

REC Limited CMD, Vivek Kumar Dewangan on -



Talked About REC MOU With PFC For FY24 & FY25 -



TRANSCRIPTION –

Anchor - Hello and welcome this is BQ Prime, Agam Makhil and today we're going to talk with the management of a company which is seen staggering returns over the past few months and especially on the back of well the tremendous momentum that has been caught on as far as the renewable energy space is concerned and I'm not talking about the power sector of per se, I'm actually talking about those who finance the sector, well I am in conversation with Mr. Vivek Kumar Dewangan. He is the CMD of REC Limited Mr. dewangan, good morning and thanks for joining in, uh well Mr. Dewangan and I'm going to start the conversation by talking about your MOU signed by the parent company PFC can you tell us a little more about that in terms of targets going forward?

Mr. Dewangan – We are recently signed memorandum of understanding with holding company, which is power finance company, we have set a target of revenue from operation or to the tune of about 46,000 crore, In the current financial year and target about 56,000 crore for the next financial year.

Anchor – Right so I want to also talk a little more about revenues in the first quarter uh we spoke about we saw projects of worth 90,000 crores being sanctioned with disbursements of of a little less than 35,000 crores coming through, Sir is that the Run rate that we can expect going forward in the next few quarters or can this be an improvement in the number considering the significant amount of flow that we are seeing of late in terms of the flurry.

Mr. Dewangan – Yeah this year we took a conscious decision that when we were checking the pattern normally the sanction and disbursement and q1 and Q2 are much lower as compared to Q3 and Q4 figures. So we need took conscious decision to improve our performance in the quarter one itself for example last year entire Financial year our total sanctions stood around 97,000 crore and disbursement were in total sanction was about 2,68,000 crore inside and this bus went toward to the tune of 97,000 crore in quarter one itself, uh we have achieved this investment of 34,000 crore and as we are talking or disbursement as on 14th of September stand around 64,400 crores. We hope to maintain this momentum and in The Current financial year our total sanction is going to increase to about 4 lakh crore because we already sanctioned about 1,80,000 crore until first week of September the remaining about six months and about for 20 days you will be able to cite another 2 lakh 22 000 crore and our disbursement will also touch the level of about 1,50,000 crore in The Current financial year.

Anchor – Right so a lot of your funding demand is coming essentially from the renewable energy space now uh but that's it so it's also getting a little bit competitive when it comes to the offer interest rates are there so I want to take this and keep this against the net interest margins picture as well because uh last year our net interest margins were a little over four percent which has fallen off and now it's around the range of around 3.5 percent Sir is that the targeted in net interest margin and so can you also give us an idea about the kind of uh you know a demand and offered rates as far as your new projects are concerned.

Mr. Dewangan – Let me tell you global energy transition that is taking place and Honorable prime minister of India has made a pledge that India will target to achieve total stock capacity of 500GW from non-fossil fuel sources. Today non-fossil fuel based in stock capacity 177GW the remaining seven years 323GW of non-fossil fuel set-up in India that will for associated today system because renewable energy intermediating in nature. We also require like pump storage, hydro projects Battery energy storage projects, commercial viable hydrogen fuel also Then we also require this evacuation energy that will count gig energy corridor. This all estimated has been made that all this eco system total investment of 15,00,000 crore and 20,00,000 crore would be required in the next seven years. So, we are targeting about 20 percent of business in the energy transition related initiatives in india. We are targeting increase our loan book for renewable portfolio to 3 lakh crore stands around 30,000 crore that will see 10 fold increase in our renewable energy portfolio, with regard to the margins and spread right now our current yield is about 9.82% and cost of funding is about 7.23% spread is about 2.59%. net interest margin 3.28%. But going forward we have recently by 45BPS we do hope that able to increase our spread about also we will net interest margin tune about 3.5% .

Anchor – Right,Sir, about few weeks ago we had a conversation with you about NPA's, you said you have not had new NPA'S in last quarters and you setting your new resolution in terms of NPA'S going forward, with respect to your old NPA'S. My question is when we can expect this resolution to come through, I believe there was there was a statement and you can please correct me if I'm wrong that you expect zero npas uh by the end of a certain period so when would that be.

Mr. Dewangan – yeah uh when a committee was constituted hereby the then cabinet secretary in the year 2018. we had total 36 states are set and as we are talking about 17 States as it has already been resolved we also got some right backs and nine State assets are likely to result in The Current financial year the remaining 10 states are said we are targeting to resolve by next year uh as we are targeted to become Net Zero NPA company by the end of 2025.

Anchor - okay all right so uh so also want to talk to you about the non-power side of your loan book now about it now the government has gone ahead and given you access that about a third of your loan book can be from infrastructure and Logistics so where does that portfolio stand

now with respect to your overall loan book and what can that be by the end of this financial year.

Mr. Dewangan – As you are rightly pointed about that one third loan book would be from non-power infrastructure, that dispensation was gained by Govt of India, was in last year, last year itself we have sanctioned total project of 2,68,000 crore out of that 85,00,000 crore this infrastructure roughly about 32% we have sanctioned in the current financial year we also targeting as I told you that our total sanction stand around of 4,00,000 crore, we are targeting of that our sanctioned of non-power logistic will tune of our 1,20,000-1,30,000 in the current financial year.

Anchor – All right so well Mr Dewangan that is all that I have for you right now thank you so much for your time well that's the CMD of REC telling us about the plans of REC going forward uh the very ambitious targets for the government and how REC will play a part in there and well the kind of projections that they have from the company and uh well we know that the stock has done very very well in fact 56 percent uh in the last three months that's the kind of returns given uh investors and uh well it's going to be a quite a journey as well even as we unlock further as far as India's renewable energy projects is concerned well but that is all that we have for now thank you very much and stay tuned to BQ Prime.