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REC
असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

REC Limited | आर ई सी लिमिटेड
(भारत सरकार का उद्यम) / (A Government of India Enterprise)
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वसुधैव कुटुम्बकम्
ONE EARTH • ONE FAMILY • ONE FUTURE

SEC-1/187(2)/2023/1523 Dated: November 6, 2023

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), **Mumbai - 400 051.**	**Corporate Relationship Department** BSE Limited 1st Floor, Phiroze Jeejeebhoy Towers Dalal Street, Fort, **Mumbai - 400 001.**
Scrip Code – RECLTD	**Scrip Code – 532955**

Sub: Transcript of Investor/Analyst meet held on November 1, 2023

Madam/Sir(s),

In continuation of our earlier letter dated Octobeter 29, 2023 & November 1, 2023, 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 Investor/Analyst meet of REC Limited held on November 1, 2023.

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

धन्यवाद,

भवदीय,

Jyoti Shubhra Amitabh

(जे. एस. अमिताभ)
कार्यकारी निदेशक और कंपनी सचिव

संलग्न : ए / ए

REC Limited

Q2 &H1 FY2024 Earnings Conference Call

November 01, 2023

Management Team

Mr. Vivek Kumar Dewangan, IAS, Chairman & Managing Director

Mr. Ajoy Choudhury, Director (Finance)

Mr. Vijay Kumar Singh, Director (Projects)

- **Management – REC Limited:**

- This Q2 result has been the best result for REC as compared to any other quarters in the previous years. When we talk about the asset under management last financial year when we started on 1st of April, 2022, our asset under management was about ₹3,85,000 crore, which at the end of last financial year on 31st March, 2023, increased by 13% to ₹4,35,000 crore. But in the current year, in Q2 FY24, our sanctions have gone up by 23%. Our sanctions in Q2 FY24 stands at ~₹1,04,366 crore i.e. 23% increase Y-o-Y basis as compared to Q2 FY23 and if we compare the H1 FY24, our total sanctions stands at ~₹1,95,163 crore, which is about 35% increase as compared to H1 FY23. With regard to disbursement, there has been phenomenal increase in disbursement. In Q2 FY24, our disbursement is at ₹41,598 crore, i.e. 133% increase as compared to Q2 FY23, which was ₹17,827 crore. If I compare half yearly figures in the H1 FY24, our total disbursement stands at ~ ₹75,731 crores; i.e. 150% increase over H1 FY23 of ₹30,269 crore. Our income has grown by 17% in Q2 FY24. Total income stands at ₹11,590 crore which is 70% increase over Q2 FY23, i.e. ₹9,949 crore. With regard to H1 figures, total income has gone up by 16% to ₹22,571 crore as compared to H1 FY23 of ₹19,417 crore. The profit after tax has grown by 38% to ₹3,773 crore in Q2 FY24 as compared to Q2 FY23 which was ₹2,728 crore. If I calculate H1 FY24 profit after tax, there is an increase of 30%. Last year H1 was of ₹5,176 crore and our H1 FY24 profit after tax stands out ₹6,734 crore.

- Asset under management has seen a phenomenal increase in the Q1 FY24 and Q2 FY24, both have seen 20% growth. Now, our total asset under management stands at ₹4,74,275 crore. Earlier we were targeting that our asset under management will grow to about ₹10 lakh crore by the year 2030, but if you are able to maintain this growth trajectory, perhaps we will be able to reach ₹10 lakh crore by the year 2028 itself. The net worth of the company has seen an increase of 18% at the end of Q2 FY24, our net worth has grown to ₹63,117 crore. The capital adequacy ratio is at a comfortable level of 28.53%. The NPA, the major hallmark of our tremendous growth is that in the last seven quarters not a single NPA has been added into our kitty and our net NPA is now only 0.96%. We had total of 36 stressed assets at the start of 2018-19 when a committee headed by earlier Cabinet Secretary was formed to suggest ways to resolve this stress asset. So far, we already had 17 stressed asset and in the current financial year, we are targeting to resolve 9 assets. Out of 9 assets, 4 assets are at the verge of resolution and the remaining 5 assets will be able to resolve by the end of March 2024.

