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Dated: August 7, 2024

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
Listing Department, National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), <b>Mumbai – 400 051</b>	Corporate Relationship Department BSE Limited 1 <sup>st</sup> Floor, Phiroze Jeejeebhoy Towers Dalal Street, Fort, <b>Mumbai – 400 001</b>
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**Sub: Transcript of Investors Conference call held on August 1, 2024.**

महोदय / महोदया,

In continuation of our earlier letter dated July 29, 2024 & August 1, 2024, 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 of REC Limited held on August 1, 2024.

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  
Q1 FY'25 Earnings Conference Call”  
August 01, 2024



**MANAGEMENT:** **MR. VIVEK KUMAR DEWANGAN – IAS, CHAIRMAN AND MANAGING DIRECTOR – REC LIMITED**  
**MR. VIJAY KUMAR SINGH – DIRECTOR, PROJECTS – REC LIMITED**  
**MR. HARSH BAWEJA – DIRECTOR, FINANCE – REC LIMITED**  
**MR. SANJAY KUMAR – EXECUTIVE DIRECTOR, FINANCE – REC LIMITED**

**MODERATOR:** **MS. SHWETA DAPTARDAR – ELARA SECURITIES PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the REC Limited Q1 FY'25 Earnings Conference Call, hosted by Elara Securities Private Limited. As a reminder, all participants' 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 the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shweta Daptardar from Elara Securities Private Limited. Thank you. And over to you, ma'am.

**Shweta Daptardar:** Thank you, Neha. Good morning all. On behalf of Elara Securities, we welcome you all to Q1 FY'25 Earnings Conference Call of REC Limited. From the esteemed management team, we have with us today Mr. Vivek Kumar Dewangan, IAS, Chairman and Managing Director; Mr. Vijay Kumar Singh, Director of Projects; Mr. Harsh Baweja, Director of Finance and other senior officials from the team.

Without further ado, I hand over the call to Mr. Vivek Kumar Dewangan for his opening remarks, post which we can open the floor for Q&A. Thank you, and over to you, sir.

**Vivek Kumar Dewangan:** Good morning all the participants. It's my privilege to welcome you all in this conference call. As you might have seen our quarter one results for the current financial year, we have been able to maintain the growth trajectory which we had achieved last year. You might have noticed that our sanctions have gone up by 24%. In Q1 last year, we had sanctioned credit worth INR90,797 crores. But in the current financial year in Q1, our total sanctions stands at around INR1,12,791 crores.

The disbursement has seen a growth of 28% from last year's Q1 disbursement of INR34,133 crores. Our disbursement has reached the level of INR43,652 crores at the end of Q1 of this current financial year. The asset under management has seen a growth of 17%. You might have noticed that in FY'23, our loan asset had increased by 13% from INR3,85,000 crores to INR4,35,000 crores. And in the last financial year '24, our asset under management had grown at the rate of 17% from INR4,35,000 crores to INR5,09,000 crores. In Q1, we have been able to maintain the growth trajectory of 17% and our asset under management stands at INR5,29,739 crores.

Going forward, we hope to maintain a growth trajectory between 15% to 20% and most probably it is going to be more than 17%. If we maintain this 17% growth in the next four years, we'll be able to double our asset under management to about INR10 lakh crores by the year 2028-29 itself. Earlier, we were thinking that we will be able to cross this INR10 lakh crore mark by the end of 2030. But if we are able to maintain this growth of 17% and we are quite hopeful that we

might be able to reach the target of asset under management of INR10 lakh crores before 2030, maybe 2028-29 itself we will be able to achieve.

Two significant developments have happened as with regards to our portfolio is concerned. The renewable energy sanctions, renewable energy portfolio has seen a growth of 59% as far as sanctions are concerned. In Q1, our renewable sanctions were INR39,655 crores, while the disbursement saw a growth of 249%, disbursement was to the tune of INR5,351 crores from the renewable energy portfolio. With regard to infrastructure logistics, sanctions have grown up by 122% in Q1, which was about INR19,815 crores and disbursement increased by 78% to about INR7,982 crores in Q1.

The total borrowing -- the outstanding has increased by 15%. Borrowing has increased from INR3,97,582 crores in last Q1 to current year financial year Q1 to about INR4,58,794 crores. Our net worth has seen a growth of 19%. Now it stands at INR72,351 crores. The interest income on loan assets has increased by 20% as compared to Q1 last year which was INR10,465 crores. In Q1 of current financial year, our interest income on loan asset is about INR12,514 crores. The net interest income has increased by 30% from INR3,612 crores last year in Q1. The net interest income has increased to INR4,713 crores in the current financial year Q1.

The net profit has seen a growth of 16% from last year's Q1 of INR2,961 crores or Q1 profit after tax is INR3,442 crore. The yield on interest bearing loan assets has increased from 9.82% last Q1 to this year 9.99%. We have been able to reduce our average cost of fund by 18 basis point from last Q1, it was 7.23%, now our average cost of fund is about 7.05%.

