

# REC Limited Media Coverage 17 May 2024

## CMD Interview With ET NOW Transcription



**CMD:** We got write-back of about Rs 700 crore in this financial year. With the resolution of Lanco Amarkantak, we got about Rs 265 crore write-back, and the remaining were by the improvement in the grading of various utilities. So, in total, we got about Rs 700 crore write-backs this financial year.

**Anchor:** Okay. And talking about margins which have remained consistent, if you talk about even quarter on quarter, from 3.6% to 3.61%, they have been at the same level. Do you expect that in the current financial year, this margin will continue in the same trend?

**CMD:** Yeah, we are committed that our net interest margin will be more than 3.5%. Last year, our net interest margin was about 3.38%. Now it has improved to about 3.57%. But we are making a constant endeavor to reduce our cost of funding, actually. With more excellent commercial borrowing and judicious use of our hedging options, we have been able to reduce our cost of excellent commercial borrowing below 7%. With a judicious mix of domestic and excellent commercial borrowing, we are committed to bringing down our cost of funding, and that's why we'll be able to hold on to our net interest margin.

**Anchor:** Also, about the asset quality, there has been improvement both year-on-year as well as QoQ. You had a target of zero NPA. Is that on track?

**CMD:** Yes, it is very much on track. In fact, we have been able to resolve a number of assets last financial year. Dans Energy got resolved, Lanco Amarkantak got resolved, and Nagai projects have been resolved. This current year, we are quite hopeful because the bidding process has started. We'll be able to resolve KSK Mahanadi, Kinner Nasik project is there, Hiranmayi project is there, and we have recently done restructuring of TRN energy. For the remaining projects which were heading towards liquidation, we have already made 100% provisioning. So we hope that by the end of this financial year, we'll become a Net Zero NPA company.

**Anchor:** You have mentioned about the cost of funds as well, which you aim to bring down. Now, considering the current financial year and the trend with your company, how much of a reduction are you aiming for?

**CMD:** Right, our cost of funds has come down from 7.28% to 7.13%. We are targeting to bring it down to around 7%. We have to bring it further down by 12-13 basis points.

**Anchor:** If I remember correctly, six months back, the target was 7% till Q4 of this financial year. I mean, it is somewhat on track. And next year, what is the target?

**CMD:** It is more or less on track, actually. We are targeting that by the end of next year, our cost of funds should be around 7%.

**Anchor:** Okay. One of the focus areas of the company has been renewable energy. Currently, it is below 10%, but you aim to reach 30% of the portfolio in the next five years. Since this target was set last year, do you think it is on track and it could happen before your target year?

**CMD:** We had kept a target that our renewable energy portfolio would increase to about 30% of our asset management by the year 2030. But going by last year's performance, we have been able to sanction about Rs 1,36,516 crore of renewable energy in the last financial year itself. In the current financial year, I have a huge pipeline of more than Rs 1,50,000 crore. It appears that perhaps we'll be

able to achieve this 30% of AUM from the renewable energy portfolio well ahead of 2030, perhaps by the year 2028 or 2029 itself will be able to achieve.

**Anchor:** One of the last few questions will be regarding your green bonds, which you had planned at least one quarter before. How much is already on track? How much fund are you going to raise through green bonds?

**CMD:** We are targeting to raise about \$2 billion initially. If there is more market appetite, it can go up to \$6 billion after getting RBI's approval.

**Anchor:** Sir, and how much of a benefit will there be from the inclusion of bonds in the global portfolio of India? Do you think it will help you in terms of the cost of funds?

**CMD:** Yes, definitely. It is one of the main reasons for reducing our cost of funds. We'll endeavor more to raise green bonds because ultimately it's bringing down our cost of funds.

**Anchor:** And one last question I would like to ask you about ROE and ROA. What targets are you setting up for yourself this financial year?

**CMD:** Return on equity would be more than 20%. Return on assets is going to be more than 4%.

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