- The remaining 10 assets are at different stages of resolution and we hope to resolve the remaining 10 asset by the year 2025 and that's why we are 100% sure that we will become net 0 NPA company by the year 2025. These results were achieved despite some major challenges, including increased cost of funds owing to continued geopolitical events and heightened competition. This makes the performance even more pleasing. The return on equity in Q2 FY24 has gone to 24.34% and for H1 FY24 our return on equity stands at 22.3%. The two significant factors which has led to our tremendous growth, I would like to mention that. Our renewable energy portfolio is ~7% of our total asset under management i.e. ~₹30,000 crore. We have made a clear-cut business strategy to increase our renewal energy portfolio by 10 times to ~ ₹3 lakh crore by the year 2030. In fact, when we had organized Green Finance Summit in Goa on the sidelines of G20 Energy Transition Working Group, we had detailed discussions with RE Project Developers, technology providers, manufacturers, EV, OEMs, and operators, and we were able to sign MOUs worth ~₹2,86,000 crore. Wherein we had done project by project identification also and I am happy to share with you that out of ₹2,86,000 crore MoU which we had signed with ~25-26 entities in the 3rd week of July, we already sanctioned projects worth ~₹40,000 crore in the last three months i.e. August, September, and October.

- Out of total sanction of ₹1,95,000 crore in H1 FY24, 25% has come from renewable energy segment. So, we are committed to increase our renewable energy portfolio and by the end of 2030, our share of renewable energy portfolio will increase to ₹3,00,000 crore that will be 30% of our asset under management. When we became a Maharatna Company last year in September 2022, Government of India Ministry of Power allowed us to diversify into nonpower infrastructure and logistics with a caveat that 1/3rd of our outstanding loan book should not exceed from nonpower infrastructure and logistics and every year this gap of 1/3rd of the sanction, should be limited to 1/3rd only. When we got this permission in October 2022, we started financing infrastructure and logistics projects. Since it was first year, we were cautious, we financed those infrastructure logistic projects which were in state sector, which were duly supported by the state government guarantees, and out of ₹2,68,000 crore sanction last year, ₹85,000 crore was pertaining to infrastructure logistics sector.

- In H1 FY24, out of ₹1,95,000 crore, 20% has come from infrastructure and logistics sector, ~₹40,000 crore project we are sanctioned from infrastructure logistics. It has covered a wide spectrum of projects. It varies from electromechanical components or refineries, steel plants. We also finance roads, expressway, highways, Mumbai-Pune Expressway was one of the big big ticket projects where we had sanctioned ₹17,000 crore. We also financed Ganga Expressway in Uttar Pradesh, Kagal-Satara Road in Maharashtra. We also financed MMRDA's metro projects. Bangalore Metro project. We are in the process of sanctioning some more project in the airports and ports sector as well. We also sanctioned certain projects in IT infrastructure, data centers, and super specialty hospitals too.

- The focus on energy transition related projects and nonpower infrastructure and logistics combined with our conscious strategy to resolve our stage asset with the target to become net zero NPA by the year 2025 has led us to this tremendous growth which we are sharing with you all.

- Now, I will request my Director of Finance to make a presentation on our financial performance. Mr. Choudhury.

- **Mr. Ajoy Choudhury -- Director Finance, REC Limited:**

- Thank you, Sir. Good afternoon dear friends. So, I'll make a very brief presentation. Most of you probably know about REC Limited so we'll just go through the REC overview. So, operational performance, asset quality, borrowing profile, and financial highlights. So, REC journey, started in 1969 and in 1998, we were registered with the RBI and in 2008, we were conferred with the Navratna status. We floated our IPO which was subscribed 27 times. In 2010, we were conferred with the IFC status by the RBI. 2017, we were the first PSU to issue green bonds on the London Stock Exchange. In 2019, nodal agency, we achieved 100% housing electrification. In 2021, we were appointed as the nodal agency for the very important reform distribution sector scheme of the government of India. The year 2022 was a landmark year when we were conferred with the Maharatna status which is the highest status for any PSU and we also forayed into the nonpower infrastructure sector. These are the key strengths, experienced management team, nodal agency for major Government of India power projects, highest domestic rating and international rating at power with the sovereign strong fundamentals and profitable business.