The interest spread has also improved from 2.59% to 2.94%, as compared to Q1 of the last financial year. The net interest margin has also improved, last year Q1 it was 3.28% and current year our net interest margin stands at 3.64%. Going forward, we will be able to maintain this net interest margin of more than 3.6% in the next four to five year. The return on net worth is about 19.51%, debt equity ratio is 6.27. The capital adequacy ratio is comfortable 26.77%.

Another significant feature is that our gross NPA has come down by 7%. It is about 2.61% of total assets, while last year Q1 it was 3.28%. The net NPA has also come down from 0.97% to 0.82%. I would like to highlight that the growth opportunities are tremendous, particularly with regard to energy transitions taking place in India, as Government of India is committed to install 500 gigawatt capacity or install electricity capacity from non-fossil fuel sources.

Right now we are about 192 gigawatt capacity. So another 308 gigawatt capacity will come as per India's 14th national electricity plan which has estimated that country will require about INR24 lakh crores for this energy transition which is taking place with regard to installed capacity up to 500 gigawatt, plus storage solution, plus evacuation through green energy corridor.

So, we do anticipate a huge growth in our loan book pertaining to renewable energy portfolio, which represent 8% of our total asset under management. It will grow substantially to about 30%

by the year 2030. It will touch a figure of INR3 lakh crores from the current level of about INR39,000 crores.

Ministry of Power, Government of India has also brought out clear cut roadmap for providing base load actually, because commercially viable storage solution are still a challenge for the country. The pump store credit cost is quite high, battery energy storage we depend again on the import of the battery.

For the time being of the next five to six years, the base load will come from the coal based generation only. That's why Ministry of Power has envisaged that country will require another additional capacity of 94 gigawatt capacity for which debt financing would be to the tune of INR6.6 lakh crores. For that also, we are targeting this 20% of this business opportunity with regard to growth in the thermal generation.

Another thing that I would like to highlight is that Government of India has made its vision very clear that by the year 2047, India aspires to become a developed country. As of now, our per capita consumption electricity is only one third of the world average and per capita emission of carbon dioxide is also one third of the world average. In our pursuit to become a developed country, our per capita consumption of electricity will definitely increase. Right now in USA, the per capita consumption electricity is about ten to twelve times of the world average.

Our per capita consumption of electricity may not reach to the level of US's level, but hopefully we'll be able to cross the world average and that also entails more than four to five fold increase as far as per capita consumption electricity is concerned. So, we are committed for a sustainable development of our growth story and REC is going to play a crucial role in the nation building with regard to the vision of Government of India to become a developed country by the year 2047.

With this opening remark, we are open for question-and-answer now.

**Moderator:** Thank you very much. The first question is from the line of Dhaval from DSP. Please go ahead.

**Dhaval:** Yes, hi, good morning, sir. Thank you for the opportunity and congratulations on good performance. I had two questions. First is relating to provisions. So sir, our original expectation for current financial year was a reasonable amount of write-back probably similar to what we had seen last year for the full year. However, in 1Q we have seen some bit of addition on specific standard accounts. So does that mean that we are changing our guidance or we will see more write backs in the rest of the nine months. If you could throw some, you know, color around this that would be very useful. So that is my first question and then I have one more.

**Vivek Kumar Dewangan:** Yes, let me address this question. We had made provision of about 70% in respect our stressed asset and we had a total of 16 stressed assets at the beginning of this current financial year. Although these 16 assets are stressed, seven are heading towards liquidation for which we have already made 100% provisioning. Remaining are the operating asset and we are in advanced

stage of resolution of this trade asset like Sinnar Power Plant in Nashik, then we have Hiranmaye and KSK Mahanadi in Chhattisgarh. The bidding process has begun under NCLT process and we hope to see a good response because number of the expression of interest entries that we received are tremendous, more than 20-25 applications have been received in respect of each of these trade asset and there are very good quality bidders. We hope to have very good resolution, like for KSK Mahanadi, the trust and registration account itself is having INR10,000 crores.

So, we hope to have a good resolution from these operating asset and we hope to get write back up more than INR2,000 crores in the current financial year. Yes, your point is correct that as per in the current year Q1, we have made expected credit loss on account of some loans from Andhra Pradesh that became from special mention account one to special mention account two, but with the announcement in budget for support to the Andhra Pradesh initiative we hope that this will also become the normal standard asset sooner than later.

**Dhaval:** So sir, overall would it be correct to assume that we will see more than INR2,000 crores of write back in the rest of the nine month, so that for the full year we have guidance, we meet our guidance I mean just operationally. This AP account, do you see it, you know, getting normalized in the next one to two quarters? Would that be a fair assessment?

**Vivek Kumar Dewangan:** Yes, three to four, maximum three to four months because whatever budget announcement have been made that will start flowing to Andhra Pradesh and their financial position is likely to improve tremendously.

**Dhaval:** Understood. Got it. Sir, the other question is relating to growth and specifically on thermal generation. So we've seen, you know, recently NTPC give a very strong guidance around capacity addition and they've given a roadmap around it. Just wanted to get an update on the balance. So they've given an outlook on the 26 gigawatts.

