focused on improving the business environment, attracting foreign investments, and fostering the growth of start-ups, thus cementing India's status as a leading global economic force.

In the post-pandemic recovery phase, the Power Sector has been buoyant, aided by rising demand and energy transition focus. In the financial year 2023-24 the total power generation reached 1,738 BU marking a 7% growth compared to the previous year. Further, the installed electricity capacity addition during the year, was about 26 GW, taking the total installed capacity to 442 GW by the end of the financial year. Peak electricity demand witnessed an all-time high of 240 GW, as compared to 215.9 GW in the previous year.

As the leader of the G20 Presidency in 2023, India championed significant global commitments to advance sustainable development and combat climate change, underscoring its

dedication to the Summit declaration of "One Earth, One Family, One Future."

According to the International Renewable Energy Agency (IRENA) 2023 global ranking, India is positioned 4th globally in terms of Renewable Energy installed capacity, 4th in installed Wind power capacity, and 5th in installed Solar power capacity. With a target of 500 GW of non-fossil fuel based installed electricity capacity by the year 2030 and a Net Zero target by 2070, India is undertaking one of the most ambitious renewable energy expansions worldwide. In line with this, the Company is actively exploring opportunities in the renewable energy sector and consequently, renewable energy sanctions of REC have increased to ₹1,36,516 crore in 2023-24, up from ₹21,371 crore in 2022-23, demonstrating a remarkable growth of around 539%.

In financial year 2023-24, approximately 70% of the ~26 GW capacity addition came from renewable sources, including around 15 GW from Solar and ~3.3 GW from Wind. As of March 31, 2024, India's total installed electricity capacity is ~442 GW (Thermal: ~243 GW, Nuclear: ~8 GW, and Renewables: ~191 GW). Renewable Energy contributes to ~43% of the installed capacity (including Large Hydropower at ~11%). Over the past three years, India's renewable energy capacity (including Large Hydropower) has increased by 16-17 GW annually on average.

India's journey towards becoming a developed nation by 2047 hinges significantly on improving its infrastructure, a cornerstone for fostering livable, climate-resilient, and inclusive cities that drive economic growth. The Government's commitment is evident through its allocation of 3.3% of GDP to the infrastructure sector in the financial year 2023-24, with the particular focus on the transport and logistics segments.

Roads & Highways account for the highest share, followed by Railways and Urban Public Transport. The Government has set ambitious targets for the transport sector, including development of 2 lakh-km national highway network by the year 2025 and expanding airports to 220. Additionally, plans include operationalizing 23 waterways by the year 2030 and developing 35 Multi-Modal Logistics Parks (MMLPs). The total budgetary outlay for infrastructure-related Ministries increased from around ₹3.7 lakh crore in the financial year 2022-23 to ₹5 lakh crore in the financial year 2023-24, offering investment prospects for the private sector across various transport sub-segments. Public-Private Partnerships (PPPs) have served as a vital mechanism for private sector engagement across various infrastructure domains, notably in the construction of airports, ports, highways, and logistics parks throughout India. Besides support from the Central Government and States across various schemes, India needs a significant push from PPP to achieve its goal of reaching a \$5 trillion economy by the year 2025.

The Government's PM Gatishakti National Master Plan (NMP) aims to bring together the infrastructure schemes such as Bharatmala, Sagarmala, UDAN etc. under a digital platform. As per the India Investment Grid (IIG) database, there are currently 15,580 projects worth \$2,388.93 billion at various stages of development.

POWER SECTOR REFORMS

As of March 31, 2024, the country's installed generation capacity stands at a remarkable 442 GW, with significant expansions planned in the renewable energy sector. This sets the stage for substantial growth in the Transmission & Distribution (T&D) sector. The Government has implemented various schemes and programs to enhance the financial and operational performance of Distribution Companies (Discoms).

The Government's Policy framework to support the distribution sector includes initiatives such as Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA), Ujwal DISCOM Assurance Yojana (UDAY), Integrated Power Development Scheme (IPDS), National Electricity Fund (NEF), Liquidity Infusion Scheme (LIS), and Late Payment Surcharge (LPS) Rules. These initiatives have led to significant infrastructure development and have helped bridge supply-side gaps in the distribution sector.