- Maharatna Company is a strategic player in the Indian power sector diversified asset base with robust access to diversified funding sources, healthy asset quality with adequate provisioning coverage ratio, and we occupy a strategic position in the growth and development of the power sector across India and also a major player in renewal energy segment. We were awarded “Best PSU” in the financial service category by Dun and Bradstreet, we were “Ranked 53rd” in the Fortune India 500 companies, “Golden Peacock Award” for risk management. We got it the same award again this year from the Institute of Directors, London, “Golden Peacock Award” for Excellence in Corporate governance. We got it again by the Institute of Directors, London. We are the more profitable companies by Money Control. We are among “India's top 20” companies and we were also awarded by the Indian Chambers of Commerce as the “Operational Performance Excellence”. We have recorded the Maharatna status, this gives us greater financial and operational autonomy and it also allows the strategic investment by incorporating JV subsidiaries and many activities and we are helping the government in supporting the government vision of power sector and by accelerating growth and support.

- We forayed into the infrastructure last year. So, we are doing all this business metro, port, waterways, airport, oil refinery, roads and highways, IT infra, steel infra, and health sector. So, we are the government trusted arm. We were the nodal agency for the very important village electrification program which is also known as the Deendayal Upadhyaya Gram Jyoti Yojana and that was completed in 2018 and then we were made the nodal agency for the Saubhagya scheme, which was 100% household electrification that got completed in 2019. Currently along with PFC, we are the nodal agency for the very important reform distribution sector scheme.

- Along with that, we are also you know in the various other projects that have been entrusted to us by the Government of India. So, this is the shareholders outlook. Our EPS is around ₹51.32. Share prices are rallied from ₹115 to ₹287.4 in the last about six months. Book value per share at ₹239.7 and today we have declared the second dividend of ₹3.50 along with the first dividend which were declared for ₹3. So, around ₹6.50 we have declared dividends. Power finance corporations hold 52.63% in our equity. Foreign portfolio investors hold around 22%. Foreign portfolio investors have always held more than 20% in our equity. We are one of the best dividend paying companies, 126% of the face value. Total sanctions, in H1 FY24 have been ₹1,95,163 crore as compared to ₹1,44,784 crore in H1 FY23. We have made the highest ever quarterly sanctions during Q2 FY24 at ₹1,04,366 crore. Disbursement in H1 FY24 is at ₹75,731 crore compared to ₹30,269 crore in H1 FY23, ~133% increase in the disbursement.

- This quarter, we have made the highest ever quarterly disbursement of ₹41,598 crore. Outstanding loans stand at ₹4,74,275 crore and largely distribution sector 44%. Out of this 44%, ~12% is for the Aatmanirbhar scheme, which was a special scheme announced by the Government of India to support the distribution companies during the Covid times. Generation at ~29%, INL at ~10% (including the power component's part) and renewable energy at ~6%, which we intend to take up to 30% by the year 2030. Loan book has grown at a healthy rate of 20% Y-o-Y. In Pan-India, 90% of our loan are to the state sector and 10% to the private sector borrowers. Major borrowers are Tangedco, Maharashtra state electric distribution company, UPPCL and all of these. There have never been any slippages in the first ten borrower's book. Asset quality is improving continuously. Net NPA at currently 0.096% of our loan book and 3.14% is the gross NPA, which has come down from 4.03% in September 2022. Provision coverage ratio is 69.37%, slightly lower because some of the assets which we have reversed, some of the provisions where there is a write-back, which has happened in the Q3 current quarter. So, credit impaired asset resolution under NCLT ₹13,008 crore, 14 projects with 73% provision. And there are five projects outside of NCLT being resolved at ₹1884 crore, where there is 42% provision.

