



Photographs by Suresh Gola



# “WE INTEND TO PLAY A CATALYSING ROLE IN INDIA’S ENERGY TRANSITION”

■ An exclusive conversation with **Arjun Yadav** of BW Businessworld, **Vivek Kumar Dewangan**, CMD, REC shares the Maharatna PSU’s vision to increase financing for green projects and also non-power sectors such as infrastructure and logistics

## **As India strives to become a \$5-trillion economy with a heavy emphasis on infrastructure growth and energy transition, how is REC aligning its vision and operations in line with these aspirations?**

The government of India has a big thrust on energy transition. In Glasgow in 2021, India committed that 500 GW of electricity capacity will come from non-fossil fuel sources by 2030 and will meet 50 per cent of its electricity requirement from non-fossil fuel sources. At the same time, our carbon emissions intensity to the GDP will be reduced by 45 per cent compared to 2005 levels by 2030. In this process, by 2030, we will reduce carbon emissions by about 1 billion tonnes. India is also striving to become net zero by the year 2070. This will entail a considerable investment, but in the short term, a minimum of Rs 15 lakh crore will be required in the next seven years to achieve the target. REC is targeting about 20 per cent of this market, and we are looking to fund green projects worth Rs 3 lakh crore in the next seven years.

## **REC recently recorded its best quarter and financial year in terms of profitability and revenue growth? What were the drivers of this growth?**

We had the highest-ever disbursement last year at Rs 96,000 crore. We were able to resolve about six stressed assets. We are giving more emphasis on the quality of the assets which we are financing. The resolution of those stressed assets resulted in the write-off of Rs 700 crore. We had made more provisioning, but the resolution amount was better. All these factors led to the increase in our profitability. Our profit increased by about 13 per

cent to about Rs 11,055 crore, and our loan book size has increased to Rs 4.35 lakh crore. The share of renewable energy in our loan portfolio is about 6.8 per cent; we intend to increase the share of the renewable energy portfolio to about 30 per cent by the year 2030. One more development which has happened last year is that the government has allowed us to diversify into the infrastructure and logistics sectors. So far, our financing has been in the entire power sector value chain, from generation to transmission to distribution; now, we will expand into non-power sectors as well.

## **“WE INTEND TO INCREASE OUR OUTSTANDING LOANS TO ABOUT 10 LAKH CRORE BY 2030”**

**Can you give us a sector-wise break-up of your financial products in terms of disbursements?**

Earlier, we financed conventional generation projects such as coal-based thermal and hydropower plants. For them, longer tenure loans were given, but now more renewable energy projects are coming, and their gestation period is small. They get commissioned within two and three years. So, they do not require long-term financing; financing for five to 10 years is sufficient. Earlier, the tenure of financing varied between 12 and 15 years. However, we have allowed longer tenure loans for 20 years for hydro projects. We are also extending medium-term and short-term loans for financing electric buses. Smart Metering will be a big game changer over the next few years, and we have developed a special product for it.

**REC recently listed a green bond. How was the response to it and what does it tell us about their acceptability among investors?**

We recently floated one green bond; it got an overwhelming response. We raised \$750 million, and the rates were quite competitive. These rates were 80 basis points lower than the domestic borrowing, and most of the proceeds from this green bond would only be utilised to finance the green projects. The exclusive listing of this green bond was done at the GIFT City Gandhinagar, which allowed the withholding tax to be reduced by 1 per cent. We plan to finance more green projects with the green bond issues.

**“BY 2026, WE WILL BE ABLE TO LIQUIDATE ALL GOVERNMENT DEPARTMENT DUES AND LEGACY SUBSIDIES WHICH WILL IMPROVE THE FINANCIAL HEALTH OF THE DISTRIBUTION COMPANIES”**

**How would you describe the outcome of the SAUBHAGYA (Pradhan Mantri Sahaj Bijli Har Ghar Yojana) scheme?**

The Saubhagya scheme targeted 100 per cent household electrification in a short span of 18 months. We were able to give electricity connection to 2.86 crore unelectrified households. We did detailed plan-

ning with the help of distribution companies and state governments, and massive mobilisation of resources was carried out. We also did the capacity building of the lower-level functionaries so that this mobilisation could take place, due to which we could reach far-off places and successfully electrify those villages.



**What is the progress in improving the financial health of distribution companies through the RDSS (Revamped Distribution Sector Scheme)?**

The RDSS scheme was launched in 2021. The total outlay for the scheme stands at more than Rs 3 lakh crore. Out of this amount, GoI's grant is about Rs 97,000 crore. RDSS mainly focuses on improving distribution companies' financial and operational efficiency. With its introduction, a huge improvement has been witnessed across the distribution companies. Aggregate technical & commercial (AT&C) losses have come down substantially in the last





## “SMART METERING IS GOING TO BE A BIG GAME CHANGER OVER THE NEXT FEW YEARS”

financial year. After Covid, total AT&C losses have decreased by 5 per cent from 22 per cent to 17 per cent. The government department dues are also coming down. State governments have committed

to bring down the government department dues and are given the trajectory to pay the legacy subsidy of the discoms. By 2026, we will be able to liquidate all the government departments' dues and all the legacy

subsidies, which will improve the financial health of the distribution companies.

**What are the key initiatives of REC under its Corporate Social Responsibility (CSR) policy and how do you envision creating a positive change through them?**

On the CSR front, we have been following the guidelines the Department of Public Enterprises issued. For the last two or three years, the Department of Public Enterprises has given us the guideline that 60 per cent of expenditure should be on health and sanitation, which we have been able to adhere to.

Besides health and sanitation, we also focus on rural development and infrastructure. We have signed an MoU with the National Sports Development Fund and are financing three major games - badminton, boxing, and athletics. We are committed to giving grants up to Rs 100 crore over the next three years, and we hope that we will be able to nurture the potential players who can win medals for the country.

**What is your vision for REC now that it is a Maharatna PSU? What role do you see it playing in India's growth story?**

REC became a Maharatna PSU in September 2022. After that, we revised our business strategy to play a pivotal role in the developmental landscape of the country, focusing on the energy transition.

As I mentioned, our loan book stands at Rs 4.35 lakh crore, and we intend to increase our outstanding loans to about Rs 10 lakh crore by 2030. Of this, Rs 3 lakh crore will go for green project financing and will also focus on non-power infrastructure and logistics sectors. We hope that we will play a very active and catalysing role in the energy transition, which is taking place in the country. **BW**