So just wanted to get an outlook on the balance which was supposed to come from players like NLC and Damodar Valley and some of the state gen companies. How is the plan progressing there? And if you can give some update around that opportunity because that is where our lending opportunity will really emerge. So, some update around that would be quite useful.

**Vivek Kumar Dewangan:** You're right actually that out of 94 gigawatt capacity, NTPC has targeted 26 gigawatt capacity. But out of 26 gigawatt capacity, 6 to 8 gigawatt capacity will come in the joint venture of NTPC organization. So these NTPC joint venture project we have been financing. When they do it on a standalone basis we are not financing because they have the cheaper source of financing available.

So we are targeting about 74 gigawatt capacity, we'll be able to finance to joint venture companies of NTPC, Damodar Valley Corporation. There's NLC there then, state Gencos. Most of the projects are coming in the state sector and these are all grounded projects.

They are not greenfield projects because some of the old power plant which had retired in place of that they are bringing the new units in the existing plant actually. For that balance of plants they'll be able to utilize the existing facility with regard to the coal handling facility, ash handling capacity of the existing plant could be utilized. So we hope that out of 74 gigawatt capacity which is coming mostly in state Gen Co and joint venture of NTPC and NLC and Damodar Valley Corporation we are targeting market share of 30% to 40%.

**Dhaval:**

Got it. Sir, one last clarification is on the disbursement expectation in the renewables, including hydro project. So we've had a good start compared to 1Q 2024. Just for the full year, how this growth is likely, this momentum that we've seen in 1Q, if you could give some perspective on disbursement for the full year, so that would be very useful like what kind of growth we can see. Would it be in similar zone or lower? Because our sanction last year was quite strong in this space. Yes, that's it. Thank you.

**Vivek Kumar Dewangan:**

It will depend on the progress of the project, the execution of the project actually. Most of the renewable energy projects normally get commissioned in time and the execution level for those projects which we had sanctioned last year, the disbursement was only to the tune of 10% of the project cost.

Say if INR100 was sanctioned, last year they had used only INR10. But current year the disbursement will be about 40% to 50% of this project value. So out of INR100, INR40 to INR50 would be disbursed this year in respect to renewable energy project. Last year our total disbursement for the entire year was INR1,61,000 crores.

This year in Q1 itself we have been able to touch INR43,000 crore. We hope to cross INR1,90,000 crores of disbursement in the current financial, it may go up to INR2 lakh crore, also depends on project execution.

Out of this, say INR1,90,000 or INR2 lakh crores that we are targeting within the current financial year, the transmission and distribution sector will constitute about 40%. Then renewable disbursement is going to increase substantially about 20%. We are targeting minimum 20% will come from the renewable energy segment. Then remaining will come from conventional generation and infrastructure logistics.

**Dhaval:**

This is very useful, sir. I wish you all the very best. Thank you.

**Vivek Kumar Dewangan:**

Thank you so much. Thanks.

**Moderator:**

Thank you. The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

**Shreya Shivani:**

Thank you for the opportunity. I have two questions. Sir, first is on the infra segment. So till last year we had an idea of the projects that you were disbursing for, I mean Mumbai Metro and Bangalore Metro some of the projects. Can you give us some details of what kind of projects we

have disbursed for in 1Q? Are they PPP model or are they still government projects that you are basically participating in? That's first.

And sir, second on your Gross Stage 3. So it looks like Lanco Amarkantak we have still not removed from gross GS 3 right? So when something like that happens that you've already written back the provisions which you did last quarter but probably all approvals have not come through and that's why you've not removed Lanco from GS 3. So, in that case, if this gets delayed any further, will you have to build more provisions for this or how does the accounting work in such a situation? If you can help us understand that. Thank you.

**Vivek Kumar Dewangan:** Let me first tell you about this disbursement, with regard to infrastructure logistic sanctions. This year we have been able to do for this multimodal corridor, this Maharashtra State Road Development Corporation, we had sanctioned project worth INR10,000 crore. Then expressway this year of Samruddhi corridor from Jalna to Nanded and we are targeting with regard to disbursement, you had asked about disbursement with regard to infrastructure logistics. Other than this MMRDA metro project and Mumbai-Pune Expressway, the disbursement are there on Hindustan Petroleum refinery, a substantial disbursement has happened. Then we also financed Jindal's steel plant in Odisha. That also has seen a growth. And airports we have done Visakhapatnam Airport, then Goa Airport, disbursement has started going there also.

And some road projects, Kagal-Satara, HAM projects there disbursement have increased. With regard to this delay in this Lanco Amarkantak case, Lanco Amarkantak case hearing in NCLT is already over actually and NCLT had reserved the order. Now they have started. They are doing chronological order of completion of hearing.

So we hope that final order will be issued in the month of August itself like for Nagai, we got the orders on 29th of July. There we don't have to make any extra provisioning because the NCLT resolution is happening based on the resolution plan and we'll get some additional write-back because we had taken, not taken entire write back amount. We'll get some additional write back from Lanco Amarkantak also.

