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Dated: February 14, 2025

लिस्टिंग विभाग, नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड एक्सचेंज प्लाजा, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - ४०० ०५१	कॉर्पोरेट संबंध विभाग बीएसई लिमिटेड पहली मंजिल, फीरोज जीजीभोय टावर्स दलाल स्ट्रीट, फोर्ट, मुंबई - ४०० ००१
स्क्रिप कोड—RECLTD	स्क्रिप कोड—532955
<b>Listing Department</b> National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), <b>Mumbai – 400 051</b>	<b>Corporate Relationship Department</b> BSE Limited 1 <sup>st</sup> Floor, Phiroze Jeejeebhoy Towers Dalal Street, Fort, <b>Mumbai – 400 001</b>
<b>Scrip Code—RECLTD</b>	<b>Scrip Code—532955</b>

**Sub: Transcript of Investors Conference call held on February 10, 2025.**

महोदय / महोदया,

In continuation of our earlier letter(s) dated February 5, 2025 & February 10, 2025, and pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith transcript of Investors Conference call (Group Meet) of REC Limited held on February 10, 2025.

यह आपकी जानकारी के लिए है। This is for your information.

धन्यवाद,

भवदीय,



(जे. एस. अमिताभ)

कार्यकारी निदेशक और कंपनी सचिव

संलग्न : ऊपरोक्त अनुसार



“REC Limited  
Q3 FY'25 Earnings Conference Call”  
February 10, 2025



**MANAGEMENT:** **MR. VIVEK KUMAR DEWANGAN – CHAIRMAN AND  
MANAGING DIRECTOR – REC LIMITED**  
**MR. VIJAY KUMAR SINGH – DIRECTOR (PROJECTS) –  
REC LIMITED**  
**MR. HARSH BAWEJA – DIRECTOR (FINANCE) – REC  
LIMITED**  
**MR. MOHAN LAL KUMAWAT – EXECUTIVE DIRECTOR  
FINANCE – REC LIMITED**

**MODERATOR:** **MR. SHREEPAL DOSHI – EQUIRUS SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to REC Limited Q3 FY '25 Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shreepal Doshi from Equirus Securities. Thank you, and over to you, sir.

**Shreepal Doshi:** Hi. Good morning, everyone. Thank you, Neerav, for passing on the call. We welcome you all to the Earnings Conference Call of REC Limited to discuss the 3Q performance of the company and the business update. We have with us the senior management of the company, represented by Mr. Vivek Kumar Dewangan, Chairman and Managing Director; Mr. Vijay Kumar Singh, Director of Projects; Mr. Harsh Baweja, Director of Finance; and Mr. Mohan Lal Kumawat, Executive Director Finance. Without taking much time, I'll hand over the call to CMD, sir, for his opening remarks, post which, we can open the forum for question and answers. Over to you, sir.

**Vivek Kumar Dewangan:** Good morning, everybody. Our Q3 results were declared on 6th of February. I hope that all of you must have gone through it. I would just like to highlight certain salient points that our disbursement has grown significantly in the first 9 months. It stands at INR1,45,647 crores. Last year, you may remember that total disbursement was INR1,61,462 crores. And as we are talking, our disbursement has reached to that level and still about 1.5 months is left. We hope that disbursement in the current financial year is going to increase substantially.

Our loan assets / asset under management has grown by 14% in Q3. Although disbursement was highest ever in Q3, that was INR54,692 crores but because of some prepayment, the loan book has grown by only 14%, but we hope that in Q4, this loan asset will grow between 15% to 17%. And we are quite confident that we'll be able to sustain growth of 15% to 17% in the years to come. And that's why we are targeting that our asset under management will grow to about INR10 lakh crores by the end of 2030.

Our significant disbursement has happened in respect of renewable energy projects. The disbursement have increased by 79% in the first 9 months in respect of renewable energy projects. While non-power infrastructure and logistics, it has seen growth of 30%. The profit after tax has also grown significantly by 15% to INR11,477 crores.

Now coming to the cost of fund. We have been able to bring down our cost of fund to about 7.15%. The spread has increased by 12 basis points to 2.94%. The net interest margin has also increased by 12 basis points to 3.64%. Return on net worth is about 21.07%. Debt-to-equity ratio is 6.38 times and capital adequacy ratio is 25.33%.

Our Net NPA has come down to 0.74% and gross NPA has come down to 1.95%. Here, I would like to inform all of you that there are 4 operating assets where we are expecting good resolution because bidding has already been completed in the aspect of KSK Mahanadi, where we are likely to recover 154% with respect to the principal amount.

Reversal is likely to happen about INR908 crores, more reversal will happen. In respect of Sinnar Thermal project in Nashik, recovery with respect to principal is about 52.65%. Again, there also, we are going to get reversal of provisioning amounting to about INR761 crores. Third, operating asset is Hiranmaye project where recovery with respect to principal is going to be about 82.75% and reversal of provisioning would be about INR440 crores. And Bhadreshwar, reversal of provisioning is likely to happen to about INR 42.59 crores.

In all these operating 4 assets, our reversal of provisioning would be about INR2,200 crores. And most of the assets, these are the operating assets, resolution are likely but NCLT order may take some time. Order may come or may not come in Q4, may go to the next financial year also. But by December 2025, all this reversal will happen. With these few words, we have a small presentation. If you all agree, we'll go through the presentation.

**Supreet Pandya REC:**

Good morning, everyone. We'll take you ahead with a brief presentation about REC. The presentation has also been uploaded on the Stock Exchanges. We'll take you through the presentation, which contains REC's journey over the last 5 decades from where we have grown from a company registered with NBFC with RBI in 1998 to a Maharatna entity in 2022. Also in 2024, where we have been appointed as National Program Implementing Agency for PM Surya Ghar Muft Bijli Yojana and in 2024 we also did our maiden yen bond issuance of JPY61 billion and the USD Green bond issuance of \$500 million.

REC key strength remains to be that it is a Maharatna company and a strategic player in the Indian power sector and infrastructure and logistics sector with a diversified asset base and robust access to diversified funding sources. REC occupies a strategic position in the growth and development of the power sector and a major player in renewable energy segment and creation of India's green energy corridor. REC has a very healthy asset quality with adequate provisioning coverage ratio. REC has strong fundamentals and profitable business with stable margins leading to strong profitability.