- "AAA" rated by all the major rating agencies domestically and internationally rated at par with the sovereign. Recently, our Perpetual Debt instrument, which was rated "AAA" by Crisil, now CARE has also upgraded to "AAA". Outstanding borrowings is at ₹4,13,542 crore, corporate bonds is around 39% and our ECB is currently at ~28%, including the FCNR bonds. Capital gain bonds is at 10%, which is the cheapest source of funds for us. We take the major share of this particular market. Fund raised during the quarter ₹30,691 crore compared to ₹16,871 crore commensurate with the growth in our disbursements and for H1 FY24 it is ₹79,885 crore compared to ₹28,486 crore H1 FY23. So these are the major highlights. Total income stands at ₹22,571 crore, up 16%. Net profit stands at ₹6,734 crore, up 30%. Total comprehensive income at ₹7,331 crore, up 99% Y-o-Y. Loan book has reached ₹4.74 lakh crore, 20% up. Asset quality improved with net credit impaired asset at 0.96%. Net worth is now at ₹63,117 crore and capital adequacy at a very comfortable 28.53% giving a sample opportunity for growth. So, these are the key ratios. Our interest spread has gone up from Q1 FY24 from 2.59% to 2.74% and our net interest margin has come to now 3.45% as against 3.28% in the last quarter. Return on net worth was at 22.3%. Interest coverage ratio at 1.65x and debt equity ratio at 6.46x. So thank you very much. I welcome any questions that you have.

- **Moderator:**

- We welcome questions from your side. Any queries, please pass on the mic.

- **Speaker:**

- Hello. Sir, I have two questions. The first one is, despite the growth in disbursements, interest income and on the interest expense side, also, we have seen a more than commensurate increase. So, the net interest income is almost flat. And as you mentioned, the NIM are slightly under pressure as compared to the same quarter last year. So, if you could just explain what is going on with the cost of borrowings and where you see that headed along with yields and hence the NIM would be very helpful.

- **Management – REC Limited:**

- Yeah. So, interest expenses have grown commensurate with our disbursement. Our costs of funds have sequentially remained at 7.23%. Compared to last year, of course, it has risen, as you all know what are the changes that has happened in the Repo in the T-bill market and also in the corporate bond market. But even with all these challenges, including the geopolitical ones, sequentially we have maintained our cost of funding at 7.23%. So, our NIM has improved sequentially again, if you compare with last year. The point is that we are also very conscious of the asset quality. So, our cautious approach on the asset quality is also a reason that, we are not too aggressive on margins. So that's the reason why our margins were uder pressure compared to Y-o-Y but sequentially, we want to take our net interest margin to 3.5%, I think, which is a healthy margin, and it will give us space to manage our asset quality.

- **Speaker:**

- Thank you and my second question is slightly broader. A few years ago, almost all private sector banks and the public sector banks had vacated the infra financing space because of policy paralysis and there were a lot of issues with infra projects. Now, energy itself has moved into the green energy space, there's a lot of renewable projects and very few thermal projects are coming up. How do you see the competitive intensity for giving out loan’s for people like REC, PFC vis a vis the SBI’s or the BOBs of the world on the project finance side? And if at all, ICICI or HDFC Bank, the larger private sector banks, what's the competitive intensity? Are REC and PFC sort of the only game in town to be key lenders to these this entire renewable energy transition?

- **Management – REC Limited:**

- Renewable energy (RE), we are competing actually with a lot of, with banks and other financial institutions, because everybody wants to add to their kitty this green angle. But what we are doing is that we are targeting good asset quality in the green projects, where the rating of the borrower is good, although the margins are a bit lower in RE projects, that decrease in margin, we want to compensate through the large volume. With regard to infrastructure projects since the government allowed us only last year in October, we are a bit cautious. Initially, we have sanctioned only those infrastructure projects in the state sector which are having state government guarantees. Now we are gradually learning and it is an evolving process for us also. We have roped in sector experts. We have brought in advisors, senior consultants, and consultants from the logistics and infrastructure sector who are helping us to appraise these infrastructure projects. And yes, we are competing with other players in infrastructure, and we are targeting those infrastructure projects where revenue cash flows are assured and once we evolve, then we'll start taking a calculated risk in the infrastructure sphere.

- **Management – REC Limited:**

- Just to clarify on the banks and all, the banks do lend to infrastructure, particularly the SBI. But not all banks are so much in the infrastructure space, largely because they have their ALM issues. Their ALM does not permit them to go very long on infrastructure projects. So that's the advantage which we have compared to banks. Therefore, we are in a slightly better position as compared to the banks.

- **Moderator:**

- Hi. Just before we continue, I would request each one who has a question to please introduce yourself and mention the name of your firm before you go ahead with your question and try to limit your questions to two a participant. Thank you.

