

REC Limited Media Coverage 12 June 2024

CMD Interview with Outlook





'REC: POWERING SUSTAINABLE INDIA'

❑ What factors contributed to REC achieving a sharp increase in net profit?

REC's core competency is power sector. We became a Maharatna company in September 2022. In October 2022, the Ministry of Power, GOI, allowed us to diversify into non power infrastructure and logistics. We are moving with a clear-cut business strategy. At the end of March 31, 2024, our loan book stands at INR 5,09,000 crore. Our board has approved that we should try to increase our assets under management (AUM) two-folds to become INR 10 lakh crore by 2030. At present around 90% of our loan is in the state sector and 10% in the private sector and the share of renewable energy is currently 7%. We are taking conscious efforts to meet the energy transition goals of the country which is to install 500 gigawatts (GW) power generation capacity from non-fossil fuel sources. We see a ten-fold increase in our renewable energy portfolio from INR 35,000 crore to INR 3 lakh crore in the next six years and raise the share of renewables in our portfolio from 7% currently to 30% by 2030. Since government of India has allowed us to diversify into non-power infrastructure, we were a bit cautious

as it is a new sector for us. We only took those projects which had good assets quality and the entity was strong. Initially we did state sector projects which were strong and were supported by the state government. By the end of 2030, we are targeting to increase our asset under management to INR 10 lakh crore, 30% of which will come from renewable energy portfolio, which is INR 3 lakh crore. Non-power infra will come to around 15% to 20% or INR 1.50 lakh crore to INR 2 lakh crore and the remaining will come from conventional power generation, transmission, and distribution, which will be around INR 5 lakh crore to INR 5.50 lakh crore.

❑ In the light of the results for 2023-24, which are the sectors where you seek to focus more and why?

Our assets under management had grown by 13% in FY 23 and it increased to 17% in FY 24. Last year was a fabulous year for REC. We have seen growth of renewable energy portfolio. The RE sanctions increased by 533%. Our disbursement increased by 67% to the tune of about INR 1 lakh 61 thousand crore. Our total sanctions were increased to about INR 3.58 lakh crore, up 34% from about

Vivek Kumar Dewangan, CMD, REC Limited, in an interview with Lola Nayar shares how the Maharatna company has been exploring infinite possibilities to achieve its goals as a funding agency for power and other non-power infrastructure projects. In fact, it aims to become a net zero NPA company this fiscal.

Excerpts:

2.68 lakh crore in the previous year. Our return on equity is more than 20%. Our profit after tax is an all-time high to the tune of about INR 14,019 crores, up 22% from INR 11,055 crore in the previous year.

❑ What factors helped REC reduce its stressed assets and turnaround the scenario?

Last two years we have been making continuous efforts to resolve the stressed assets. More than 60% of the stressed assets have already been resolved. We also got back write-backs in the last financial year. Out of remaining 10-12 projects, 7 projects are heading towards liquidation for which we have already made 100% provisioning. The remaining projects, which are our operating assets, we hope that we will get good resolution because power demand is increasing. By the end of FY 25, we hope that all our stressed assets would get resolved and we will become net zero NPA company.

❑ What is the loan disbursement plans for the current fiscal?

Last year we saw the highest ever disbursement of INR 1,61,000 crore. This year we are targeting disbursement of more than INR 1,75,000 crore. Mostly it will be capex loans. We are making conscious efforts to bring down the cost of our funding. Last year we were able to bring down the costs by 15 basis points from 7.28% to 7.12%.

Thank You