On the ratings front, REC commands highest domestic ratings of AAA, which is from all the 4 major rating agencies in India. And internationally, we are at par with the Sovereign Rating of India and enjoy Baa3 rating from Moody's, BBB- rating from Fitch and BBB+ rating from Japan Credit Rating Agency. We are the nodal agency for major Government of India's power sector programs such as RDSS, Saubhagya, Deendayal Upadhyaya Gram Jyoti Yojana, rooftop solar programs to name many. We have an experienced and management team with sector expertise.

REC is among the coveted few Indian PSUs, which enjoy a Maharatna status, which is the highest rank for top-performing PSUs in India. We are only amongst the 14 PSUs, which have

been accorded this status. This Maharatna status allows us greater operational and financial autonomy. It also allows us strategic investments by incorporating JV, subsidiaries and M&A activities in India and abroad. It also helps us in accelerating growth and supporting government's vision for the power sector.

REC has also diversified into loan portfolio with a mandate of up to 33% loans in non-power infrastructure and logistics sector, where we have been funding to metro, port, waterways, airport, oil refinery, roads and highways, IT infra, fiber optics, steel infra and also health sector. We will take you ahead to the shareholders' outlook. As of 31st December 2024, we continue to be held majorly by Power Finance Corporation of India at 52.63%. The FPI and FII continue to hold more than 20% in REC since IPO in 2008 and still hold 21.74% in REC. The insurance companies hold 4%. Individual, HUF, NRI hold 10.58%. The mutual funds and AIFs hold almost 9%. The corporate bank FIs are holding 1.7% of REC equity and others are holding 0.23%. Some of the largest shareholders in REC include, apart from Power Finance, are Government of Singapore, HDFC Trustee Company, Nippon Life India Asset Trustee, Life Insurance Corporation of India, NPS Trust of Aditya Birla Sun Life Pension, SBI Life Insurance Company, SBI Quant Fund, Vanguard Total International Stock Index Fund and Tata AIG, general insurance company.

On the dividend front, we have declared the third interim dividend for Q3 FY '25 of INR4.30 per share in addition to the first and second interim dividend for Q1 and Q2 of INR3.5 and INR4 per share, respectively. After this third interim dividend, the total interim dividend that has been declared by REC amounts to INR11.8 per share on a face value of INR10.

We are also happy to inform you that REC has been awarded the Gold Shield under the financial service sector other than banking and insurance sector, category from ICAI i.e. Institute of Chartered Accounts of India, Award for excellence in financial reporting for the financial year 2023-24. This is in addition to the various awards that we have been getting on the corporate governance, risk mitigation and to name many.

Let us come to the operational performance for the quarter and 9 months ended. During the 9 months FY '25, REC has sanctioned INR2,71,814 crores worth of projects, including renewable projects of INR79,135 crores. The details of the sanctions are available on the Slide #13 of the presentation.

During 9 months ended of December 2025, REC has disbursed INR1,45,647 crores, which is the highest ever quarterly and 9 month disbursement by REC. This signifies an increase of 19% in 9 months of FY '25 over 9 months of FY '24. As per the initial guidance by REC, the renewable disbursement has increased by 79% during the 9 months FY '25 over 9 months FY 2024.

The outstanding loan book stands at INR5,65,621 crores as at 31st December 2024, which signifies an increase of 14% year-on-year. The renewal book has also shown a good increase of 58% from last year and stands at INR52,394 crores as of 31st December 2024. We continue

to have pan-India presence across all the states in India and the state sector outstanding is close to INR4,98,444 crores and the private sector book is around INR67,177 crores as of 31st December 2024.

The Our top 10 major borrowers of REC include Tamil Nadu Generation and Distribution Company Limited at outstanding of INR39,670 crores; Maharashtra State Electricity Distribution Company Limited at INR27,023 crores; Tamil Nadu Power Generation Company Limited at INR22,249 crores, Kaleshwaram Irrigation Project Corporation Limited, INR17,911 crores; Uttar Pradesh Power Corporation Limited, INR17,732 crores; Telangana State Power Generation Corporation Limited at INR17,242 crores; Andhra Pradesh Southern Power Distribution Company Limited at INR17,233 crores; Jodhpur Vidyut Vitran Nigam Limited, INR15,406 crores; Telangana State Southern Power Distribution Company Limited at INR15,042 crores and Maharashtra State Power Generation Company Limited at INR14,813 crores. REC has a well diversified asset portfolio with top 10 borrowers accounting for nearly 36% of the outstanding loans. None of the top 10 borrower accounts for more than 8% of the total loan book, and there has been no NPAs in top 10 accounts ever.

Turning to the asset quality of REC. The asset quality has improved as at December 2024 and the gross NPA has come down to 1.95% and the net NPA has come down to 0.74%, primarily owing to resolution of 3 assets, which are Lanco Amarkantak, Nagai Power and Lynx with total outstanding of about INR2,778 crores. Consequent to resolution of these NPAs, the provision coverage ratio stands at 61.88% as at 31 December 2024. Category-wise ECL provisioning is also available in the presentation on Slide number 20. And just to again confirm, there is no NPA in the state sector. We have a provision of nearly 62% on the NPAs. And in addition to that, we also hold a provision of 0.73% on the standard assets. And in addition to these provisioning, we also have reserves available in the form of statutory reserve under Section 45IC of RBI Act and reserve for bad and doubtful debt under Section 36(1)(viii) of the Income Tax Act, amounting to INR13,134 crores and INR1,320 crores, respectively.

Our current NPAs are under various stages of resolution. There are about 13 projects under NCLT with outstanding of about INR9,543 crores with provision of 68%. While one project is also being pursued outside NCLT with an outstanding of INR1,503 crores and provision of 50%.

On the borrowing profile of REC, we continue to hold the credit ratings by Moody's, Fitch and Japan Credit Agency, as already been told, and domestic rating of AAA i.e. the highest by from all the 4 major rating agencies. The perpetual debt of REC are also rated highest, AAA by CARE and CRISIL.