**Shreya Shivani:** Got it, sir. Thank you. And just one last clarification. So, the projects which are probably closer to resolution right now, which we should pay attention to Sinnar and Hiranmaye or Nagai also something that we should probably keep an eye on.

**Vivek Kumar Dewangan:** Nagai has already done, I mentioned, you know, that on 29th we got the final order from NCLT, Nagai has already been resolved.

**Shreya Shivani:** Okay.

**Vivek Kumar Dewangan:** And we have restructured this TRN energy, that resolution plan is already been completed. Then Bhadreshwar, Corporate power also, Konaseema Gas Power, that resolution is going to be completed now. And with regard to KSK Mahanadhi, Hiranmaye and Nashik, the bidding process has already commenced actually. So we hope that -- I think the last date of final bid



submission is in the month of August itself, by the end of August we'll get that amount final bidding based on that we'll be able to resolve in next two to three months.

**Shreya Shivani:** Got it sir. And sir just clarification, Nagai was a INR560 crores project, right, which you are saying is resolved.

**Vivek Kumar Dewangan:** Nagai INR561 crores was our outstanding and there we made 71% provision, but expected recovery is INR183 crore. Our expected recoveries are to the tune of 33%.

**Shreya Shivani:** Got it. Thank you so much. Very useful, sir.

**Vivek Kumar Dewangan:** Small write back will also be there in this project.

**Moderator:** Thank you. The next question is from the line of Manish from PhillipCapital. Please go ahead.

**Manish:** Yes, thanks for the opportunity. I have three questions. One pertains to the sanction in the generation side. Can you give us some color whether it pertains to public sector entity or private?

**Vijay Kumar Singh:** So I think we have done total of four large scale thermal power projects. Three of them are in the state sector, two are in Madhya Pradesh, one in Maharashtra and one is in DVC, in West Bengal. So total roughly for 3440 megawatt capacity has been sanctioned both in state and DVC for total loan amount of INR31,000 crore.

**Manish:** And typically what can be the yields in this generation project? if you can give some color?

**Vivek Kumar Dewangan:** In the generation project yields depend on the rating of the entity actually, it varies from 9.5% to up to 10.5% or 11% also, depends on the rating of the entity which is executing the project.

**Vijay Kumar Singh:** And if I just add that highest yield that we are getting is actually on the thermal generation projects which is in excess of 10% as of now on the outstanding loan book. And that is what actually we are also targeting that will take a good share in thermal generation capacity financing opportunity where the yields will be higher as compared to other segments in the past.

**Manish:** Got it. The next question is on the foreign currency borrowing. So in last four year, the share of foreign currency borrowing increased from almost from 16% to 30% right now. How should we look at this you know, this space. Can you increase your foreign currency borrowing further from here?

**Vivek Kumar Dewangan:** Yes, as of now, foreign currency borrowing is cheaper option as compared to domestic borrowing actually. And we have used some innovative hedging techniques. That's why our all in cost including hedging cost is below 6.7% actually, most of the term loan in foreign currency which we have taken. So that's why you might have seen that proportion of foreign currency borrowing has increased substantially to about 29%.

**Manish:** So you can still increase that, there is no internal cap around that, is that correct understanding?

- Vivek Kumar Dewangan:** No, there is no, no.
- Sanjay Kumar:** So, there is no virtually internal cap as such. But we have to apply to RBI in case we want to go under the approval route. Under the automatic route it's only USD 750 million that is allowed in a year. So under approval we normally apply for USD 2 million at one stretch, which is allowed for a period of six months.
- So it depends upon RBI also as to how much approval they grant. On that basis we raise the foreign currency borrowing, but FCNR-B loans are in addition to that and there is no cap on that. It's only for the external commercial borrowing, which is a for a tenure longer than one year that we have to seek the approval of the RBI.
- Manish:** So the current approval are in place right now or we have to apply just to get a clarity about FY 2025 foreign currency bond amount.
- Sanjay Kumar:** Already about USD 700 million is there, which is presently available to us. So after that, once we exhaust that, in that case we will be approaching the RBI. So normally they grant the approval within period of one month, so that's not a difficult process. Last year, we applied thrice and we got the approval also thrice, for \$6 billion.
- Manish:** Got it. And finally, if you can share stage two asset number for the quarter, at the end of the quarter?
- Harsh Baweja:** The loan balance against these Stage two assets is INR54,333 crores and against which the final ECL is INR552 crores.
- Manish:** Oh, this includes that AP account, correct, if I'm not wrong?
- Harsh Baweja:** Sorry, couldn't get you.
- Manish:** This includes that AP account which you got?
- Harsh Baweja:** Some of them, the assets, this is stage two assets, it is mainly from Andhara Pradesh.
- Manish:** Okay. Thank you. Thank you for answering my questions and all the best.
- Moderator:** Thank you. The next question is from the line of Shreepal Doshi from Equirus Capital. Please go ahead.
- Shreepal Doshi:** Hi sir, thank you for giving me the opportunity. My question was on infrastructure projects front. So last quarter we have seen decent traction across sanctions, disbursements and also the share of infrastructure book increasing. So incrementally for the year end, how are we seeing that book shaping up in the overall loan book mix? And as well if you could highlight the blended yields in this particular segment for us?