The Ministry of Power, Government of India, has introduced key reforms through the Electricity Amendment Rules, Rights of Consumer Rules, and subsidy Standard Operating Procedures, which are designed to improve efficiency in the distribution sector and prioritize consumer satisfaction.

The Company finances a diverse range of T&D projects, focusing on system improvement and augmentation, loss reduction measures, IT-based system implementation, and consumer satisfaction. Through these efforts, REC plays a pivotal role in advancing the development and sustainability of the power sector, thereby contributing significantly to the country's overall socio-economic progress.

FINANCIAL & OPERATIONAL PERFORMANCE

We are pleased to share that during the financial year 2023-24, REC delivered an outstanding performance across all fronts. We saw exceptional growth in loans sanctioned, which increased from ₹2,68,461 crore in 2022-23 to ₹3,58,816 crore in 2023-24, representing a growth of 34%. This growth was evident across all segments, including conventional generation, renewable energy, T&D (Transmission & Distribution), E&M (Electrification & Modernization), and LIS (Liquidity Infusion Scheme).

Additionally, the company's mandate has been expanded beyond the power sector to finance other non-power infrastructure and logistics sectors. I am happy to report that during the year, we sanctioned ₹40,569 crore for such projects, which constitute 11% of our overall sanctions. Let me present some of the key performance highlights of your company during the year 2023-24:

- Total Income stands at ₹47,214 crore vs ₹39,253 crore (^ 20% YoY).
- Net Interest Income stands at ₹16,167 crore vs ₹13,714 crore (^18% YoY).
- Net Profit stands at ₹14,019 crore vs ₹11,055 crore (^ 27% YoY).
- Loan book reached to ₹5.09 lakh crore vs ₹4.35 lakh crore (^17% YoY).
- Assets Quality improved with Net Credit impaired Assets at 0.86% vs 1.01% YoY.
- Net-worth stands at ₹68,783 crore vs ₹57,680 crore (^19% YoY).
- Capital Adequacy Ratio at 25.82% (Tier-I:23.32% & Tier-II:2.50%) against minimum requirement of 15%.
- 99% of total foreign currency borrowings have been hedged till maturity.
- Foreign Currency Borrowings account for 29% of the outstanding borrowing as on March 31, 2024 as compared to 25% as on March 31, 2023.
- No New NPAs during last 9 quarters.

- Highest ever yearly Disbursements stands at ₹1,61,462 crore vs ₹96,846 crore (^67% YoY).
- Highest ever yearly Sanctions stands at ₹3,58,816 crore vs ₹2,68,461 crore (^34% YoY).

In line with the Installed Capacity projections of the country to grow from 442 GW in FY 2023-24 to 777 GW by financial year 2029-30, REC's total Loan Book is targeted to grow from current level of ₹5.09 lakh crore to ₹10 lakh crore by financial year 2029-30.

INNOVATION AND EFFICIENCY

REC has consistently embraced innovation to enhance its services and efficiency. The Company has introduced online loan applications, streamlined processes, and adopted digital solutions to expedite loan disbursements. Furthermore, REC actively participates in developing new financial instruments, such as green bonds, to support sustainable power projects. Your company is committed to raise affordable resources from both domestic and international sources and providing cost-effective financing products to the sector.

CAPITAL STRUCTURE

As of March 31, 2024, the company's authorized share capital stood at ₹5,000 crore, and paid-up share capital is ₹2,633.22 crore. Power Finance Corporation Limited, a Government of India undertaking, held 52.63% of the paid-up equity share capital, while the remaining 47.37% was held by the public shareholders.