The outstanding borrowings of REC as at 31st December '24 has increased to INR4,89,595 crores, which is an increase of 13% from year-on-year. We have access to multiple sources of funding with a mix of international and domestic sources to meet the business growth. We are also one of the only 4 companies which are allowed to raise low-cost capital gains tax exemption bonds.

During the 9 months of FY '25, we have raised funds to the quantum of INR1,15,020 crores, which have been raised from across all the sectors, domestic as well as international.

Just to throw some brief light on the financial highlights for 9 months. We have recorded the highest ever 9 months FY profit of INR11,477 crores. The total income stands at INR40,805 crores, which is an increase of 18% year-on-year. The net interest income stands at INR14,191 crores, an increase of 24% year-on-year. The net profit for 9 months is at INR11,477 crores, which is an increase of 15% year-on-year. The loan book has also reached INR5.66 lakh crores, an increase of 14%. Asset quality has improved to 0.74% from 0.82%. The net worth of REC stands at INR76,502 crores, which is also an increase of 18% year-on-year. The capital adequacy ratio of REC is at comfortable 25.33% with Tier 1 capital at 22.95%. This is against the requirement of 15% by RBI. So REC is adequately capitalized. On the key ratios of REC, the yield on loan assets for the 9 months has improved from 9.98% from last year to 10.09%. The cost has remained stable from 7.16% last year to 7.15%. Consequently, the interest spread has improved to 2.94% and the net interest margin have also improved to 3.64%. The return on net worth remains impressive at 21.07%. The interest coverage ratio is fairly adequate at 1.57x and the debt equity ratio at 6.38x. The profitability statement is also given on Slide #29 of the presentation.

In the Q3, we have recorded profit after tax of INR4,029 crores, which is an increase of 23% from the last year at INR3,269 crores. For the 9 months, we have recorded total profit of INR11,477 crores, an increase of 15%. This is in line with the last year's profit of INR14,019 crores. The position of balance sheet is also given on Slide #30 of the presentation. As already informed, the net worth has increased to INR76,502 crores, an increase of 18%.

From this year, we have also given slides on the ESG at REC Limited. What REC is doing on the ESG front, the detail has been given in the presentation on Slide number 31 onwards. Just to give you a very quick details on the ESG front.

The REC ESG policy was approved by the Board in January 2023. The ESG targets were assigned for quarterly compliance in June 2023. From there on, in February 2024, the new ESG-related policies were introduced and more human rights and well-being trainings were organized. In April 2024, assessment of GHG emissions of all REC offices were completed. REC has published its first ever ESG report reference to GRI format in August 2024. And in October 2024, REC has committed to net zero in Scope 1 and 2 emissions. The details of the ESG-related activities being done by REC and what we have been targeting for the coming years is also given in the presentation. With this, we are open for the question-and-answer round and the management is happy to take the questions from the investors.

**Moderator**

Thank you very much. The first question is from the line of Shreya Shivani from CLSA. India.

**Shreya Shivani:**

Congratulations on a good set of numbers. Sir, I have 2 questions. First is just wanted to understand the prepayment bit slightly better. So the repayment rate, what I was seeing, in the

distribution sector for our segment has remained elevated for the past couple of quarters. I'm assuming it's because of the RBPF scheme.

If you can help us understand whether that scheme is contributing to the elevated repayment rate that we see in the distribution segment. Also, in this quarter, it seems like the repayment rate in the gencos book, which includes the renewable, has also been elevated. So did the prepayment come from the renewable genco book? Or is it just the elevated DISCOM prepay repayments that we are seeing that has slowed down our growth in this quarter? That's my first question.

Second, we have an exposure to an Adani plant in Jharkhand, I believe, which provides electricity to the neighboring country. Sir, is there any concern that we have over there? Have we raised a provision on that asset? Or any color that you can give to us on that would be useful?

**Vivek Kumar Dewangan:** Thank you, Shivani, for asking a very pertinent question. You're right that revolving bill payment facility, we have given to the distribution companies. A lot of repayments have happened in respect of revolving bill payment facility. And with respect to generation, some renewable energy projects, some prepayments have happened because you know the nature of renewable energy projects. After they get commissioned in 2 to 3 years and thereafter, the promoter wants to sell off its equity and then monetize it and then go on for new projects.

So that is the trend actually. You will see across all these renewable energy projects, there is tendency to sell off this project. And with regard to Adani power plant in Jharkhand, government of India has allowed Adani Power Generation company in Jharkhand. In case there is no offtake from Bangladesh, they can sell in domestic market. However, the repayments are happening in time, and we don't see any concern with regard to repayment from this Adani power plant. I'll request Director Finance to corroborate on this repayment issues.

**Harsh Baweja:** Actually, you might be aware that our average repayment is around INR9,000 crores per month. So it is absolutely on the track. During the quarter itself, we have got the repayment of INR27,000 crores, which is a regular repayment. And INR5,600 crores is towards the RBPF which is again in the regular course of business. This amount is remitted by them and again, we disburse them. So it doesn't affect our loan book.

The important thing was about the prepayment, which we have got from the ACME. That is around INR2,000 crores, which is because of the fact that the company has gone for the public issue IPO. So out of their proceed, it was mandatory for them to make the prepayment to us. So that prepayment has come additionally over the regular repayment being received during every month.

**Shreya Shivani:** Got it, sir. That's very useful. Sir, last one follow-up question on the disbursal trend. For the first time in your PPT, you have put RDSS disbursements. This is towards that smart metering



program. It's a very small number, but should we expect this segment to start scaling up from next quarter onwards?

**Vivek Kumar Dewangan:** Thank you so much, Shreya. You're absolutely right. What has happened that under RDSS, there are 2 components. One is loss reduction work and second is prepaid smart meters. Our capex loan, we have sanctioned, is in respect of loss reduction work. And initially, the distribution companies have utilized the government of India grant to the extent of 20%. Now the work is picking up. And we do hope that in the next year and the subsequent year, substantial disbursement will happen in respect of RDSS loss reduction work.