**Vivek Kumar Dewangan:** Yes. Right now actually our hands are full with our power sector project and renewable energy project. Actually we are getting number of projects from renewable energy portfolio and as well as conventional generation. So we are a bit choosy with regard to financing infrastructure logistics now, we are taking conscious decision to be bit choosy.

Initially we are cautious, first year we had sanctioned only those projects which were supported by the state government guarantee. Now we are targeting only those infrastructure and logistics project where our yield is more than 9% and where the asset quality is good and where the entity is good and where the revenue cash flow is ensured.

Based on that, only we have decided to go slow on this infrastructure logistics. Right now, our total portfolio infrastructure logistic is about 12% of our total asset under management. Going forward, it may go up to, say, 20% by the end of 2030. So 30% will come from renewable energy project, 20% from infrastructure logistics, remaining 50% will come from conventional generation, transmission and distribution.

**Shreepal Doshi:** Got it, sir. That was helpful. Sir, the second question was on the trend that we saw during the quarter, where there was an internal movement between GS1 and GS2. Are we seeing any further -- any other account, which is also behaving in a similar manner?

**Vivek Kumar Dewangan:** No. Only in respect to Andhra Pradesh was there, no other account is there, which is we're moving from Stage 1 to Stage 2. And Andhra Pradesh also, the situation is going to improve now actually because budget, a lot of support has been announced in respect to Andhra Pradesh. So we hope that they'll become a stage 1 asset in next three months to four months.

**Shreepal Doshi:** This is no other state we are experiencing or seeing any such behavior, which could lead to such -- I mean, slip between Stage 1 to Stage 2.

**Vivek Kumar Dewangan:** No other state, only Andhra Pradesh was there.

**Shreepal Doshi:** Got it, sir. Thank you so much for answering the question, sir.

**Moderator:** Thank you. The next question is from the line of Nikhil Nigania from Bernstein Private Wealth Management. Please go ahead.

**Nikhil Nigania:** Hi, thank you for taking my question. My first question is on renewable loans. I wanted to understand, are we funding merchant renewable plants as well? Or is PPA condition precedent for loan disbursement?

**Vijay Kumar Singh:** So largely, the project that we have sanctioned so far are in the category of having PPA and PPA from largely again from SECI, NTPC like organizations. We have done a few for the state PPA as well. 95% of our total funding is based on PPA only. And there's a very small component of C&I and of course, a very, very small component of merchant also.

- Nikhil Nigania:** Understood. And would it be fair to assume the strategy won't change going forward, the preference would be towards PPA and to minimize merchant renewable plants?
- Vivek Kumar Dewangan:** Yes, yes. Going forward also, we are giving priorities to only those players which are having PPA along the business 20, 25 years PPA with regard to renewable energy projects.
- Nikhil Nigania:** That's helpful. And secondly, just on that note only. In terms of competition on funding the renewable space, do you see incremental interest from banks to lend to renewable plants or is still largely you and your peers?
- Vivek Kumar Dewangan:** Competition is there, definitely, everybody wants to increase their green portfolio they are very competitive. But our rates are quite competitive as compared to banks and obviously, in respect to our peers also. So we are targeting a market share of about 20% because the space is so big and because I told you that 308 gigawatt is going to come in the next four years to five years. So we are targeting a market share of 20% of this renewable energy opportunity which is coming out.
- Nikhil Nigania:** Understood, sir. If I may squeeze in one last question. Regarding the loans disbursed in line as part of the LPS scheme, I wanted to understand what kind of guarantee do we have with is it state guarantees? Or is it something like the tripartite agreement we have for the RDSS loans, if you could give some clarity on that?
- Vijay Kumar Singh:** So on the LPS scheme, all the loans advanced to all the state DISCOMs are backed by state government guarantee. So that actually was the scheme of LPS. So entire loan outstanding is having a collateral of state government guarantee.
- Vivek Kumar Dewangan:** And with regard to RDSS, also RDSS counterpart funding also, that also is with state government guarantee supported by the mandate, which has been insisted by the Ministry of Power. The RDSS loans counterpart funding will be supported by state government guarantee, and direct debit mandate of Reserve Bank of India.
- Nikhil Nigania:** Got it, sir. Sir, but then the unsecured loans, which we see as part of the book, if you could give some color, what are those then which went up also this quarter.
- Vijay Kumar Singh:** So I think largely, the projects are our capex projects. But then some of the projects like LPS, LIS and RBPF these three categories are non-capex project, but all of these three categories, LIS, LPS and RPF are backed with government guarantee.
- Sanjay Kumar:** So virtually, there are certain loans, MTL, STL, etc., which is a very small component. And there also the state government guarantee in most of the cases is there. But sometimes it take some time to get the government guarantees. So till that time, we are shown as unsecured. But once we get the guarantee, then automatically they are transferred to the secured category.
- Nikhil Nigania:** Okay. That's very helpful. Thank you so much. Those were my questions.

