

# Interview with Vivek Kumar Dewangan

"REC looks forward to financing the entire renewable value chain"



Vivek Kumar Dewangan,  
Chairman and Managing  
Director, REC

Formed in 1969, REC Limited's role has transformed significantly from a provider of agricultural pump sets for optimised irrigation to a provider of financial assistance to the power sector across the generation, transmission and distribution segments. Within the generation sector, its focus on the renewable energy space has been increasing. In an interview with *Renewable Watch*, Vivek Kumar Dewangan, chairman and managing director, REC, shares his views on the investment scenario in the Indian renewable energy space, REC's exposure to the sector and its future plans. Edited excerpts...

**How has investment in the renewable energy space evolved over the past few years?**

In line with the prime minister's announcement at COP26, 179.32 GW of non-fossil fuel capacity has been installed in the country as of April 30, 2023. This includes 125.69 GW of renewables, 46.85 GW of large hydro and 6.78 GW of nuclear power capacity. The renewable energy share stands at 41.4 per cent of the total installed generation capacity, which is 416.59 GW as of April 30, 2023. Currently, India ranks fourth, globally, in installed capacity of renewables (including large hydro), as well as wind power capacity and solar power capacity.

In terms of investment, India has attracted substantial funds into the renewable energy sector. Investment in renewables touched a record \$14.5 billion in financial year 2021-22, an increase of 125 per cent over financial year 2020-21 and 72 per cent more than the pre-pandemic financial year 2019-20. This represents a substantial increase from previous years, and demonstrates the growing confidence of investors in India's renewable energy market. The investments have come from both domestic and international sources, including private equity firms, venture capital funds and multinational corporations.

To achieve India's ambitious target of 500 GW of renewables by 2030, the country needs to add 25 GW of renewable capacity annually for the next eight years. This will require an investment of around Rs 1,250 billion, or \$15-16 billion, on

an annual basis.

Several factors have contributed to the increased investment in India's renewable energy sector. These include, primarily, favourable policy interventions, initiatives to drive clean energy, and incentives such as tax benefits, subsidies and low-cost financing options. The government's target of achieving 500 GW of renewable energy capacity by 2030 has also played a significant role in attracting investment.

Technological advancements and cost reductions have further propelled investment in India's renewable space. The falling prices of solar panels, wind turbines and energy storage systems have made such projects more economically viable. This has attracted a diverse range of investors, who see the sector as a financially attractive opportunity. Furthermore, the Indian government has actively encouraged foreign investment in the sector. It has implemented measures such as 100 per cent foreign direct investment (FDI) in renewable energy generation, and allowed FDI in the form of debt instruments such as bonds. These steps have facilitated greater participation of foreign investors in India's clean energy market. The country's proactive policies, technological advancements and cost reductions have attracted substantial funds from domestic and international investors. The FDI in India's renewable energy sector stood at \$2.5 billion in financial year 2022-23, a 56 per cent increase year on year.

**What are the most popular sources of financing in India in the renewable energy space?**

In India's renewable energy space, the sources of financing that have been commonly utilised by project developers and investors include:

- **Commercial banks:** They provide project loans, working capital loans and debt financing options to developers. These loans often come with favourable interest rates, longer tenures and flexible repayment terms.
- **Non-banking financial companies:** These institutions specialise in providing loans and financial services to various sectors, including renewable energy. They offer project financing, refinancing, bridge loans, construction financing, equipment financing, project-specific funding facilities, letters of comfort/undertaking, etc., to support the development and implementation of clean energy projects.
- **International financial institutions (IFIs):** IFIs such as the World Bank, Asian Development Bank, KfW, JICA and the International Finance Corporation have been actively involved in providing financial support in the form of soft loans, grants and technical assistance, to promote clean energy development and address climate change concerns as well as capacity building.
- **Private equity and venture capital funds:** These entities invest in renewable energy companies and projects, providing capital for their development and expansion. They often bring expertise and industry knowledge along with their financial investments.
- **Infrastructure debt funds (IDFs):** IDFs are specialised funds that provide long-term debt financing for infrastructure projects, including renewable energy. They offer project loans, refinancing options and structured debt products to support the financing needs of clean energy projects.
- **Green bonds:** They have gained popularity as a source of financing for renewable energy projects in India. These bonds are specifically issued to fund environmentally friendly projects, and attract investors who prioritise sustainability.

It is worth noting that these sources of financing often complement each other, and a combination of multiple funding options is often utilised to meet the financial requirements of renewable projects in India.

**What is REC's level of exposure in renewable energy financing? What are REC's existing and upcoming schemes in this space?**

REC's loan book in the renewable space has grown from Rs 75.06 billion, or 3 per cent of its total loan book of Rs 2,390 billion in financial year 2017-18, to Rs 290.73 billion, which is 7 per cent of its total loan book of 4,350 billion in financial year 2022-23. REC aims to increase its renewable portfolio to Rs 3,000 billion by 2030. REC looks forward to financing the entire renewable value chain.

Aggressive efforts in this direction will reduce the cost as well as the demand for fossil fuels to create a sustainable and thriving planet for future generations.

**What is the company planning in rural electrification financing, especially with regard to renewables?**

REC has played a pivotal role in achieving the Government of India's target of electrifying unelectrified villages and universal household electrification, as a nodal agency for the Deen Dayal Upadhyaya Gram Jyoti Yojana and the Pradhan Mantri Sahaj Bijli Har Ghar Yojana-Saubhagya scheme.

REC is also providing counterpart funding to the various rural electrification schemes being implemented by state power utilities, and actively supporting the efforts of the Government of India to provide electricity in every corner of country.

Under these schemes, off-grid connectivity through renewable-based energy sources, mostly solar, were provided in places where grid connectivity is not feasible or cost-effective. REC has sanctioned projects under PM-KUSUM for the solarisation of

agricultural pump sets in rural areas.

**What are some of the emerging opportunities that you and the organisation are keen on from a financing perspective?**

Apart from conventional renewable projects such as solar and wind, REC has ventured into financing of hybrid projects, pumped storage projects, energy storage projects, e-vehicle projects, manufacturing of solar modules, C&I projects, etc.

REC has sanctioned financial assistance to hybrid projects and is keen on financing more such projects. In addition, REC has sanctioned pumped storage projects and shall focus on capturing them. Interstate transmission projects for procuring power from green energy corridors supplementing energy transition would be another focus. Moreover, REC has been one of the first movers in providing financial assistance to e-bus projects.

With the introduction of basic customs duty for import of solar cells/modules, domestic manufacturing of solar cells/modules is expected to experience a quantum jump. This scenario presents a huge opportunity for REC to explore financing opportunities in the solar module manufacturing sector. REC is already providing financial assistance to GW-scale manufacturing projects. REC is aggressively exploring the financing of sunrise sectors such as green hydrogen, green ammonia, RTC power projects involving the bundling of renewable projects with thermal power, and other opportunities such as ethanol manufacturing projects.

**What are the company's long-term plans in the renewable energy investment space?**

REC is aiming for a Rs 10,000 billion loan book by 2030 with an emphasis on renewable energy, which is expected to contribute 25-30 per cent of it. REC is poised to expand its loan book under the renewable energy portfolio to Rs 2,400 billion-Rs 3,000 billion by 2030. ■

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