With regard to prepaid smart meters, this is being done by AMISP service providers, those private players who have won the bids for installation of prepaid smart meters. They are installing in TotEx mode. So they are seeking loan from us, and we already sanctioned about INR7,000 crores loan to these prepaid smart meter operators. That also is likely to pick up in the next 2 years. I'll request Director Projects to give more color to it.

**Vijay Kumar Singh:** So I think in RDSS, we have done 2 types of funding. One is called counterpart funding, which is 40% remaining capex amount. 60%, you know that it is coming from government of India grant and 40%, some of the discounts have availed now. So that funding we have done. We have also done a funding which we call, I mean, interim funding, I suppose DISCOM is receiving these grants slightly late, but they have to continue with their capex program. So we have supported them even for 60% with the condition that whenever they get the grant, they repay that.

These 2 types of funding is under RDSS, as CMD sir said that we are also supporting AMISP. We have done large projects for Gemstar, some INR4,500 crores. We have also done IntelliSmart and there are other proposals also on our debt, which are currently under evaluation. So definitely, I mean, this is one area where, in fact, we were saying this in the past that from this year onward, this particular segment will pick up. We'll see disbursement happening going forward as well.

**Moderator:** Next question is from the line of Avinash Singh from Emkay Global.

**Avinash Singh:** Two questions. The first one is that on conventional generation. The good news there, what I see is that Mahagenco has already floated a tender even for financing of its unit 11 and 12 at Koradi. That is nearly INR10,500 crores kind of a loan requirement and it particularly suits into your kind of a borrower criteria. The question here I have is that, okay, I mean, it's a great thing that finally things are moving in state utility sector in thermal. But in that bid document, they are kind of what they have said is the interest rate under 9%. Now -- and this project involves nearly kind of a moratorium of 6 years, I mean, COD plus 12 months and COD will be close to 5-odd years.

So now with the conventional thermal sector, a 6-year kind of a moratorium and under 9% yield, I mean, how does it pan out for profitability if you were to fund this one? So that is --

and if this is the case, I mean, across the most state utilities, if they -- as and when more and more projects come for financing, then do you see kind of a pressure on your margins emerging? Because, I mean, these are conventional projects with long gestation period on moratorium.

So this is -- that is where I would like to hear your thought. Second one is more kind of on data. If I look at Slide 21, and you mentioned, including Lanco Amarkantak, there were 3 assets that got resolved. I guess there is some kind of a mistake here in your -- NCLT is still saying 13 projects where the outside NCLT is saying just one, where if I recall correctly, all these 3 were kind of under NCLT. And also, if I try to use the PCR of 68% and 50% are 2 categories as given on Slide 21, the total PCR is going up. So there is something, I mean, I guess, miss here. So these are my 2 questions.

**Vivek Kumar Dewangan:** Thank you, Avinash. Let me first handle the second question that you asked. Out of these 13 projects in NCLT, 7 projects are heading towards liquidation actually. And the remaining 6 projects, their bidding has already completed. So that's what I want to clarify that liquidation process, it does take some time, but we have already made 100% provisioning in respect of those assets.

With regard to your question on conventional generation bidding by Mahagenco, we are evaluating this aspect actually. We are in discussion with Power Finance. Actually, normally, the conventional generation business, we share equally with Power Finance Corporation. And this specific request that in the bid document that they have mentioned, may not be feasible that we are in discussion. I'll request my Director Project to answer this question.

**Vijay Kumar Singh:** So sir, there's a very large pie. I mean many projects are lined up under thermal generation category, close to 50,000, 55,000 megawatt of projects that will come under state sector utility, and we are targeting close to 50% of that particular business. So we do understand that some of the business, there may be competition like in case of Koradi and what we understand in case of Koradi also that the bid is not submitted perhaps by a lender, but by a syndicator, who, in turn, will actually secure loan now arrange loan from banks.

But having said that, I mean, there are big opportunities available for us. In 1 or 2 states, we do see this kind of things happening. But then as you know that last year, we did 8,500 megawatts of greenfield thermal generation. This year also, we have done 3,700 megawatts already. And of course, we will be targeting a few more projects under thermal generation category. But the size of the business available in this particular segment is too large. And obviously, other players will definitely chip in.

**Vivek Kumar Dewangan:** As the central electricity authority that is taken out of the Ministry of Power, already made projection for optimal generation mix. And since renewable energy is intermittent in nature and the base load comes from the thermal power coal-based thermal power only, the country will require 80 gigawatt to about 94 gigawatt capacity by the year 2032. You know that our

market share, REC's market share is about 20%. So we are targeting minimum 20% of this opportunity, which is going to be open for us.

**Avinash Singh:**

Sir, the question was more that do you see these kind of projects getting funded at a 9% or under 9%? Because I mean, these are long gestation period, you have to provide 6-year moratorium. These are not renewable. So question was more on the rates. I mean, do you see these rates being kind of a viable -- and particularly, if this kind of a rate pressure comes in more and more state utility project, will that put a pressure kind of on your margins? That was the question.

And related to that also here, despite being a brownfield project, this is like the capex or rather cost envisage is like INR10 crores per megawatt. So I mean, yes, so is that the thermal power generation cost also kind of increasing kind of create some kind of doubt over the viability of the project?

**Vivek Kumar Dewangan:**

Yes. In fact, greenfield coal-based power plant project cost has now increased about INR12 crores to INR13 crores per megawatt. But since some already balance of plant facilities are there, they have made a projection of INR10 crores per megawatt. That's correct. But with regard to pressure on interest rate, I think it will get stabilized because the expectation is that our renewable energy projects is like that. I don't think that renewable coal-based power plant will not be able to command the same interest that REC projects are generating.

**Vijay Kumar Singh:**

So I mean this definitely is something which we also need to, I mean, closely watch. But then this is one of the transactions. But if you look at remaining transactions, 90% of other funding, where there are no such pressures. We do expect such things to happen in 1 or 2 projects in 1 or 2 states or 3 states. But in other states, this kind of situation as of now, it does not exist. And we believe that this is a one-off transaction.

**Avinash Singh:**

Okay. On that NPA Slide 21, just I wanted clarification because last quarter, you had 13 under NCLT and 3 got resolved. So now left after from this quarter, it is 10 under NCLT or still 13 are still under -- because your Lanco Amarkantak and 2 other you mentioned that you have already resolved.