FUND MOBILIZATION

During the financial year 2023-24, the Company mobilized funds of ₹1,46,747 crore from the market, which includes ₹11,421 crore from 54EC Bonds, ₹42,437 crore from Institutional Bonds/ Subordinate Debt and ₹36,961 crore from Foreign Currency Borrowings. REC was awarded for issuance of USD 750 million Green Bonds issued in April 2023 which was also the first USD Green Bond issuance from India post India's G20 Presidency and the largest ever Senior Green Bond Tranche by a South & South-East Asian issuer. The bond issue was priced at a minimum new issue premium of 7.5 bps, which was tighter than the most recent high-rated issuances from the region. The issue was well received by the investors for REC's significant contribution to financing projects aimed at mitigating climate change and promoting environmental sustainability. This recognition represents a milestone in REC's dedication to support initiatives that drive positive environmental impact and foster sustainable development.

Your company has also successfully issued its inaugural Japanese Yen (JPY) 61.1 billion 5-year, 5.25-year and 10-year Green bonds, issued under its US\$ 10 billion Global Medium Term Notes Programme. Proceeds from the issue of the Bonds will be applied to finance the Eligible Green Projects in accordance with the Company's Green Finance Framework.

The journey towards India's energy transition demands a visionary approach to financing that aligns with our commitment to sustainable development towards a cleaner and greener energy landscape. REC stands resolute in its pledge to promote green and clean energy through this green issuance. As a frequent issuer in the international debt capital markets, we are always on the lookout to tap new markets and further diversify our funding sources. We are delighted to successfully price our inaugural Euro-Yen Green bonds, which reaffirms REC's position as an established issuer with deep access to global funding, while maintaining the overall cost of funding lower than the industry standards.

DIVIDEND

Your Company has continued its tradition of rewarding shareholders by maintaining its position as one of the highest dividend-paying companies among its peers. For the financial year 2023-24, the Board has recommended a final dividend of ₹5 per equity share (50% of the paid-up share capital), subject to your approval. This is in addition to the interim dividends already paid: ₹3.00 per share (30% of the paid-up share capital) as the 1st Interim Dividend, ₹3.50 per share (35% of the paid-up share capital) as the 2nd Interim Dividend and ₹4.50 per share (45% of the paid-up share capital) as the 3rd Interim Dividend. The total dividend for the year, including the proposed final dividend, amounts to ₹16 per share (160% of the paid-up share capital), compared to ₹12.60 per share (126% of the paid-up share capital) for the previous year. The total dividend payout for the financial year 2023-24, including the proposed final dividend, will be ₹4,213.16 crore.

REC ON ESG FRONT

• Environmental And Social

REC is committed to the effective implementation and oversight of our environmental management policies and procedures, continuously striving for improvement in our environmental performance. We are dedicated to ensuring compliance with all applicable environmental laws and regulations. To monitor our environmental impact, we set targets aimed at reducing our environmental footprint. Our environmental policy applies not only to our operations but also to our relationships with suppliers and business partners.

We are proud to announce that your Company has been honored with the 'Sustainability Champion – Editor's Choice Award' at the 'Outlook Planet Sustainability Summit & Awards 2024'. This award recognizes REC's unwavering commitment to sustainability initiatives and our proactive efforts in advancing towards a greener future.

The award highlights the corporation's pledge to sustainability initiatives, leading the path toward a greener future. REC has been a front-runner in catalyzing India's energy transition. Its plans are intricately aligned with the global thrust towards clean energy sources and the company remains committed to being the leading financier of India's energy transition. REC is geared to invest significantly in sustainability initiatives, reflected in its current loan portfolio of approximately ₹38,971 crore under renewable energy, with a visionary target of improving the renewables energy mix to around 30% of projected loan book of about ₹10 lakh crore by 2030.

Your company has been bestowed with the SKOCH ESG Award 2024 in the 'Renewable Energy Financing' category. The award recognizes REC's commitment towards sustainable finance, driving progress towards a greener future. This accolade underscores REC's dedication to sustainable financing, paving the way for a greener future and accelerating the transition to renewable energy. REC has emerged as a significant player in India's clean energy transition, actively contributing to the nation's sustainable future. Through various initiatives and achievements, REC has committed to numerous sustainable projects and signed various MOUs for green projects.

