

REC Limited Media Coverage 13 May 2024

CMD Interview With Business Today Transcription



Anchor: Hello and welcome. You're watching Business Today TV. I'm Sakshi Batra. This is the earnings special edition, where our focus is on REC, Rural Electrification Corporation. The company has reported its Q4 numbers, and after that, it's been constantly moving higher in trade, and even today is hovering near all-time high levels after jumping around 9% in the intra-day trade today. Remember, the company has recorded a consolidated net profit that's jumped 33% on a year-on-year basis to 4,079 crores. This was helped by healthy growth in core income and a provision right back as well. The company's revenue from operations has grown 25% year-on-year to 12,613 crores during the same period as well. Remember, in the last five sessions alone, REC stock has rallied about 24% in trade. And not just that, the stock has been constantly creating wealth for investors over the last many years.

Now to discuss the key findings from the earnings and the Outlook going forward. I am now joined by a very special person. The top management of the company joins in, Sh Vivek Kumar Dewangan, the Chairman and the Managing Director at REC. Vivek, sir, warm welcome to you to Business Today Television.

Thank you so much for taking the time out. Stellar set of numbers, sir, like always, and the stock markets are constantly rewarding your shares. Just let me reiterate for all our viewers the kind of move that we have seen in your stock. Not just today, but over the last one month, we've seen a 19% surge. Over the last six months, the stock has improved by 82%. Last year-to-date basis, we have seen a 30% surge. Last one year basis, the stock has jumped by over 300%, and over the last five years, over 400% of returns is what this stock has given to all the viewers. So definitely a big wealth creator. So congratulations to you. And the fundamentals continue to improve. Do tell us, how are you doing all this?

CMD: Thank you so much. The last year has been a very fabulous year for REC. It is due to the clear-cut business strategy adopted by REC and the ease of operation for our borrowers. If any proposal comes to us, we are able to take decision within a period of 45 days to 60 days. We have a very strong entity appraisal team. We have a very strong project appraisal team. And last year, we had the highest ever disbursement to the tune of about 161,000 crore. As compared to previous year's 97,000 crore, it saw a jump of about 67%. Our revenue from operation and total income has also seen a growth of 20%. This is more than 47,000 crore. Our net profit after tax has grown by about 27%. It stands at around 14,019 crore. The yield has also improved by 26 basis point. Our average cost of fund has come down by about 15 basis points from 7.28% to 7.13%. Our spread has also improved by about 41 basis points from 2.45% to 2.86%. Our net interest margin has improved by 19 BPS from 3.38% to 3.57%. Our market capitalization last financial year has increased by about 290%.

The main reason for this is the focused business strategy. We have been known as Rural Electrification Corporation. Now, henceforth, REC would be known for Renewable Energy-focused Company. Last year, our sanctions for renewable energy projects have grown by about 533%. From the previous year of 21,554 crore. Last year, we have been able to sanction a total of 1,36,516 crore project for the renewable energy segment. It has covered entire spectrum like large hydro project, we sanctioned about 32,452 crore, then followed by pump storage project for about 28,304 crore, module manufacturing, about 21,500 crore, solar project, about 21,000 crore, green hydrogen project, about 8,000 crore, Wind turbine, manufacturing, and wind project, about 9,000 crore, and hybrid, solar, and wind about 11,000 crore. The entire gamut of renewable energy projects we are covering. And the

distribution sector, transmission sector, and generation sector is also looking up. Last year, power demand had gone by 10 %, and in the current year, in the month of April itself, power demand has increased by about 11 %. The introduction of revamped distribution sector scheme and late payment surcharge scheme by Ministry of Power, Government of India, has really improved the operational and financial efficiency of the distribution companies, and the power sector is looking up, and overall, improvement is there in the power sector.

Anchor: Okay. Sir, you've also recorded this highest ever annual profit after tax at 14,019 crores, like you mentioned, and an accelerated earnings per share of 53.1 per share. That's up 27% from previous fiscal. What will your targets be for FY 25, do you anticipate in maintaining this growth or even achieving faster rate of growth on profitability in FY 25?

CMD: Yes, we are targeting a faster growth. Last year, our disbursement was about 161,000 crores. This year, we are targeting disbursement of more than 1,75,000 crore. And return on equity is going to be more than 22 %, and return on asset is going to be more than 3 %.

Anchor: Okay. Also on your Asset Quality, sir, I wanted to ask, REC's asset quality has improved over the last two years, including the absence of new NPAs over the last eight quarters. How do you see the picture emerging for FY 25 now?

CMD: Yes, FY25, we are targeting to become a net zero NPA company because most of the states' assets are going to be resolved in the current financial year. We had about 17 projects which were yet to be resolved. Out of 17 projects, seven projects are heading towards liquidation for which we already made 100 % provision. Remaining 10 assets are operating asset and we are hoping a very good resolution. We had made provision about 70 %, but we have seen that our haircut has been limited only about 30 to 40 %, so we'll also get some write-backs to the tune of about 2,500 crores or 2,000 crore in the current financial year.

