



# Chairman & Managing Director, Sh. Vivek Kumar Dewangan Talks to CNBC TV18



Video Link - [Renewable Capacity Has To Rise To 500 GW In Next 7 Years: REC | CNBC TV18](#)

## 4 December 2023

## **Transcription**

**Anchor -**

CNBC TV 18 is celebrating its 24 years this week, so the first management for the day is REC. The stock has surged more than 211% this year so far. Do note, in the eight months of FY-24, the company's dispersals have jumped to 1 lakh crores versus 46,000 crore euros on a year-on-year basis to discuss opportunities in the renewable sector and thermal capacity addition. We have Vivek Kumar, Dewangan, who is the Chairman and Managing Director at REC. Mr. Dewangan, thanks a lot for joining and appreciate your time here on CNBC TV 18. I want to first talk about the renewable energy space because that's the big focus area for the government. India has a target of 500 gigawatts of renewable energy capacity by 2030. What is the opportunity for a company like yours? And where do you stand right now?

**Sh. Vivek Dewangan -**

We have very huge opportunity. Right now, we are at the level of 180 gigawatt capacity of renewable energy, or we may say non-fossil fuel-based capacity. This has to increase to more than 500 gigawatt in the next seven years. It means that 320 gigawatt capacity would be added. Since renewable energy is intermittent in nature, we're required to have storage solutions like pump storage, hydro projects, battery energy storage, and if commercially viable, hydrogen fails and also. Then associated evacuation system for this renewable energy in terms of green energy corridor would also be required and new technology areas like green hydrogen and green ammonia are also emerging. A preliminary study has been carried out by the technical arm of the Ministry of Power, that is Central Electricity Authority, that this entire initiative, the entire ecosystem development will require total funding of about 30 lakh crore, and debt financing would be to the tune of about 21 lakh crore. REC is targeting a humble pie of about 3 lakh crore in this overall business opportunity which is available with respect to renewable energy segment.

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You're saying that the total funding of 30 lakh crores is required and REC is targeting 3 lakh crores in the renewable energy space. Can you help us with some immediate numbers? Because I was looking at the disbursement growth, it's been very good in renewable energy totally. I think year-on-year, the growth has been 90%. Sequentially, it's been 180%. What kind of immediate disbursement growth do you see by the end of FY-24 and FY-25?

**Sh. Vivek Kumar Dewangan -**

Last year, our overall disbursement was about 97,000 crore. In the first eight months itself, we have crossed 1 lakh 3 thousand crore. We hope to close this year by the end of March 2024, our disbursement will definitely increase more than 1 lakh 50 thousand crore. In the next financial year, FY-25, we aim to disburse about 2.0 million crore, and about 30% of this will come from the renewable energy segment.

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In terms of your AUM, the last recorded number, I think, is around 4.7 lakh crore, approximately. The last time we chatted, we were talking about a vicinity of around 4.85 to run 5 lakh Crore AUM by the end of this fiscal. You're pretty much already there. As you're saying, disbursements are really picking up. Where do you end this year with in terms of an AUM target, point number one? I think renewables, as a percentage of your book, is roughly around what, 6%. From a stock market perspective, they see it going to mid-teens. If yes, by when?

**Sh. Vivek Kumar Dewangan -**

Our asset under management at the beginning of this financial year was 4.35 million crore, which had seen year-on-year growth of about 13%. But in the first half itself, at the end of Q2, our asset management had grown to about 4 lakh 74 thousand. That is about 20% growth. We hope to maintain this growth of 20%. Our asset under management at the end of this current financial year will be more than 5 lakh 10 thousand crore. We had made an assessment... We had made a conservatory assessment earlier that our asset under management will grow to about 10 lakh crore by the end of 2030. But if you are able to maintain this growth trajectory of 20%, our asset management will grow to 10 thousand crore by the year 2028 itself. With regard to the share of renewable energy in our portfolio, you rightly pointed out that the renewable energy portfolio is only about 6% of our asset management. But as I had told you that we are aggressively pursuing the renewable energy financing and we have a huge pipeline of projects and we hope that our renewable energy portfolio will grow by 10 times from present 30,000 crore to three lakh crore by the year 2030. That would be about 30% of our assets under management.