Furthermore, REC has engaged in one-on-one discussions with various developers of green projects, spanning sectors

such as solar, wind, Pump Storage Projects (PSPs), E-mobility, Solar module & wind turbine manufacturing, Green ammonia/hydrogen and battery storage. Looking ahead, REC anticipates a significant expansion in its renewable energy portfolio, with projections indicating growth to 10 times its present value.

• **Corporate Governance**

REC is dedicated to upholding the principles and practices of corporate governance, ensuring transparency, integrity and accountability in all its operations. Our enduring success is attributed to several key factors, including robust corporate governance practices, active stakeholder engagement and a long-term vision for growth and development.

REC is committed to adopting and adhering to the best practices in corporate governance. The company complies with all relevant requirements under the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by the Department of Public Enterprises and the Secretarial Standards issued by the Institute of Company Secretaries of India.

SUBSIDIARY COMPANY

Your Company's wholly owned subsidiary, REC Power Development and Consultancy Limited (RECPDCL), is leading the implementation of the National Feeder Monitoring System (NFMS). This advanced cloud-based IT platform is designed to monitor the reliability and quality of power across all 33/22/11 kV outgoing distribution feeders nationwide. By integrating this cutting-edge application with the National Power Portal and using machine-to-machine (M2M) data transmission methods, NFMS ensures efficient and accurate data collection, significantly reducing errors associated with manual processes. This emphasis on precise and effective online recording of energy exchanges within the distribution system is essential for minimizing operational errors and enhancing the overall reliability and efficiency of power distribution.

Furthermore, the web-based analytical platform provided by NFMS is a key feature, allowing stakeholders to generate reports and gain valuable insights from feeder data across various DISCOMs. This capability supports informed decision-making by enabling stakeholders to identify trends, detect anomalies and uncover opportunities for optimization within the distribution network.

The ambitious goal of covering approximately 2.55 lakh feeders across all DISCOMs nationwide is already seeing significant progress, with 1.2 lakh feeders integrated into the system. With 40 DISCOMs across 20 states actively sending data daily, the project is well underway in its mission to enhance monitoring, analysis and decision-making in the distribution sector. This initiative marks the beginning of a new era, positioning India towards achieving its net-zero ambitions by integrating the strengths of the power distribution sector with digitally-driven networked systems.

RECPDCL is also implementing Advanced Metering Infrastructure (AMI) projects nationwide as a Project Implementation Agency (PIA). The Company has already installed 5.07 lakh smart meters in the Union Territories of Jammu & Kashmir, Ladakh and Chandigarh.

Currently, RECPDCL is undertaking projects for the installation of approximately 5.5 lakh smart meters in Jammu and Kashmir and 0.60 lakh meters in Ladakh. Under the RDSS scheme, RECPDCL is implementing a smart metering project involving 15 lakh smart meters for the Union Territory of Jammu & Kashmir and 42 lakh smart meters for Gujarat DISCOMs.

RECPDCL also acts as "Bid Process Coordinator" for selection of Transmission Service Providers through Tariff Based Competitive Bidding (TBCB) process, for independent inter-state and intra-state transmission projects assigned by the Ministry of Power and State Governments respectively from time to time. So far, as Bid Process Coordinator (BPC) 65 Transmission projects - inter-state and intra-state valuing above ₹84,500 crore were successfully transferred by our subsidiary Company.

RECPDCL, is implementing 220 kV transmission lines project in Ladakh at an altitude of approx. 5,500 meters above mean sea level which is India's highest transmission line. The project also includes construction of modern Gas Insulated Substation (GIS) in Nubra and Zaskar valley of Ladakh. These projects will connect Ladakh to uninterrupted grid power supply and help in socio-economic development of the region.

During the financial year 2023-24, RECPDCL recorded an income of ₹390.64 crore, with a Profit After Tax of ₹149.64 crore. As of March 31, 2024, the Net Worth of RECPDCL has reached ₹567.17 crore.

SUBSIDIARY IN GIFT CITY

The company is planning to establish a wholly owned subsidiary in the International Financial Services Centre (IFSC), GIFT City, Gandhinagar, to engage in permissible activities as a finance company. The Reserve Bank of India has also issued the No-Objection Certificate for this venture. The approvals from other concerned Organizations and Departments are awaited.