Anchor: Okay, about 2,000 crore of write-backs could also benefit you in FY 25 as well. Now, as Sir, as a nodal agency for key government of India power sector programs, including the rooftop solar project, and now Prime Minister is also talking about that his aim is for a net zero electricity bill. How is REC contributing to the progress in this space? What could be the potential benefits to you?

CMD: REC has been made as an overall program implementation agency by Ministry of New Renewable Energy for implementation of Pradhan Mantri Surya Ghar Muft Bijli Yojana. This is basically to aim coverage of one crore rooftop solar installation at the earliest. And in fact, I'm happy to share with you that with the launch of this scheme on before 16th of March, we have been able to get registration of more than 1.3 crore registration already happened. And more than 10 lakh application, this registration have been converted into application and will We're coordinating with the group of owners, distribution companies, vendors, and banking financial institutions for those who are going to provide retail financing. We'll coordinate with all this agency and we'll ensure that this one crore rooftop solar are installed at the earliest.

Anchor: Okay, so 1 crore was the aim, and already the registrations have surpassed that number, and you're getting 1.3 crore registrations, and of which you are now converting some of the applications, and the process is faster now. Okay, so we'll continue to look at that. Sir, in your diversified loan portfolio, you've also diversified into infrastructure and logistics sector. And you earlier talked about how you're aiming for up to 33% of loans in this area. How has this disbursement been in this vertical and what is the future of this one?

CMD: Yes. Ministry Power has allowed us to diversify into non-power infrastructure and logistic. This approval was given in the month October, 2022. Last year, we had sanctioned about it's worth 85,000 crore. In the current financial year, the sanction is about 40,000 crore. Since it was beginning of financing infrastructure and logistics sector, we were a bit cautious. Initially, we supported only those infrastructure and logistic projects which were in the state sector, supported by the state government guarantees. Now, after gaining confidence, we have started financing some private sector projects also. But we are emphasizing, we are very choosy about this infrastructure and logistic project. We are stressing on this good asset quality, and it should be good, and revenue cash flow should be ensured so as to meet our repayment obligations. And what has happened that this tremendous growth in the power sector itself. Now, Ministry of Power has decided that country will require about 94 gigawatt coal-based thermal capacity by the year 2032. The next eight years, it has to be installed. It means that sanctions for this about 94 gigawatt capacity has to be done next 2-3 years. We are targeting this coal-based capacity will also be giving our bid for financing.

Plus, distribution sector is looking up because of implementation of revamp distribution sector scheme and implementation of late payment surcharge scheme. The overall operational and financial efficiency of discounts are improving, and we hope that a lot of CapEx will happen in distribution sector, both in loss reduction work as well as for prepared smarting work.

Anchor: Okay, understood. So now, just for getting a better clarity for all our viewers, you said that the sanctions to renewable sector is also increasing, and it's increased for 533 % in FY24 to about 1.36 Lakh Crore as well. And how do you now expect the shift in the revenue mix going forward? Since you said that now people will know REC also for renewable energy projects. Tell us, how will the revenue mix now change?

CMD: Yeah, right now, our lending to state sector is to the 90 %, and to the private sector, it is about 10 %. Now, since most of the renewable energy projects are coming in the private sector, our lending to private sector is going to increase from, say, about 10% to 30%, because we are targeting that to increase our renewable energy portfolio, which is at present about 35,000 crore. In next five to six year, it will increase to about 3 Lakh crore. There'll be tenfold increase in our renewable energy portfolio. For non-power infrastructure logistics also, our current portfolio is about 50,000 crore. That we are initializing that it may grow by three to four fold, say, 1,50,000 crore to 2 Lakh Crore by the end of 2030. Remaining 5 Lakh Crores , since we are targeting asset management of about 10 Lakh crores by the year 2030, remaining 5 Lakh crores will come from conventional generation transmission distribution sector.

Anchor: All right, sir. Well, many thanks, sir, for sharing such wonderful insights. I wish you all the very best for the upcoming quarters, and hope that this run rate continues for you, and even higher profitability comes your way with such ambitious projects that you're looking at, and with the government's focus clearly on the renewable energy sector also working in your favor, too. Many thanks for explaining to our viewers what exactly is happening in the sector, and what the vision is for the

company going forward. Truly a pleasure to host you on business today. All right, viewers, we will wrap it up as that. You heard the very ambitious, very confident commentary by the top management of REC, now looking not just as a rural electrification company, but as a company which caters to a large part of the renewable energy projects going forward from here with ambitions of growing this space to tenfold with the sanctions that could be going in, renewable energy projects going forward from here as well. With that, we wrap up, but do stay tuned on to business today as we get you such exciting conversations and insightful understandings from the top management of various companies which have reported their earnings.