- **Ms. Shreya - CLSA Ltd:**

- Yeah, my name is Shreya, I'm from CLSA. Sir, my question is on growth. So while the growth has been great, currently. A lot of the growth has come from these schemes that the government has for the DISCOM sectors, the LPS scheme and the revolving bill payment facility, etc. So, if I want to project growth in the coming years, there are certain programs that government has i.e ₹31 trillion program expansion of installed capacity in the country, what is our plan in it? And the ₹40,000 crore that you mentioned, is it a part of that program? Has that already started? What will be our market share in that expansion program that the government is planning to do? Also, if you can comment on RDSS has disbursals for those started, have the smart metering programs started, etc. And sir, my second question is on cost of funds. So, in the third quarter you have a big dollar bond which is retiring. So can you help us understand what is the current rate at which you are raising dollar bonds or what is the plan going ahead. Thank you.

- **Management – REC Limited:**

- Let me take this question of RDSS and infrastructure thing. RDSS was launched in the month of July 2021, when second wave of Covid was there. So, one year when the second wave of Covid slowed down, there was a bit of delay in sanctioning this RDSS project. RDSS is mainly aimed to improve the operational and financial efficiency of the distribution companies, and one significant feature is that the state government, through their cabinet resolution, has committed to certain trajectories like bringing down the AT&C losses, liquidate government department dues, liquidate legacy subsidy payment to the DISCOM and these projects under RDSS which were being taken by the distribution company, they were first scrutinized by the Distribution Reform Committee, headed by the Chief Secretaries of the States, and thereafter the state cabinets have committed to those trajectories. So, there is cabinet support from each of the states, the political commitment is there to maintain those trajectories committed in RDSS. So, total outlay of RDSS is about ₹3,00,000 crore. Out of ₹3,00,000 crore, ₹97,000 crore is Government of India grant, remaining would be contributed by the state from their own side and remaining they'll take loan from REC or PFC. REC has been made nodal agency for about 19 states and UT's. We are looking after about 32 DISCOM and the remaining states are being looked after by PFC and PFC is looking after about 24 DISCOMs.

  So, except Karnataka and Telangana all the States have already sanctioned their RDSS. The disbursement has started happening ~₹22,000 crores have already been disbursed but there are two company ideas, one is prepaid smart printing component that is ~₹1,50,000 crore and the remaining ₹1,50,000 crore is pertaining to loss reduction work. So, prepaid smart metering, we see a huge opportunity because prepaid smart metering is being done by the private players. They do require financing and that financing also we are targeting and this prepaid smart metering is going to be the big game changer like people will be able to recharge their electricity connections, they'll be able to see their consumption through the mobile app and overall collection and billing efficiency or distribution companies will improve. What has happened is that RDSS has brought a certain kind of discipline among the distribution companies in order to get government of India grant, they have to meet this result evaluation framework. There are certain prequalifying criteria which they have to pass. So, what has happened that government department dues which all the DISCOMs through the State Governments are committed, it has started coming down. At the start of RDSS, Government department dues were to the tune of ~₹1,35,000 crore and it has come down to around ₹63,000 crore. Similarly, the legacy subsidies that was more than ₹1,20,000 crore, that has also come down to about ₹60,000 crore and so much so that the State Governments have started paying subsidy quarterly in advance like for Q2 subsidy was paid in Q1, for Q3 subsidy has already been paid in Q2.

- Another significant factor which has happened is that the AT&C losses had come down substantially in last one year from 22% to 17%. 5% reduction in AT&C losses. Phenomenal! First time it has happened that in one year the AT&C losses have come down by 5%.

- The LPS Rule is another big game changer which was brought by Ministry of Power last year. Through the introduction of Late Payment Surcharge Rules, now the DISCOMs have committed to clear the dues of Genco and Transco and in equally monthly instalment (EMIs), which can go up to maximum 48 months. In four years all these dues are going to be liquidated. That is also improving the Balance Sheet of DISCOMs.

- Now, I will request our Director (Finance) to tell about the cost of funding and the question raised about cost of funding.

- **Management – REC Limited:**

- So, our average cost of fund is at around 7.23% but our incremental cost of fund is at a lower rate. So, we have made analysis that the repayments that we are making, those were going at higher rates compared to the money that we are currently raising. The retirement of the bond or repayments will not impact our cost of funds at all. In fact, it will slightly improve on the overall average cost of funds.

