

# ‘Want to be a one-stop debt solution for renewable energy’

REC Limited is looking to shed its erstwhile identity as Rural Electrification Corporation. While it continues to focus on existing schemes, it is looking at a larger shift in its portfolio towards green energy projects, infrastructure segments, and tapping into global climate funds. The non-banking financial company is exploring several ways to reduce the cost of funding green energy projects. **VIVEK K DEWANGAN**, its chairman and managing director, in conversation with Shreya Jai at REC’s new office in Gurugram, talks about the financial sense behind the green shift. Edited excerpts:

**REC has recently signed memoranda of understanding (MoUs) worth ₹2.8 trillion with renewable energy developers. What is the company planning with this grand plan?**

The Central Electricity Authority has estimated a total debt requirement of ₹15-20 trillion by 2030 for deploying 500 gigawatt of renewable energy. We had made a conservative estimate that we would target 20 per cent of that market.

On the sidelines of the Group of Twenty (G20), we held discussions with project developers, technology providers, and electric bus original equipment manufacturers and identified projects worth ₹2.86 trillion that can be sanctioned in the next three to four years.

In these MoUs, projects are also listed. It is not a blank cheque. We have also started sanctioning these projects now.

We are targeting a tenfold increase in our renewable energy portfolio to ₹3 trillion by 2030. The turnaround time for

renewable energy is quite fast. This will also help us increase our private sector lending share, as they are mostly building renewable energy projects. We are aiming to increase our private lending to 30-35 per cent by 2030. Since the

announcement, we have already sanctioned around ₹2 trillion. In the current financial year (2023-24), our total sanctions have already crossed ₹2 trillion. It seems we would be able to surpass our targeted sanction and touch ₹3-4 trillion.



**VIVEK K DEWANGAN**

Chairman and MD, REC

**Lending to renewable energy is tricky and crowded. How is REC planning to stand out?**

For the debt needs of the renewable energy sector, we want to be a one-stop solution. We can lend up to ₹16,000-17,000 crore in one go, depending on our exposure to the entity. It is much easier for the project developer to borrow from us than to go to a consortium of banks.

No bank will give such a large exposure to a single entity. Plus, we give a 15-



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20-year tenure, and the borrower gets an interest-rate advantage as well.

Given that the turnaround time of renewable energy projects is fast, project developers are now selling their stake after commissioning the project and investing in a new project. There is huge scope for refinancing, and we are exploring it as well.

**How do you plan to reduce your cost of borrowing and widen your sources?**

Internationally, there is volume for

financing green energy but not much advantage in interest rates. I hope that in the G20 deliberations, some low-cost financing options will become available. We have tied up with World Bank, and they are supporting our green energy and Revamped Distribution Sector Scheme (RDSS) initiatives. They are giving us \$500 million at a competitive rate with a longer tenure.

Similarly, we are in discussion with Asian Development Bank and Japan International Cooperation Agency. We

are also planning to raise external commercial borrowings (ECBs) in yen. Initially, we are targeting \$300-500 ECBs in yen. The interest rate is coming below 7 per cent, and it is very attractive for us because, in renewable energy, we must offer competitive rates; otherwise, they will go to another lending institute.

Now large-scale green projects are also coming up. Flue-gas desulphurisation for coal power plants, refinery projects taking up green hydrogen, pump hydro, etc. For this, we have to join hands with different lenders. We are looking at banks and National Bank for Financing Infrastructure and Development (NaBFID), international agencies, such as insurance and pension funds. We do hope that they come on board for us. The multilateral development bank (MDBs), which was deliberated under the G20, would also be of benefit to us. For MDBs, it will be easier to channel global funds through agencies like REC. We are aware of the sector, and they will not have to do due diligence.

**But the climate development finance institution (DFI) status for REC is at a standstill.**

The Ministry of Power is trying, if not DFI status, to provide some benefits. If you are taking a loan from a multilateral institution, the guarantee fee could be reduced. The other is the cost of hedg-

ing. We are taking innovative steps on that front on our own. We have brought it down by 1.6 per cent. We have already sent a proposal to open our subsidiary in Gujarat International Finance Tec (GIFT)-City. Then we will get the advantage of withholding tax. We are getting a lot of requests for overseas projects, and being in GIFT City will be beneficial for our borrowers.

**Lending to power distribution companies (discoms) continues to be a risk factor for the company’s growth outlook. Will you shun this sector as you aim for a net-zero non-performing asset (NPA)?**

So far, not a single state discom has defaulted, and none of their projects have become NPAs. The introduction of late payment surcharge rules and RDSS has been a game changer for the distribution sector. The legacy dues of the discoms are down, and state governments are now paying electricity subsidies in advance to their utilities. There needs to be capacity generation in states, and we are looking forward to it. Be it the addition of more thermal power or renewable energy, or even transmission and distribution infrastructure, including smart meters. This is an opportunity for capital expenditure lending for us. Private investors are also coming into smart metering in the operating expense mode.