

REC Limited Media Coverage 01 June 2024

CMD Interview with ET Government



REC will be a zero net NPA company by the end of 2025: CMD Vivek Kumar Dewangan

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Anoop Verma • ETGovernment
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storage and battery storage projects. A renewable energy generation project backed by commercially viable storage solutions can be a reliable source of clean and green electricity.

"REC is funding such projects. The investments in the renewable energy sector that we are making today are critical because as our economy grows, so is our per capita carbon dioxide emissions. Investments in renewable energy will help us in keeping the national carbon footprint down to manageable levels. There is a huge potential for growth in renewable energy projects and battery storage systems."

This was stated by Vivek Kumar Dewangan, Chairman & Managing Director, REC Limited, in conversation with Anoop Verma, Editor (Desk), ETGovernment. In the interview that follows, Dewangan sheds light on the power and infrastructure projects that REC Limited, a Maharatna Public Sector Enterprise and leading NBFC under the Ministry of Power, is financing for the development of the country.

Edited Excerpts:

When REC was incorporated in the 1960s its role was limited. Since then REC has evolved into one of India's leading public sector corporations which funds large-scale power and infrastructure projects. How has the journey been for REC?

REC was established in 1969, in the backdrop of the green revolution, with the initial mandate of boosting agriculture in the country by enabling the State Electricity Boards to energise the pump-sets across the country to boost agriculture. In the last 55 years, the company has grown phenomenally and today we are financing large scale power projects, including renewable energy projects, and other non-power infrastructure. In 2022, REC was accorded the status of Maharatna, which enhances our operational freedom. We can make investments of upto ₹5000 crore anywhere in the world.

In April 2024, REC declared its FY24 financial results and recorded its highest ever annual profit. How have your economic fundamentals improved over the years?

If you compare Q4 FY24 with Q4 FY23, you find that our revenue from operations has grown by 25%: ₹12,613 crores versus ₹10,113 crores. Our Total income has also grown by 25%: ₹12,643 crores versus ₹10,124 crores. In FY23 our Assets Under Management (AUM) had grown by 13%, from ₹3,85,000 crore to ₹4,35,000 crore. In FY24 our AUM grew by 17%, from ₹4,35,000 crore to ₹5,09,000 crore. Our overall business strategy and vision is to achieve the target of doubling our AUM by the year 2030 to about ₹10 lakh crore. If we are able to maintain a growth trajectory of 15%, then we will reach the target of ₹10 lakh crore by 2030. But if we are able to sustain the growth rate of 17% or more, then we will reach the figure of ₹10 lakh crore loan book by the year 2029 itself.

REC is making considerable investments in the renewable energy sector. What kind of financial exposure do you have to this sector?

At present, our outstanding loans with respect to renewable energy projects is 8%, which is about ₹38,971 crore. The Government of India has the target for 500 GW of renewable energy installed capacity by 2030. Right

now it is 190 GW. So an additional capacity of 310 GW renewable energy will have to be added in the next 5 to 6 years. This implies an investment between ₹15 lakh crore to ₹20 lakh crore. About ₹3 lakh crore of business will come to us—so by 2030, we expect a 10 fold increase in our business in the renewable energy sector. We are targeting the entire value chain of renewable energy projects—generation, transmission, electric storage, pump storage, distribution, electric vehicles. We are funding solar, wind, hydro and green hydrogen projects. From the green revolution in 1969, REC has reached the stage of green energy and green hydrogen in 2024—the organization has traveled



REC - Maharatna CPSE under the Ministry of Power



REC is now doing some major work in the area of non-power infrastructure space. You are involved in Roads & Expressways, Metro Rail, Airports. How is the work in these areas going?

We are looking at the non-power infrastructure space as a new opportunity for driving growth and making an impact on the nation's economy and society. We are financing roads and expressways, metro rail, airports, IT communication, ports and electro-mechanical works in respect of various sectors like steel and refinery. We are also financing social and commercial infrastructure such as educational institutions and hospitals.

The infrastructure funding space in India, and probably the world, is often plagued with the problem of NPAs. How does REC ensure that its infrastructure payments will not turn into NPAs and will provide the expected financial returns?

We are cautious in financing infrastructure projects. We take due diligence to ensure that the asset quality is good, and the promoters are financially healthy and possess the expertise and resources to complete the project in time. We make absolutely sure that the revenue cash flows for the project are assured. Our efforts are bearing fruits as in the last nine quarters not a single NPA has been added to our equity. At present, our net NPA has come down to 0.86%. This will be resolved in the current financial year. We have the vision and target of becoming a Net Zero NPA company by the y



Since the capacity factor in renewable energy is low, how do you ensure that the projects that you are funding will remain commercially viable in the long term?

The capacity factor in renewable energy is between 20% to 25%. Renewable energy is also seasonal. But things are gradually improving due to new technology and better models. The intermittency of renewable energy can be resolved through pump storage and battery storage projects. A renewable energy generation project backed by commercially viable storage solutions can be a reliable source of electricity. REC is funding such projects. The investments in the renewable energy sector that we are making today are critical because as our economy grows, so is our per capita carbon dioxide emissions. Investments in renewable energy will help us in keeping the national carbon footprint down to manageable levels. There is a huge potential for growth in renewable energy projects and battery storage systems.

In the last ten years, REC has made several major investments in power and non-power infrastructure space. How do you see the impact that the company's activities will have on India's social sector?

In the last 10 years, REC has been the nodal agency for universal access to electricity. REC has completed the electrification of all un-electrified villages under the Deen Dayal Upadhaya Gram Jyoti Yojana (DDUGJY). After the completion of DDUGJY, the government announced an ambitious project called Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGAYA) which aims to electrify all the un-electrified households in the country. In this scheme also, REC has been the nodal agency.

The vision and objectives of DDUGJY and SAUBHAGAYA have been achieved. Now the target is to achieve 24/7 high-quality, reliable and affordable electricity to all consumers in all parts of the country. To achieve this objective, the government launched the Revamped Distribution Sector Scheme (RDSS) in 2021. The scheme has an outlay of ₹3,03,758 crore and REC is the nodal agency for 19 states/UTs. Through the contributions that we are making in these and other government of India schemes to provide electricity to all sections of society, REC has in the last 10 years had a significant impact on India's social sector.

Full Story Link - <https://government.economictimes.indiatimes.com/news/smart-infra/rec-will-be-a-zero-net-npa-company-by-the-end-of-2025-cmd-vivek-kumar-dewangan/110570295#:~:text=Our%20efforts%20are%20bearing%20fruits,company%20by%20the%20year%202025.>

Thank You