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All right, just a quick follow-up question then on the NIMs, they're holding around that three and a half % odd, Mark, but you're looking at diversifying a little bit from what you have been to the sector that you've been lending in the past as well. Give and take everything, what's the cost of funds, and what's the outlook on the NIMs from year on?

**Sh. Vivek Kumar Dewangan -**

Yeah, as you have seen that the Government of India is giving a push to infrastructure financing. Current year in the central government's budget, they have proposed that 10 lakh crore is going for the infrastructure sector itself. I hope that in the coming year, since India is planning to become a developed country by the year 2047, the investment in the infrastructure

sector is going to grow. Now, coming to our cost of funds, we are trying to reduce our cost of funds. At the beginning of this financial year, it was about 7.28%. Now with the use of innovative financing and hedging techniques, we have been able to bring down our cost of funds to about 7.17%, that's the reduction of about 11 BPS points. We are targeting to bring down our cost of fund to about 7% by using innovative hedging techniques and external commercial borrowing. Recently, we had done a lot of Road shows in Tokyo, Hong Kong, and London. We have got very good feedback from our investors, and we are applying to bring green bonds to raise low cost funds. There is another segment that is 54 EC Bond, which is a capital gain saving tax instrument. There's also a huge growth, and we hope to bring down our cost of funds to about 7%. With regard to our net interest marks, we are targeting to hold on to about 3.5 % or 3.6 %, which we are 100 % confident to hold on.

**Anchor -**

Sir, good morning, Prashant here. Is there any risk on the horizon, sir? With lending institutions, we... And this is because the incremental, fastest growth will come in the renewable segment, which is not new, but it is newer as compared to the age-old thermal. So models will evolve, demand, supplies, everything is going to be in a state of flux for the next many years till we get to a steady-state capacity there. What's the risk? Are these loans backed by individual assets? Is there any risk as you see it?

**Sh. Vivek Kumar Dewangan -**

There's not much risk, except that some technological challenges are there in respect to the renewable energy segment. For green hydrogen and green ammonia space that we have started financing, the cost of electrolyzer needs to come down to bring down the cost of production of green hydrogen. Right now it is coming around \$5-\$6 per kg. I hope that a lot of research and development is going on and the moment we are able to bring down the cost of production of green hydrogen to about, say \$1 per kg. That is the one challenge. The second is the storage solution. Cost of the storage solution has also to come down to make the injection or renewable energy into the grid sustainable.

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Would you say that a lot of the lending that you were doing, it is contingent on technology bringing the cost and making renewable power more affordable, essentially?

**Sh. Vivek Kumar Dewangan -**

Yeah, the scale of operation will increase. We have already started at the present level of technology which is available. The scale of operation will increase by manyfold the moment this cost of technology comes down.

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Okay, I have a couple of questions. This 10 lakh crore AUM target that you gave us, is there any fundraising that is needed in order to achieve this target?

**Sh. Vivek Kumar Dewangan -**

Like current year, I told you that our disbursement target is about 1 lakh 50 thousand crore. Our board in the last meeting, which was held on 30th of November, we already increased our borrowing limit to 1 lakh 50 thousand crore. Per annum, we'll have to borrow about, say, about 1.5 to 2 Lakh in the next five to six years.

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Per annum, you have to borrow 1.5 lakh to 2 lakh in order to meet this target, is what you said. Got it. The other thing, can you tell me what is the visibility for FY 25 in terms of the ROE for the business? What ROE are you looking at?

**Sh. Vivek Kumar Dewangan -**

ROE for business, we are looking for more than 20% it may go up to 22-23% for the FY-25.

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Just one final question, this fundraising that you're going to needing per year will that be via equity route?

**Sh. Vivek Kumar Dewangan -**

Actually we use multiple source of borrowing first is this, institutional corporate bonds which we raise from the domestic market that is about 30-39% of borrowing the second most is external commercial borrowing, the share of which is about 28% of total borrowing this share of external commercial borrowing is likely to increase because with the use of innovative hedging technique we have been able to bring down the cost of external commercial borrowing the term loans from the bank, domestic bank that is also that share is about 20% and the share of about 54EC bond is about 10%, suitable mix of our different finance option, we are planning to bring down of our cost of the borrowing and raise the sufficient fund for which is required for our Disbursement.

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All right, we'll leave it there, Thank you very much Sir, great speaking with you here on CNBC TV18.

# Thank You

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