**Vivek Kumar Dewangan:**

Actually, what has happened that although the bidding has been completed like KSK Mahanadi, Sinnar, Hiranmaye, Bhadreshwar etcetera, but final order has not yet been issued by NCLT. That's why about 6 operating assets are there, 7 are under liquidation process. So 13 is correct figure, 13 are under NCLT for resolution.

**Moderator:**

Next question is from the line of Shweta from Elara Capital PLC.

**Shweta:**

Congratulations on a good quarter. Sir, a couple of questions. If we look at quarter-on-quarter basis, yields have slightly risen and this has been pretty consistent now for past 3 quarters in a row. But if I look at the mix, that has remained largely steady. So any particular asset or segment that is contributing to that? And a related question, so now we are 12% private sector

asset exposure, so could you just provide some color on what kind of renewable private assets we are looking at? And if any other major exposure on the private sector side? That's question number 1.

Question number 2, so just a clarification. So you mentioned in your opening remarks that the write-backs now across these 3 assets, KSK, Hiranmaye and Sinnar is around INR2,200-odd crores but earlier you had mentioned INR1,500 crores. So I also recall, you also mentioned about recoveries coming in higher. So if you could just clarify the numbers for the sake of convenience.

**Vivek Kumar Dewangan:** Thank you, Shweta. You're right that our exposure to state sector has come down from 89% to 88% and the exposure to private sector increased from 11% to 12%. There is not substantial increase. But a number of renewable energy projects we have sanctioned for the private sector where disbursement is going to happen in the current financial year and next financial year.

The share of private sector lending is 12%. It will gradually increase to 30% by the end of 2030. As more and more disbursement in respect of renewable energy projects takes, the share of private sector will increase because most of the renewable energy projects, which we have sanctioned are in respect of private sector.

And with regard to what kind of renewable energy projects we are sanctioning for private sector are solar, wind, hybrid solar wind projects where PPAs are already in place, the solar module manufacturing units, wind turbine manufacturing units, the storage solution, battery energy storage, pump storage projects, green hydrogen, green ammonia.

So we are covering the entire gamut of renewable energy projects when we are sanctioning and most of them are coming in the private sector. With regard to write-backs, reversal of provisioning in respect of these 3 operating assets; KSK Mahanadi, Sinnar Thermal and Hiranmaye. In the last con call, we had mentioned that our write-backs we were expecting INR1,500 crores to INR2,000 crores. But now the bidding is over. So we come to the correct figure. So now the total reversal is going to be about INR2,200 crores.

**Harsh Baweja:** Of which, INR351 crores has already been done.

**Vivek Kumar Dewangan:** Yes. For KSK Mahanadi, INR351 crores has already been factored in this quarter, Q3 itself because NCLT had allowed that the amount which was lying in the TRA to the tune of at that point time INR6,500 crores was to be distributed among the lenders. That amount has already been distributed among the lenders.

**Shweta:** So then the Yield increase is attributable to?

**Harsh Baweja:** Sorry, I couldn't get your question. Can you repeat it?.

**Shweta:** We have seen rise in yields. What would you attribute this to? Is it the asset mix or any reset in rates?

- Harsh Baweja:** Actually, this is regarding the composition of the disbursement. So our generation rates are a little bit on a higher side. So the disbursement towards the generation sector have been increased, which has resulted into higher yield during the quarter itself. It is not because of the reset. It is a routine feature. That is what I'm saying.
- Vijay Kumar Singh:** It is largely because of the disbursement happening in a segment where we are charging a little higher as compared to other things like, for example, generation, thermal generation.
- Moderator:** Next question is from the line of Dipen Shah, an individual investor.
- Dipen Shah:** Yes. I had a couple of questions. Firstly, on the forex loans, which we have, the rupee has been depreciating quite a bit. So could you just give us some more insights on what we should expect going ahead as far as borrowing is concerned? And secondly, on the existing forex loans, which are outstanding. And the second question is, if you can just give us some color on how do you expect the NIMs to move over the next couple of years.
- Vivek Kumar Dewangan:** Okay. Thank you, Dipen for asking very pertinent question. With regard to your question on NIM, we hope to maintain the NIMs of more than 3.65% to about 3.7%. Going forward, we'll be able to hold on to the NIM.
- With regard to forex loan, I'll request my director finance to give the detailed reply. But let me assure you that 99% of forex loan are already hedged. So there's not much concern. I'll request director finance to give more color on this forex loan.
- Harsh Baweja:** Sure. Our foreign loan outstanding is around INR1,59,000 crores, of which FCNR is INR43,000 crores and external commercial borrowing ECB is INR1,15,000 crores. And our 99% loans are very much hedged. And as you know that since REC has a treasury team that keep on reviewing the hedging margins, so on that basis, we are regularly reviewing our portfolio.
- And in case if any remedial action is needed to be taken, that is always taken on well in time. So again, since this is a recent phenomena, the rupee devaluation is recent phenomena. So we are working on that. And whatever the best action would be required would be taken immediately.
- Moderator:** Next question is from the line of Abhijit Tibrewal from Motilal Oswal.
- Abhijit Tibrewal:** Sir, first things first, I mean, while in your opening remarks, you've already spelled out the 4 projects. But if you could also give the breakup of this INR2,200 crores that we spoke about just once again, for the benefit of everyone. That is my first question.
- The second thing is, sir, this 9 months of this fiscal year, if you could also give the split of disbursements and sanctions between private and public. The third and the related question to RE again is, sir, this time, we spoke about prepayments that we got from ACME and you also explained that they went for a public IPO and subsequently, it was part of their mandate to

repay REC. If you could just help us understand how should we look at prepayments now from the REC -- from the RE book? Is it going to be elevated going ahead as well?

**Vivek Kumar Dewangan:** Yes. Thank you, Abhijit. With regard to your asset resolution question, I had already mentioned that these 4 assets, KSK Mahanadi, we already got INR351 crores reversal has already happened in Q3 because NCLT had allowed some amount lying in TRA to be distributed among the lenders and the remaining. So total recovery of loan portion is going to be INR2,596 crores. And recovery with respect to principal is going to be 154%.