This move to expand into GIFT City, a burgeoning financial services hub in India, aligns with REC's strategy to diversify its portfolio and explore new growth opportunities. The proposed subsidiary will undertake various financial activities, including lending, investment and other financial services, within GIFT City.

GIFT City offers an ideal environment for international lending activities, supported by world-class infrastructure. We are confident that REC will leverage these advantages to establish a strong presence in the global market. The new entity in GIFT City will not only create new business opportunities for REC but also significantly contribute to the growth of the country's energy sector. We are eager to utilize this strategic expansion to further advance REC's mission of fostering growth in India's power and infrastructure sectors while expanding our global footprint.

POLICY INITIATIVES

The Company regularly reviews, updates and strengthens its policy framework to enhance business value and comply with statutory requirements and amendments. During the financial year 2023-24, the Company focused on enhancing its corporate governance framework. This included amending the Policy on Criteria for Determining Materiality of Events or Information for disclosure to Stock Exchanges, specifying the process for refunding unclaimed amounts related to listed non-convertible securities and revising the IT outsourcing policy, among others.

To bolster its competitive position in the market, the Company introduced and amended several business-oriented policies. Notable among these were the Policy for Issuance of Letters of Undertaking (LoU) for Renewable Energy Projects, revisions to REC's Refinancing Policy for Renewable Energy and Conventional Generation Projects and the establishment of a Policy for Technical Write-Off of Loans. Further, various HR policies has also been updated/revised during the financial year.

RISK MANAGEMENT

REC has established a strong and resilient risk management framework that not only complies with the statutory requirements of various regulators but also instills confidence among its stakeholders. The company is dedicated to further enhancing its risk management culture, as demonstrated by several key initiatives.

REC is continuously conducting review of its risk management framework to align it with evolving market dynamics and best industry practices. This aims to ensure that REC's risk management practices meet global standards across all functional areas. During the financial year, various training sessions were held to raise awareness among REC employees about risk management, covering topics such as risk registers, project risk categorization and cybersecurity. Additionally, the 'Risk Mitigation Icon' initiative was launched, encouraging employees at all levels to propose improvements in their operational areas.

CORPORATE SOCIAL RESPONSIBILITY

Your Company strives to achieve a balance of economic, environmental and social imperatives. We are actively involved in facilitating setting up of projects designed to reduce its carbon footprint and ensure sustainable and secure growth. Through our CSR initiatives we attempt to fund and support socially beneficial projects with sustainability as a guiding principle, giving priority to issues of foremost concern as in the national development agenda and to reach a wide spectrum of beneficiaries with a view to empower economically and socially backward communities. During the financial year 2023-24, the Company continued its steadfast commitment to bring about a positive change in the society through its socially uplifting CSR initiatives. With a focus on national developmental issues, REC sanctioned projects worth around ₹467 crore and incurred the highest ever expenditure of ₹255 crore on various thematic areas surpassing the minimum requirement set by statutory provisions.

Your Company has covered a wide range of activities viz., health & sanitation, education, rural development, skill development, entrepreneurship programmes etc. Embracing inclusive development, your Company sponsored health and nutrition projects in aspirational districts like Mamit in Mizoram, Kiphire in Nagaland and Muzaffarpur in Bihar. REC Foundation, CSR arm of your Company also organised a Corporate Social Responsibility (CSR) Symposium cum Interaction with Stakeholders, bringing together key stakeholders from all walks of social sector. This symposium served as a platform to unveil and discuss pivotal initiatives aimed at community welfare. The presence of diverse stakeholders underscored REC's commitment to collaborative efforts in addressing societal needs and fostering sustainable development.

It is worth mentioning that the support that REC had pledged to National Sports Development Fund (NSDF) through Sports Authority of India for an amount of ₹100 crore over a period of three years covering Athletics, Badminton and Boxing which also includes Target Olympic Podium Scheme (TOPS) is reaping fruits now. Various athletes supported under this program are performing well at the world stage and have brought accolades to the nation in the year gone by.