**Moderator:** Thank you. The next question is from the line of Aravind from Sundaram Alternates. Please go ahead.

**Aravind:** Hello, sir. Thank you so much for the opportunity and congratulations on a good set of numbers. Sir, like when I see distribution sanctions and disbursements in the last four quarters, especially RPF and LPS and LIS schemes, these -- especially the disbursements have been almost equal to the last nine quarters of sanctions like mentioned that we have disbursed almost all the sanctioned numbers.

I mean going forward, like where would the disbursements in the distribution part of the schemes will come from? Because since you mentioned that 40 percentage of the overall disbursements will come from distribution schemes, which set of schemes are you referring to, sir? Like are you referring to distribution capex or anything else?

**Vivek Kumar Dewangan:** Let me just throw a light on this. Most of the disbursement in distribution segment will come from revamped distribution sector scheme. Now all the loss reduction that have already been awarded last year. Now after election, the execution speed is increasing. And some of the states which have not been able to qualify under recent evaluation framework, so they are seeking bridge loan from us till the time they have become eligible for Government of India's guarantee, they'll also be seeking bridge loan.

So we do see a substantial jump with regard to RDSS financing. At LPS, you may be aware that LPS schemes started in June 2022 and it is for a period of four years. So still some disbursements are there. Some disbursements will keep happening until 2026. And RBPF is the revolving bill payment facility, there the repayment and disbursement will keep happening. But largely, it will come from RDSS loss reduction work.

Plus, we are also financing this prepaid smart meters. Prepaid smart meters - 25 crores prepaid smart meters has to be installed in the country. Out of 25 crore, 14 crores prepaid smart meter orders have already been placed. So this is being done by AMISP service provider, which are private players. They are doing on totex mode and they'll be installing the prepaid smart meters and they'll be operating and maintaining it for a period of 10 years and they get a return from the distribution company at the rate of per meter per month rate for which they submitted bid. So with this private sector players, also, we are financing under prepaid smart meter category. Both prepaid smart meter and loss reduction work are going to increase substantially in the current financial year.

**Aravind:** And just if we can throw light on the renewables portfolio also, sir, like we have sanctioned a large chunk of orders in the renewable space. Let's say, like in the last five quarters, I can see like almost INR1.75 lakh crores of renewables has been sanctioned. But can you give us an idea of like how much would be large hydro and how much would be non-large hydro?

**Vivek Kumar Dewangan:** Yes. Let me just give you a brief background. Last year, in the month of July, we had organized Green Finance Summit in Goa on the sidelines of G20 Energy Working Group Meeting. And

we had done detailed one-on-one interaction with the renewable energy developers, OEM for the electric buses and other technology providers also, and we have been able to sign MoUs worth INR2,85,000 crores in July 2023. After that, after signing these MoUs, we sanctioned INR1,36,516 crores projects, which covered the entire gamut to renewable energy category like solar projects, we have sanctioned about INR 20,956 crores.

Solar model manufacturing was INR 21,555 crores. Large hydro was INR 32,450 crores. Then wind turbine manufacturing was about INR 3,195 crores. Wind power project was INR 3,453 crores. Hybrid solar wind was INR 10,098 crores. Small hydro was INR 837 crores. Pump storage project were worth INR 28,304 crores, green hydrogen, green ammonia projects, about INR 8,000 crores we have sanctioned. Electric buses with associated infrastructure, we have sanctioned about INR 7,214 crores.

So you can see that entire gamut of renewable energy projects we have been sanctioning. Last year, the sanction was INR1,36,000 crores. And this year also sanction will cross INR1,50,000 crores easily or may go up also.

And you may see that the ideally renewable energy projects under large hydro project take time of 6 years to 8 year time for commissioning. But other than large hydro project, solar and wind projects, they do get commissioned very fast within a period of 2 to 3 years. So a lot of disbursement in whatever we have sanctioned in the renewable energy project other than large hydro projects, they'll all get disbursed in the next 2 years to 3 years.

**Aravind:** Yes, sir. This is very helpful. Thank you.

**Moderator:** Thank you. The next question is from the line of Ashish Sharma from Oaklane Capital. Please go ahead.

**Ashish Sharma:** Just on the credit cost first. So you mentioned that around INR2,000 crores of write-back can flow through. So do you expect this to flow through in FY '25 itself or there will be some spillover to FY '26? And second question, related to that, is that ex of write-back in a normalized, what should be the credit costs we should assume?

**Vivek Kumar Dewangan:** As I have mentioned that these operating assets like Sinner power plant in Nasik, KSK Mahanadi in Chhattisgarh and Hiranmaye project in West Bengal, they are in advanced stage of bidding, and we hope to conclude the bidding in the month of August itself. So all the bids are going to be received in August and we will be able to finalize it by September.

And we'll be able to submit the final resolution plan to the NCLT, say by the end of October to December period, all resolutions will be submitted. So we hope that all this INR2,000 crores write-back will get in the current financial year itself.

**Ashish Sharma:** Sir, second question was on normalized credit costs, assuming write-backs are not there, what should that number be?