The total reversal provisioning will happen in case in KSK Mahanadi to the tune of INR908 crores. With respect to Sinnar thermal plant in Nashik, the recovery with respect to principal is going to be 52.65%, and our reversal of provisioning would be amounting to about INR761.34 crores. Hiranmaye Energy, our recovery with respect to principal is going to be 82.75% and reversal of provisioning will happen to the tune of INR440 crores. In respect of Bhadreshwar our reversal of provisioning is going to be about INR42.59 crores.

Now with regard to your question on disbursal...

**Vijay Kumar Singh:** So sanctions, so we are generally considering private sector sanction only in case of renewable and in case of the distribution segment for smart meeting which we earlier spoke about. So largely under renewable, the majority of the projects are actually private sector projects. So whereas we are also doing some renewable energy projects in the state sector as well.

In INR79,135 crores total sanctions that we have done for renewable, which includes largely private, I believe 80% of it is towards private sector. But I think offline, we can provide you this breakup in the exact numbers.

**Vivek Kumar Dewangan:** And with regard to your question on the trend of prepayment in respect to our renewable energy projects, that is very basic nature of renewable energy projects. That will keep happening actually. It happens in respect to all the projects, actually. What is happening that the project developer, they want to monetize this is only up to the time of commissioning. After commissioning, they want to monetize their equity portion and then move forward for new projects. Would you like to add on this?

**Vijay Kumar Singh:** I just want to add that this is a very, very common activity. Refinancing is very active in RE space. But you might see that we are also taking over any commissioned assets from other which are actually financed by other lending institutions or finance through foreign funding. So for example, we have very recently done the INR2,500 crores of lending to ACME for commissioned portfolio, which actually was funded by foreign lenders, I mean it was funded through bonds. Now it is being taken over by us. So this is an activity which actually keeps happening.

Likewise, I mean, there are other projects also where we have taken over assets - commissioned assets in our portfolio through refinancing. So I mean this is an activity which

keeps happening. There are a few assets which are financed by us. They are refinanced by somebody else, but we also do the same thing. On the whole now, we have seen that it has perhaps no impact on our, on the growth of our RE loan book.

**Abhijit Tibrewal:** Got it. Sir, and just one small follow-up on that. Sir, while we kind of keep saying that RE majority of it is private sector projects, I mean, is the understanding correct that, I mean, despite they being private, what still gives us a lot of confidence of doing private in RE is because all of it or most of it is PPA backed? Or they have PPAs?

**Vivek Kumar Dewangan:** Yes. They are all PPA backed. But let me also point out that some large hydro projects also coming in renewable energy sector, that is coming in the state sector and PSP project, pump storage project are also coming in the state sector. Isn't it?

**Vijay Kumar Singh:** Yes. That's true.

**Moderator:** Next question is from the line of Suraj Das from Sundaram Mutual Fund.

**Suraj Das** Yes, thanks for the opportunity. Sir, three questions. The first question, if I look at Slide 20. The Stage 1 and 2 PCR for the renewable segment, is showing a divergent trend between the private sector and the state sector in the sense, that if you look at the PCR for Stage 1 and 2 coverage for the state sector, it is continuously increasing for the renewable.

For the last 5 quarters, it has increased to 50 basis points to 97 basis points in this quarter. While in the private sector, the trend is opposite. It is continuously coming down. It was as high as 1.6, it has now come down to 60 basis points. So sir, what is the driver, I mean what is the rationale behind this? So that is the first question. And then I have two more questions.

**Harsh Baweja:** Yes. Actually, we made provisions for minimum of 0.4%. So there are some of the other factors which affects the ECL working, which includes the extension of COD and there are market-driven factors, which is really done by our third-party consultants. We get our ECL working done by our third-party consultant. And on that basis, suppose if the things are on track, then the ECL gets reduced.

And in case some riders are not being met, then the ECL gets increase. So in case of state sector projects minimum is 0.4%, whereas it is average coming, it is around 0.75% and private sector, since most of the parameters are on track, so it is 0.55%.

**Suraj Das:** Okay. Understood. So, I mean, in a way, it is -- I mean the state sector is some -- what's seeing some kind of delays due to so many operational factors, hence, probably you were revising the ECL because that's what the case should be. Right?

**Harsh Baweja:** Correct.

**Suraj Das:** Understood, sir. And the second question is, sir, in terms of on the signing of PPAs in renewable, a few of the news articles and all are mentioning that there has been on ground in

last calendar year FY -- calendar year '24, there has been some kind of 4 to 8 months delay in various states. Something like Gujarat, Tamil Nadu, Andhra Pradesh. So what has been your experience? I mean are you seeing any kind of, let us say, delay in signing the PPAs in renewable sector?

And a related question to that is, sir, in this I think recently, the government has said that there will be no pay for the in pump power, for the generation of in pump power. So are you going to have any kind of impact because of that, or let's say what is the exposure towards the pure-play and the merchant power type exposure for us across sectors?

**Vijay Kumar Singh:**

So normally, I mean, whenever we do funding, we do funding only after signing of the PPA and not only PPA, the PSC also by the DISCOMs. So when a project comes for funding to us, these 2 activities are already done, and we take up funding only after signing of these 2 very critical documents. There are delays in terms of signing for PPA for the contracts awarded to SECI, NTPC, NHPC with the discount. But those projects, we do not fund until the PPA is signed. So that is one.

And secondly, there are now limitations on IPPs, particularly RE IPPs for selling of in pump power. Earlier, they were allowed but recently, there's a notification that in pump power, if at all it is there, can be supplied only to the PPA off-taker. But those kinds of things, we do not generally include in our financial model.

These are incidental things they may happen, they may not happen. And as such, because of this regulation on our financing and on our financial models also, I mean there's going to be no impact because such a thing and such a scenario is not taken into consideration while considering financing.