The Company has recently launched its flagship scheme for deployment of 100 nos. of mobile medical units for primary health care services in various districts across India for a period of three years. These mobile medical units will provide doorstep primary healthcare services to under-served population in remote areas including distribution of free medicine pan India.

I am also humbled to share that the Company has committed CSR financial assistance to provide free of cost medical support to 1000 children with congenital heart, thereby bringing about transformative changes in the lives of the children and their families.

In order to commemorate 10 excellent years of operation of REC Foundation, a dedicated website has been launched in January, 2024 in presence of esteemed board members of the Company. This website will facilitate easy on-boarding of implementing agencies. This website also shares success stories, social impacts of the CSR projects, photos and other useful data with everyone. Very soon, desirous implementing agencies will be able to submit project proposals for CSR funding online and track the process.

REC's efforts have been recognized in various forums and media. I am happy to share that REC Foundation, has been conferred with several awards during the year:

- Innovative Technology Development Award by IIT Madras
- CSR Leadership Award 2023 at 14th Agriculture Leadership Award 2023
- CSR & Sustainability Award at XIII PSE Excellence Awards
- Mahatma Award for CSR, Sustainability SER & ESG for Corporations and Public Sector Enterprise

We shall continue to take up meaningful and impactful such initiatives in the coming years too.

MoU RATING & AWARDS

The performance of the Company in terms of MoU signed under the guidelines of the DPE, Government of India for the financial year 2023-24 is expected to be rated as "Excellent", subject to final evaluation by DPE. For the financial year 2022-23, the company has been rated "Excellent".

During the financial year, REC received several prestigious accolades, including, the Golden Award by Government e-Marketplace for the 'Highest Value Single Bid Procurements in financial year 2022-23, the Issuer of the Year award at the 6th National Summit for the Corporate Bond Market by Assocham, the first prize among power PSUs for implementing the official language policy, the Mahatma Awards 2023 for excellence in CSR initiatives, the Dun & Bradstreet Award-2023 for 'Best Central PSU' in the Financial Services category, the Golden Peacock Award by the Institute of Directors (IoD) in the Risk Management category, the XIII-PSE Excellence Award by the Indian Chamber of Commerce for Operational Performance Excellence, the ICAI Award for Excellence in Financial Reporting 2022-23, the SCOPE Excellence Award in the Special Institutional Category (Digitalization), the Best Green Bond - Corporate Award at the Asset Triple A Awards for Sustainable Finance. Additionally, REC has also been honoured with the prestigious 'Most Sustainable Maharatna Leader' Award at the World Sustainability Congress held in Mauritius.

THE PATH AHEAD

The Indian economy has recorded a growth of 7.6% Y-o-Y in financial year 2023-24, the highest among major economies in the world. The growth was driven by strong domestic demand, resilient consumption and investment. Government's prudent fiscal policy and capital expenditure played a key role in supporting this positive economic trajectory. India is further expected to maintain its growth momentum in financial year 2024-25 despite geopolitical concerns globally. With GDP of over 4.3 trillion dollars, generated by a population of over 1.4 billion, India is currently the fifth largest economy in the world and is likely to become the third largest by 2027 as per IMF study.

Indian power sector is crucial for sustaining country's economic growth and is poised to address challenges related to climate change through energy transition initiatives which aligns with our global commitments to sustainable development. The sector is expected to continue its growth trajectory, with increasing demand for electricity driven by urbanization, industrialization and economic development.

The Government is diligently addressing the dual objectives of ensuring energy security to cater to the growing demand and facilitating an energy transition towards cleaner and sustainable sources. While the emphasis is significantly on renewable and nuclear energy, coal continues to play a pivotal role in meeting the surge in demand. In order to achieve the target of 500 GW of installed power capacity from non-fossil fuel sources by 2030, an additional 303 GW of renewable energy capacity and 7 GW of nuclear capacity is expected in line with CEA's optimal generation mix report. Considering the anticipated escalation in peak electricity demand to 335 GW from the current 240 GW, it is also projected that an additional 94 GW of coal capacity will be essential by the year 2032. The latest National Electricity Plan (Generation) has further estimated that the installed capacity by the end of financial year 2031-32 is expected to reach 900 GW with 68% share of non- fossil fuel sources. This anticipated growth in country's electricity generation segment is poised to catalyse substantial investment. The required augmentation and expansions in existing transmission and distribution infrastructure will also attract significant investment.