**Sanjay Kumar:** See, otherwise, the credit cost is only in respect of the standard asset provisioning which we are making, that is only about 0.4%. So once all these assets are resolved and there wouldn't be any virtually NPAs, which will be in our books. So by 31st March, all of them will be resolved, either it will be a technical write-off or otherwise, they will be resolved. So after that, it will be only standard asset provisioning would be there. Nothing else.

**Ashish Sharma:** Okay. Perfect. And just one clarification, you had mentioned on the growth part that disbursements would be stretching INR190,000 crores in this year, which is closer to 20% growth. But on the guidance on the growth path, we are being a little conservative. Is it that we should assume higher payment -- are the prepayment rates higher?

**Vivek Kumar Dewangan:** Actually, we are targeting growth of 20%, but to be on the conservative side, because some of the repayments are also happening actually. And what happened in the renewable energy project that the developer wants to come out of the project after selling the project actually. So the repayments are quite fast in respect to renewable energy project. That's why the growth we are targeting from, it may vary from 17% to 20%.

**Ashish Sharma:** Perfect. Because at 18% disbursement growth should be closer to 20%. I think that's why you would clarify that you were conservative in your guidance?

**Vivek Kumar Dewangan:** Yes.

**Moderator:** Thank you. The next question is from the line of Nishant from MLP. Please go ahead.

**Nishant:** Hi sir. I just had one question. If you've spoken or engaged more with the RBI, what's the latest thinking on the project finance norm that was proposed to?

**Vivek Kumar Dewangan:** See, as you might recall that when we had this conference call after our annual results, that time, RBI has come up with this draft guidelines with regard to higher provisioning for the under construction projects over a period of three years actually, that was draft provisions. And RBI had sought comments from all the stakeholders by 15 June. We all submitted our comments.

With regard to REC, let me clarify that since REC is an NBFC, non-banking finance company, and we have been following Ind AS accounting norms. Our profitability will not be affected at all. Should RBI stick to its own guideline. That is -- I think is what we are explained that they'll perhaps not keep that sticky provisioning norm. But should they do it, what will happen is that we'll have to keep higher provisioning for under construction projects with those projects which are delayed projects. If we had to make higher provisioning, the credit cost, the cost of lending will increase a bit in respect of those projects which are under construction and which are delayed projects.

**Nishant:** Got it, sir. So sir, historically, when RBI has made any kind of like these provisioning norm change or accounting changes, like even when NBFC has transitioned to ECL, they also

provided for a mechanism saying, look, you will operate at least with the floor key or India provisions will not be lower than your IGAAP provisions.

So now if the regulation is such where the banks have to operate at this 5% standard asset provisioning, do you think that you, despite being an NBFC will be prescribed to maintain a floor on this thing? Because that's traditionally how the RBI has operated. So we're not very privy to how the RBI is thinking. So if you could shed some light on how the RBI engagement is going on over there?

**Harsh Baweja:**

Actually, we have our Board approved ECL policy. And according to this, the floor is whatever is in the policy is there, we are already maintaining as per Ind AS. And every quarter, when the results are made public, before that we have a comparison of provisions as per the RBI norms and as well as for the Ind AS and that has given effect in our balance sheet also.

And whatever the difference is there, if any difference is there, that is always passed through impairment reserve account. And in case if the RBI comes up with a new policy, we'll abide by that, but we have -- not only we -- all the NBFCs have given their observations and the comments on the proposed policy. Let's wait for the final outcome, and we'll abide by that.

**Nishant:**

Sure, sir. Sir, just one last question. In terms of time lines, like when can we expect to hear the final guideline?

**Vivek Kumar Dewangan:**

Only RBI knows. We cannot give time line.

**Nishant:**

All right. Sir, thank you so much. That's it from me.

**Moderator:**

Thank you. The next question is from the line of Aditi from CD Equisearch Private Limited. Please go ahead.

**Aditi:**

Good morning, sir. My first question is that after are you people with the composition of the current loan growth where your core assessing the relation transmission and distribution is not doing or margin at this point?

**Harsh Baweja:**

Sorry, you have to be a little louder.

**Vivek Kumar Dewangan:**

Aditi, we could not hear you clearly. Could you please repeat?

**Aditi:**

Yes, sir. Sir, how comfortable are you with the composition of your current loan book with the core assets that is generation, transition and distribution are not growing or either marginally growing?

**Vivek Kumar Dewangan:**

Yes. As -- in the opening, I had mentioned that conventional generation sector is looking at some more conventional generation projects coming up, coal-based thermal capacity is going to be added next 5 to 6 years. So right now, our portfolio of conventional energy is about 28%. It might increase from 28%, it might go up to 30%, 32% also.



And transmission and distribution, as part of energy transition, this evacuation of renewable energy will still require a green energy corridor. The transmission, we hope that would maintain our transmission portfolio. And with regard to distribution, we'll be able to maintain the distribution portfolio also because what is going to happen is that RDSS will continue in the next 2 to 3 years.