- **Management – REC Limited:**

- Let me add one thing, regarding the bonds, which you said, which are maturing in the month of November, so ₹700 million is maturing but the entire amount is hedged, both the principal and Coupon. i.e. a fixed rate coupon and the principal also is hedged 100%.

- And regarding the cost of borrowing also, the incremental cost during this particular quarter is 7.23%. While in H1 FY24 that is coming at 7.17%. So, it has come down as compared to March also and as well as the first quarter also it has come down by about 6 bps from the last quarter also.

- So, as such cost of borrowing is almost stable. Virtually, it is coming down though there will be slight increase in the coming months but still it will be at the rate of about 7.20% and not more than that.

- **Management – REC Limited:**

- You had also raised the question about national infrastructure pipeline that current year Government of India has committed that the CapEx of ₹10 lakh crore and this national infrastructure pipeline is there. You have rightly noted that ₹40,000 crore is sanctioned and it is coming from that infrastructure space and we intend to increase our infrastructure lending to say about 20%-25% by the year 2030. So, if my loan book is going to touch ~₹10 lakh crore, so roughly ~₹2 lakh crores or ₹2.5 lakh crore will come from Infrastructure space.

- **Ms. Shweta – Elara Capital:**

- Hello, Sir. This is Shweta from Elara Capital. I have couple of questions. Sir, one is on the cost of borrowings, again, so at what percentage we are hedged for foreign currency borrowings? And what is the pricing there?

- **Management – REC Limited:**

- Virtually, we are raising through different currencies. We are raising in CHF, JPY as well as USD and whatever raising we are doing in USA that we are swapping to different currencies also. So, there the cost becomes quite minimal as compared to the normal in case we do the dollar borrowing.

- So, the cost which is coming in case of JPY is ~6.6% on all hedge basis and USD, the bonds also which we recently did (Green bonds) that was at 7.03% after taking into consideration the principal hedge. As far as the USD, that we have swapped to CHF as well as Euro. There also, the cost which was ~7.5% and has now come down to ~7%.

- So, all in all the cost is not more than 7% in case we borrow in any of the currency after considering the principal hedge also. And the hedge ratio is about 92%. It's only two bonds which are there, which will be maturing in 3-4 years, which are unhedged and there doesn't seem to be any reason for hedging them because already whatever the volatility is there that has already been factored in and on quarterly basis we are already taking into consideration the foreign exchange fluctuation which is there in the books of accounts. That is already factored in.

- **Ms. Shweta – Elara Capital:**

- Okay. So, Sir, fair to assume that 40% of your borrowings are below the current average cost of funds? And, Sir, what is the trajectory ahead on cost of borrowings?

- **Management – REC Limited:**

- Yeah, ~28% is through the foreign currency borrowing. That is ~7% or even less than that. And the 54EC bonds which we are raising, that roughly ~₹12,000 crore to ₹14,000 crore. So, ~10%. So, that also is at ~5.25%. So, ~40% to 50% of the borrowing is 7% or even less.

- **Ms. Shweta – Elara Capital:**

- So, Sir, what is the trajectory ahead then for cost of borrowings?

- **Management – REC Limited:**

- You see, recently the corporate bond rates have gone up, yields have gone up but the ECB and the capital gain taxation we are focusing more and more on that. But there might be 4-5 basis point increase due to the current scenario in the bond market. We hope that this is a matter of 4-5 months before it starts to cool down. So, we believe that we can end up the year at the present level that we are in.

- **Ms. Shweta – Elara Capital:**

- And, Sir, much of asset repricing is not coming, right? because then you also mentioned that you have eyes on credit cost? So, net-net can we assume that Net Interest Margins will remain in steady state over the next two years? Is that a fair assumption?

- **Management – REC Limited:**

- Yeah, I mean, we are targeting a Net Interest Margin of 3.5%. Currently, it is at 3.45%. So, yeah, you can assume that we shall maintain at the similar levels.

- **Ms. Shweta – Elara Capital:**

- Right. Sir, my second question, just taking cues from the earlier participant. Sir, just correct me if I'm wrong. So, if AT&C losses are on downward trajectory then, of course, your smart metering installation financing is also sort of catching up really well but then if AT&C losses are gradually coming down then does that mean that DISCOMs as a percentage of overall loan mix should slightly come down going forward for us?

