

# REC Limited Media Coverage 06 June 2024

## Director (Projects) Interview with Mint



ECONOMY & POLICY

# REC may sanction ₹1.75 tn for coal-fired plants by 2032

India's coal-based power generation capacity is 210GW, overall thermal capacity at 243GW

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**S**tate-run REC Ltd may disburse up to ₹1.75 trillion loans for coal-fired power plants by 2032, as India looks to bolster its thermal power generation by adding 80 gigawatt (GW) capacity by then.

In an interview, Vijay Kumar Singh, REC's director (projects), said thermal would continue to remain a mainstay for a few years, powering India's economic growth, and the non-bank financial company (NBFC) may finance up to 25GW capacity addition in the country's thermal power push.

"Our company is very well capitalized. We have the ability to take care of the funding requirement of thermal capacity. Thermal capacity is coming at two-three sectors. Around 50,000-55,000MW capacity is coming from the state sector, which is generally we are financing. And we find that our current capital is good enough to take care of funding. There is no constraint in terms of capital," he said.

"We are targeting close to 50% capacity... But this capacity is coming in phases. Total sanction would be in range of ₹1.50-1.75 lakh crore (trillion). REC would be financing about 25,000MW. If 1MW costs about ₹10 crore, that 25,000MW would cost ₹2.5 lakh crore,



Thermal will remain the mainstay for a few years, powering India's economic growth, according to Vijay Kumar Singh, REC director (projects)

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and if we do 70% of it, we would be financing about ₹1.75 lakh crore. We finance large thermal projects along with a partner, in the consortium model."

India's coal-fired power generation capacity currently stands at 210GW. The overall thermal power capacity, which also includes gas, lignite (a variant of coal) and diesel, is at 243GW.

After crisis situations in 2021 and 2022 following an unprecedented power demand surge, the government decided to add thermal power capacity along with its energy transition plans and has set a

target to add 80GW thermal capacity by 2032.

On this change in course for India amid the ambitious net-zero goals, Singh emphasized that the plan to add thermal capacity will not impact renewable energy additions. He, however, stressed that coal would stay the mainstay in the coming years.

"There is no compromise in the aspirations for putting up renewable energy capacity. In terms of tendering, for the first time ever we have met the target or have exceeded the target. That means we are on track as a nation. But then we (REC) have done large

funding for renewable energy... But the government has also realized the way the economy is developing, the way the power demand is growing year on year, the current capacity, even with renewable energy push, may not be sufficient to take care of the growth path on which today we are actually moving."

India aims to achieve net-zero emissions, a stage when the amount of greenhouse gases released equals the amount that's removed, by 2070.

Noting that renewable energy sources are intermittent and may impact grid stability, Singh said that pumped storage and hydropower projects are solution to stabilize the grid, which take several years for commissioning. In the mean time, he said, thermal is the mainstay and will remain so in the coming years. "Of course there will be time that renewable will be taking over thermal, but till that time we need to set up these capacities."

In the last financial year, REC sanctioned loans worth ₹3.59 trillion, out of which ₹1.36 trillion was for renewable energy projects. The company plans to increase the share of renewable energy in its loan book to 30% by 2030 from the current 10%.

Singh also said REC has started funding nascent sectors like green hydrogen and green ammonia projects, which several other financial institutions are yet to finance amid concerns over returns.

**80 GW**

Target thermal capacity addition in India by 2032

**₹3.59 tn**

Loan sanctioned by REC in the previous financial year

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*Thermal would continue to remain a mainstay for a few years, powering India's economic growth, and the NBFC may finance up to 25 GW capacity addition in the country's thermal power push. (Bloomberg)*

New Delhi: State-run REC Ltd may disburse up to ₹1.75 trillion loans for coal-fired power plants by 2032, as India looks to bolster its thermal power generation by adding 80 gigawatts (GW) capacity by then.

In an interview, REC's director (projects) Vijay Kumar Singh said that thermal would continue to remain a mainstay for a few years, powering India's economic growth, and the NBFC may finance up to 25 GW capacity addition in the country's thermal power push.

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## **'Coal will stay the mainstay in the coming years'**

On this change in course for the country amid the ambitious net zero goals, Singh emphasized that the plan to add thermal capacity will not impact renewable energy additions. He, however, stressed that coal would stay the mainstay in the coming years.

"There is no compromise in the aspirations for putting up renewable energy capacity. In terms of tendering, first-time ever we have met the target or have exceeded the target. That means we are on track as a nation. But then we (REC) have done large funding for renewable energy...But the government has also realized the way the economy is developing, the way the power demand is growing year on year, the current capacity, even with renewable energy push, may not be sufficient to take care of the growth path on which today we are actually moving."

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He also said that REC has started funding nascent sectors like green hydrogen and green ammonia projects which several other financial institutions are yet to finance amid concerns over returns.

Speaking on the recent draft guidelines on infrastructure loans which propose a 5% provisioning, he said that although the proposed move would not impact REC's profits, it will have an impact on its net worth growth.

Also Read: [Coal India: A diamond in the rough](#)

"These are obviously very high provisioning requirement as per draft guidelines. This will impact us, but not our profit. This may impact our borrowers also because cost of debt will go up. It will impact the cost of infrastructure projects also because interest cost will go further up. But our profitability is not getting impacted," Singh added.

Noting that higher provisioning will impact only tier 1 capital, he said that REC has sufficient headroom in that space and as it follows IndAs accounting standards, the norms would not impact it.

"I have sufficient headroom available. So, it's not going to impact us that hard. It will impair our net worth growth. So that way it will impact us, but the greater impact is the impact on the financial institutions and banks...and on cost of infrastructure."

Full Story Link - <https://www.livemint.com/economy/rec-may-sanction-up-to-1-75-trillion-for-coal-fired-power-projects-by-2032-11717315642211.html>

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