**Suraj Das:**

Got you. Understood. And sir, last question. In terms of DISCOM health, I mean, how you are seeing that in terms of DISCOM, sir, because last year, I think fourth quarter, we saw some upgrade -- rating upgrade for the DISCOMs, and do you expect something similar this quarter also in the fourth quarter of this financial year that again I mean there will be some rating upgrade on the DISCOMs because they are now doing well and hence, probably some kind of extra provision write-back coming in fourth quarter? That would be my last question.

**Vivek Kumar Dewangan:**

Yes. DISCOM health has been improving because of implementation of RDSS because all the DISCOMs have to adhere to certain reform measures to get this Government of India grant. Again, new rating is likely to be issued in this month of February itself and some DISCOMs are likely to be upgraded. That's true because DISCOMs have been making consistent efforts to bring down their AT&C losses, to bring down government department dues, legacy dues. In all the fronts, DISCOMs are taking very proactive steps.

The tariff orders are getting issued in time. Filing of the tariff petition by November, like for the next financial year, they are supposed to file their tariff petition by 30th of November



2024. 99% DISCOMs already filed their tariff petition and the tariff order would be issued by the concern state Electricity Regulatory Commission by 31st March.

- Moderator:** Next question is from the line of Nikhil from Bernstein.
- Nikhil:** My only question is on the renewable side. Renewables, we are facing headwinds, as was just discussed, PPAs are not getting signed, sell import restrictions have come in, transmission charges will be applicable July onwards on them. So I wanted some color. Are you seeing a challenge to meet the long-term aspiration we have for loan book growth driven by renewables, given these recent headwinds? And also, is there heightened competition for banks on the same note to participate in this space?
- Vijay Kumar Singh:** Yes. So delay in signing of PPA by renewable energy implementing agency like NHPC, NTPC SECI is definitely delaying our funding. So to that extent, yes, the project that we can finance, say, today, it is not, we are not able to do that because the PPA is not signed. But as we mentioned in earlier question that we are taking a funding of projects only after signing of PPA.
- So non-signing of PPA is not posing any risk because we do not want a project without PPA. But delay, definitely, I mean, it will certainly have some degree of impact on our ability to finance such projects. I mean, otherwise, they would have come for funding little earlier. So -- and the second question?
- Vivek Kumar Dewangan:** Second was transmission charges.
- Vijay Kumar Singh:** So transmission charge, I mean, this is something which is already factored in. This is announced way back in 2020 to '23 that the trajectory of transmission charges was taken into consideration while bidding for each of the PPA or I mean project, so that is something which is not going to impact because those charges earlier, it was nil. Now there's a graded manner in which transmission charge will be levied. And that particular element is already factored in by the IPPs in their quoted PPA charges, tariffs.
- Nikhil:** Got it. So overall, our loan book growth aspiration stays intact, you don't see a challenge due to any of these events?
- Vijay Kumar Singh:** I mean if you see that we are actually in terms of disbursement, we are doing quite good. In terms of sanction, also, we will perhaps be at the same level as we did last year. Last year, we did normally well. This year also, we are likely to touch the same level. And we believe that, of course, this PPA signing issue is there, but we will still be able to do same level of funding. It is largely because of one more fact that we are not dependent on this PPA signed by all these agencies with DISCOM.

We are also targeting some large ticket hydro projects and PSP projects. Hydro, you know that PPA signing is not mandatory in the beginning itself. So these are another area at which we are currently concentrating and this also is becoming part of our RE loan book.

**Moderator:** Next question is from Aagam Shah from Flute Aura Enterprises.

**Aagam Shah:** I just have one question. Given that we are going towards a new income tax era where gradually all the exemptions will be removed. I just wanted your view if Section 54 exemption is removed, what would -- how would that impact us? Do you think it's a probable event?

**Vivek Kumar Dewangan:** This, we have discussed with the Ministry of Finance also. This 54EC bond will continue. It is there because government wants that to incentivize these investors for those who are selling their real estate properties once they get capital gains, they want to save on paying this capital gain tax. This 54EC bond provision will continue going forward also. And this is the cheapest source of fund available to REC. We are paying only 5.25% interest for this capital gains tax saving bond of 54EC bond. This is likely to continue.

**Moderator:** Next question is Saket Yadav from India Capital.

**Saket Yadav:** Congratulations on the great set of numbers. Sir, just one question around the provision this quarter. So we have taken a write-back on P&L of about INR89 crores, but you were mentioning earlier that we had a reversal of about INR350 crores from the KSK Mahanadi project alone. So just wanted to understand where we have to take additional provisions, which brought down that write-back number to INR89 crores this quarter?

And just one small clarification. Sir, you mentioned earlier that on KSK, we expect INR908 crores of reversal of which INR357 crores have already been taken. So the remaining is about INR550 crores odd. Is that understanding for us?

**Harsh Baweja:** Yes, you are very correct that out of INR908 crores is INR351 crores has already been done. So as regards to the provisioning made during the quarter itself, it is because of the change in the PD and LGD and the incremental disbursements which have been done. But out of that, we have made a reversal of INR359 crores of KSK Mahanadi. So that one is there. And some of the reversal on this Stage 3 accounts that is Amarkantak, Nagai, Lynx and Konaseema was also there. So that has impacted result.

And there was also change in the Stage 2. There was also change in the Stage 2 from 1% to 0.5%. So that has also given this kind of treatment. So accordingly, the net figure is INR89 crores, which is coming in the books of account for the quarter 3.

**Moderator:** Understood. Next question is from the line of Pranav Gupta from Aionios Alpha.

**Pranav Gupta:** Just one question. You mentioned earlier in the call that the cost of coal, greenfield coal power plants have sort of gone up to almost INR13 crores, INR14 crores a megawatt. Is that understanding correct? Or did I sort of misunderstand what you said?

**Vivek Kumar Dewangan:** Yes. We are talking about ultra-supercritical thermal power plant because new power plant which are coming, they are going to be ultra-supercritical. That includes FGD also. The efficiency factor for ultra-supercritical power plant has gone up to 46% as compared to the earlier one, which was having efficiency factor of 42%. And the FGD cost has also been included actually. That's why the cost is coming INR12 crores to INR13 crores.

**Pranav Gupta:** But if we exclude all of that and look at a general greenfield power plant, what would the estimated cost per megawatt be approximately?