Now, what has happened that the entire distribution network in the country is quite old, 40- to 50-year old. The distribution companies will need to standardise it or replace it. And this capex requirement in distribution sector will be there in next 10 years to 20 years, actually. But as I mentioned that our renewable energy portfolio will increase right now, it is only 8% of our total loan book. It will increase to, say, about 30% in next 5 to 6 years. That share of conventional generation, transmission and distribution will all combined will be about 50% to 60%.

**Aditi:** Sir, but the government is saying on capex, why is it not going in your loan book?

**Vivek Kumar Dewangan:** Sorry, you're not very clear.

**Harsh Baweja:** Your voice is not clear, please be a little louder.

**Aditi:** Sir, the government is spending quite a few hefty amount in capex. So why is it not growing in your loan book?

**Vijay Kumar Singh:** So I think you're talking about perhaps RDSS in which government is giving grant of 60%. In fact, I have to explain this maybe slightly in greater detail. So what is happening is that government grant is contingent upon utility meeting certain benchmarks or some certain parameters. Now some utilities are meeting, and therefore, they are able to draw this 60% grant from the government on time. Despite that 60% grant, they still need funding for 40%.

Now initially, what utilities are doing that they are utilizing the 60% and doing the capex for loss reduction. And therefore, our disbursement in such utility was slightly delayed. But then there are utilities who are not able to meet certain parameters, and they need this bridge financing. Loss reduction, which is close to INR 1,40,000 crores works have already been awarded. Now the pace of work is picking up. And the disbursements have started.

In the coming quarters, you will see that a lot of disbursement is happening, particularly in those states who are not able to meet the parameters, which we call REF in RDSS, they'll need such funding, they'll also need this 40% remaining amount as well. So I think since this has been awarded only six months back, some of these states are getting this support of 60% grant from the government and many are not still able to get it. The disbursement is likely to pick up now in RDSS projects.

**Aditi:** Okay. Sir, my second question is that what is the lending rates in the infrastructure and logistics against the traditional assets?

**Vivek Kumar Dewangan:** Infrastructure logistics also, it is more than 9% to 10% of it. And traditional also almost same actually, traditional sector also 9% to 10%. In some cases, it is up to 8.5 for high rated distribution companies under RDSS, they are getting 8.75%. But mostly it is between 9% to 10%, it can go up to 10.5% also.

**Aditi:** Okay, sir. Thank you.

**Moderator:** The next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

**Jigar Jani:** Yes, hi sir. Congratulations on a great set of numbers again. Just two questions. One, on the rooftop solar, see, I believe we were planning to finance certain CPCs involved in the scheme. So what are the plans on that? And the second is a bookkeeping question. Out of the seven assets, which are under liquidation, what is the quantum of that?

**Vivek Kumar Dewangan:** Okay. With regard to rooftop solar, primary REC has been made national program implementation agency. Our first priority is to install 1 crores rooftop solar at the earliest. But this segment, we are not targeting to finance actually because we are not into retail financing. Banks are financing this rooftop solar individual household, they are giving collateral free loan at the rate of 7%.

But with regard to government building, government building work has been assigned to the public sector undertaking. They have each been assigned different state government and different departments. The state government department or the central government department, CPSEs doing on RESCO mode, then they'll require financing from REC. Otherwise, if they are doing on capex mode, they will not require any financing.

**Vijay Kumar Singh:** So particularly on the RTS for the household, the funding is largely by the public sector banks and some NBFCs also. But then there is one large component of putting this rooftop solar on government buildings also more central department as well as state department.

And this rooftop are actually quite large as compared to household and that is where if these projects are being put on RESCO and maybe in very few cases, not even on capex, there is a funding opportunity available. This particular activity for state government and central government building of installation has a target now. And this, I think, will see some activity happening in financing this particular segment in times to come in maybe Q2 and Q3.

**Harsh Baweja:** And with regard this 100% provision asset, we have seven assets. We are a total outstanding values to INR2,200 crores and against which we have already made 100% provision. We have a RBI-compliant technical write-off policy and we are considering these projects for technically write-off in the months to come. That is already under evaluation.

**Jigar Jani:** Okay, sir. And any sizing you have for the rooftop solar? I know it's too early, but would this be coming more in FY '26? Should we expect some opportunity out of this?

- Vijay Kumar Singh:** Maybe yes, maybe -- I mean for household, it's a very retail sort of a funding some funding, which actually banks are taking care. The states are in the process of preparing plan and they have time to prepare and submit that plan once that plan is submitted by them, the quantum of the capex requirement would then be known, and the opportunity will then come thereafter. So I think this will happen maybe three to six months from now and over a period of next two to three years.
- Jigar Jani:** Okay. Understood, sir. Thank you so much for answering my questions.
- Moderator:** Ladies and gentlemen, we'll take this as a last question. And I hand the conference over to the management for closing comments.
- Vivek Kumar Dewangan:** I would like to thank all the participants for asking very pertinent questions and we were able to throw more light on our business strategy. And going forward, we would like to maintain the growth trajectory, the sanction that we have got last year. And going forward, we'd like to accelerate the pace of our growth and may grow from 17% to 20%, as mentioned earlier. Thank you so much. Thank you to all of you.
- Moderator:** Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.