As a Maharatna CPSE and a leading NBFC, REC is determined to play its part in contributing to country's energy transition goals by continuing as Government's strategic partner to finance entire power sector value chain viz. generation, transmission & distribution and also by capitalising on the new thrust areas by the Government which includes upcoming renewable energy projects (solar, wind, hybrid, hydro); Pumped and battery energy storage, EV's / charging infrastructure, smart metering, green hydrogen/ ammonia etc.

The company has experienced a robust loan book expansion of 17.1% during the current fiscal year. Our strategic objective is to scale our loan book to ₹10 Lakh crore by 2030 from the current loan book of ₹5.09 lakh crore. In line with our vision to be at the forefront of financing renewable energy projects, we are targeting to achieve a renewables loan book portfolio of ₹3 lakh crore by 2030 from the present level of about ₹38,971 crore. Our focus is not merely on growth but on maintaining the superior quality of our loan assets. This is evidenced by the consistent decline in our net NPAs, which currently stand at an impressive 0.86% and moreover we have been able to maintain a clean sheet with no new NPAs added for the last nine consecutive quarters.

With Government of India's permission granted to REC in financial year 2022-23, to lend to non-power infrastructure and logistics sector, we have been able to expand our business portfolio to infra sub-sector like Roads- Highways, Airports, Metro Rail, Healthcare Infrastructure, Ports, etc. Our foray into non-power infrastructure sectors adds diversification and complements our core focus areas.

REC has recently been appointed as the National Program Implementing Agency for the "PM Surya Ghar Muft Bijli Yojana," a scheme launched by the Hon'ble Prime Minister on February 13, 2024. This initiative aims to install rooftop solar systems on 1 crore residential households, targeting a total capacity of 30GW with an allocated budget of ₹75,021 crore. REC is diligently overseeing the progress of vendor registration, customer registration, application processing and the installation of rooftop solar systems with net metering. This scheme is anticipated to play a pivotal role in the nation's energy transition while aiding households in reducing their electricity bills.

With a clear vision and robust strategies in place, we are strategically positioned to play a pivotal role in India's transformative journey towards a cleaner, greener and more prosperous future. As India advances towards the vision of "Viksit Bharat", REC continues to be a beacon of progress and sustainability.

ACKNOWLEDGEMENTS

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

As I conclude, I extend my heartfelt gratitude to the Hon'ble Minister of Power and New & Renewable Energy, the Hon'ble Minister of State for Power, the Secretary (Power) and all esteemed officials of the Ministry of Power for their steadfast support and visionary guidance. I also thank our holding company, Power Finance Corporation Limited, for their continued cooperation.

I am immensely grateful for the unwavering support from the officials of the Ministry of Finance, Ministry of Corporate Affairs, Department of Public Enterprises, Department of Investment and Public Asset Management, NITI Aayog, Reserve Bank of India, Securities & Exchange Board of India, Stock Exchanges and the Depositories.

Furthermore, in our pursuit of excellence in Corporate Governance, I extend my appreciation to the Comptroller & Auditor General of India, our Statutory Auditors, Secretarial Auditors, Registrars and all other professionals associated with the Company.

The remarkable success of REC is firmly anchored in the trust and goodwill we have built with our stakeholders. I extend my deepest thanks to all shareholders, debenture-holders, investors, lenders, borrowers and customers, including the visionary State Governments, State power utilities and dynamic private sector entrepreneurs.

Lastly, I am profoundly grateful to my esteemed colleagues on the Board for their insightful contributions and to the entire REC workforce for their relentless dedication. With your invaluable support, we will embark on a thrilling journey to elevate REC to unprecedented heights. *Thank you and Jai Hind!*

With warm wishes,



Vivek Kumar Dewangan
Chairman & Managing Director

Place : Gurugram
Date : July 29, 2024