**Vijay Kumar Singh:** So it all depends actually on the technology that is being deployed in terms of BTG, boiler turbine and generator. Nowadays, all the utilities are deploying this ultra supercritical technology. The capex is very high. I mean they're comparatively high. And earlier, it used to be around 8-plus FGD, it used to be around INR10 crores.

So INR10 crores has become INR12 crores, but now it all depends on what is the cost of generation. So it has this additional capex being done on ultra supercritical technology is actually yielding in lower cost of generation. So that is the benefit of putting this technology for the projects.

**Pranav Gupta:** Right. Basically, the PLFs get better in the new technology.

**Vijay Kumar Singh:** Coal consumption reduced drastically, and therefore, the cost of generation becomes very attractive as compared to other technologies.

**Moderator:** Next question is from the line of Neha Agarwal from SageOne Investments.

**Neha Agarwal:** Sir, you mentioned that solar module projects are also part of the renewable energy loan book, if I heard that correctly. So however, these projects are generally not backed by PPAs and typically, the order books that these plants would have would be of 1 or 2 years. So how are we monitoring these assets and protecting ourselves from the potential industry headwind, if there's a future scenario of overcapacity in the industry?

And also, if you can highlight what percentage of our book currently would be the module and turbine manufacturing be? And what is the typical loan tenure that we have for such loans?

**Vijay Kumar Singh:** I'll take your second question first. So module manufacturing, incidentally, this quarter, we have not done. But yes, we have a portfolio of close to 6 to 7 gigawatt of module manufacturing and module manufacturing, the payback period is faster, and therefore, the loan tenor is also shorter. So normally 8 to 10 years of funding we have done. We have done 7 years also in some case, but 10 years also in some case. So it is ranging between that particular thing.

And for solar, we have done close to 8,000 megawatts of solar project. Whatever funding we do, we need firm tie up of solar modules from the suppliers, Tier 1 suppliers or wherever this

ALMM is applicable there the firm tie-up has to be in place at the time of almost at the time of funding or before the documentation and certainly before we make the disbursements.

So I mean, that kind of risk is not there in any of our project that is financed by us that there's any issue with regard to volatility in prices of the solar module because everything is firmed up before we enter into the project and the start our funding.

**Neha Agarwal:** When you say firm tie-up, if I may add, that generally, these tie-ups would be for specific projects only, right? So again, the tenure would be much shorter. And while our loan tenure is about 7 to 10 years, as you mentioned. So in that, during that period, especially in the second half of it, practically, we will not have much control on the predictability of their utilization in the plant, et cetera, right?

**Vijay Kumar Singh:** So loan tenor, which we mentioned it was about the module manufacturing facility, but in case of IPPs, who are having the solar component, there the loan tenure is high. Generally the PPA tenor is 25 years. So all the REIAs, they are entering into PPA for 25 years, even including the state sector entities who are having this bilateral PPA with the private sector entities are also 25 years. So wherever this 25-year PPA is there, there we are lending close to 16, 17, 18 years of loan tenor that we are providing to these developers.

**Neha Agarwal:** Yes. So I was actually referring to the module projects only and not the IPP projects. Here, if you can, just one last point of mine. If you can highlight what percentage of the overall project cost do we typically finance? And what is the debt equity of such projects?

**Vijay Kumar Singh:** So debt requirement, generally -- the debt equity is in the range of 70-30 and it goes for the top rated entity up to even 80-20. But generally, 70% to 80% of funding is around 75-25 debt equity ratio. Loan tenor, as I mentioned, for PPA around 25 years, we are giving close to 16 to 18 years of funding.

Project cost varies. Now if you see that plain vanilla solar projects are not being auctioned, what is coming as FDRE, but we have some benchmarks for each of the technologies. So for solar, the current price is close to INR3.5 crores to INR4 crores per megawatt. For wind it is close to INR8 to INR9 crores per megawatt. Likewise, for hybrid project, where we have solar also and wind also for FDRE project, where we have in addition to solar, wind battery also, we have benchmark prices with which we compare the project cost and then do the funding.

**Moderator:** Next question is from the line of Arjun Bagga from Baroda BNP Paribas.

**Arjun Bagga:** Just one data keeping question. So what would be the repayments for the LPS scheme, sir, over the last 9 months?

**Vijay Kumar Singh:** Yes. LPS, we have given funding ranging from 7 years to 13, 14 years. So that was dependent on the total outstanding charges payable to the Gencos. So where the outstanding is lesser, the lesser tenure is given and where the outstanding is more a higher tenure is also given and the

moratorium is also ranging from 1 year to 4 years. I think repayment has not started in a much, I mean, bigger way.

But I think it will start in the years to come. But in some of the cases, this four years is also not completed. So even disbursements are still happening, and they are still in the moratorium period. So close to INR2,000 crores of LPS will still be disbursed each quarter by us on which there will be moratorium continuing for up to 4 years from the date of first disbursements. But I think LPS, no major repayment is happening as of now. It will start maybe from next year onwards, where the projects will complete 1 or 2 years of moratorium.

**Arjun Bagga:** Got it, sir. So any kind of quantum that you would have any broad numbers for the repayments for the next year?

**Vijay Kumar Singh:** Only for LPS?

**Arjun Bagga:** Yes, sir, only for LPS.

**Vijay Kumar Singh:** We will have to work out that particular number depending on what, I mean, the overall disbursement that we have done, but I think...

**Harsh Baweja:** You can take it that it's around 10 to 13 years in making all the repayments. So that is coming in the 10 to 13 years, in the equal spread on monthly basis or the quarterly basis.

**Moderator:** Thank you very much, ladies and gentlemen, we'll take that as the last question. I'll now hand the conference to Mr. Shreepal Doshi for closing comments.

**Shreepal Doshi:** Thank you, Neerav, and thanks to all participants for being part of the call. Special thanks to the management of the company for giving us the opportunity to host the call. Thank you, sir, and good luck for the next quarter, sir.

**Vivek Kumar Dewangan:** Thank you so much. Thank you all.

**Shreepal Doshi:** Thank you, sir.

**Moderator:** Thank you very much. On behalf of Equirus Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.