- **Management – REC Limited:**

- Let me answer that. As you see that this distribution infrastructure in the country is quite old. It is more than 40-50 year old. So, RDSS is doing this system thing for a certain portion of it. So, we do hope that distribution companies will have CapEx requirement to replace their old distribution network. So, we foresee that next 10 years the percentage of distribution segment is ~35%-40% of our lending is distributed.

- **Ms. Shweta – Elara Capital:**

- Sir, just a bit. Last question on the growth front only. So, that first half has put up a very strong upbeat tone, so what is our growth outlook for the next two years?

- **Management – REC Limited:**

- So, we hope to maintain or even better our performance in the next two years.

- **Ms. Shweta – Elara Capital:**

- Sure. Thank you, Sir.
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- **Mr. Bhavesh Kanani -- ASK:**

- Hello. Sir, Bhavesh Kanani from ASK. My question was on the renewable space. You know, typically there is a gestation period of about two years and then the producer typically refinances the debt at better yields. How has been our experience that is when we disperse, what kind of spreads we are charging and in case we end up refinancing the project after the construction phase, what are the spreads in that stage?

- **Management – REC Limited:**

- Yeah. So, our focus thus far has been on financing of Greenfield projects only, but then as you're right, there's a lot of refinancing activity happening in renewable energy project. The gestation is very low. The payment security mechanism after introduction of LPS has become extremely strong, so there is no revenue risk and therefore the rating of these assets go up as soon as these projects are commissioned and then comes the refinancing risk. So, we are also changing our strategy. So, rather than focusing only on Greenfield projects, now we have started focusing on refinancing opportunity in the market where obviously will have to compromise little bit on our margin, but then the quality of asset, the rating, the ECR of the asset will be better. So, that is how actually we are going to ramp up our RE portfolio by looking at both Greenfield as well as doing some bit of refinancing as well.

- **Mr. Bhavesh Kanani -- ASK:**

- What is the difference between spread for both Greenfield and refinance?

- **Management – REC Limited:**

- So, if it is a commissioned project, I mean Greenfield, we can charge a little more because there is a construction risk involved.

- **Mr. Bhavesh Kanani -- ASK:**

- 150 to 200 basis points.

- **Management – REC Limited:**

- So, our interest rate today it starts from 9.25% - 9.5% and likewise it goes, but for refinancing we are giving a rebate of 50 bps. So, 9.25% becomes 8.75% because we want to attract the project developers for getting their project refinanced from us and that can happen only if we provide them the a competitive interest rate and therefore this policy of 50 bps rebate is there in case of refinancing.

- **Mr. Bhavesh Kanani -- ASK:**

- Second again on renewable was at a pool level, what would be the project IRR of renewal projects we would have financed and where I'm coming from is on one hand there is project IRR and then we have equity IRR like it had happened in the last power cycle when project IRRs are hampered, we run the risk of power producers actually raising their hands and not taking that keen interest in the project. So, from that perspective if you can help us understand?

- **Management – REC Limited:**

- Yes. So, equity IRR, we don't see as a lender of course we'll look at project IRR. Project IRR, as per our experience of lending into this particular space over the last decade is actually coming down. Now, people are becoming more aggressive. They want to have a larger portfolio, for example, large developers like Renew, Adani, and so on. So, project IRR is coming down, but then we have a policy that project IRR should not be less than our interest rate. The project should still make some economic sense to the developer also from our point of view and therefore we keep watching this, if the project IRR is much lesser, that means there could be less interest of the project developer going forward. We are also very careful about it. So, we do give weightage to the project IRR, but there's another one thing while we are calculating all of these parameters, we are taking a very conservative performance at P90 level. I hope you understand P90, P75, and P50 RE projects. So, we initially calculated P90, but then our experience again is that project performing at much better levels, P75, in some cases at P50 also, and then the project dynamics, the financial equilibrium also changes, and then therefore the project becomes much more attractive and therefore it gets better rating also. So, coming to your point, project IRR is definitely one of the very important parameters we look at if it is very low, we rather not touch that project.

- **Management – REC Limited:**

- Just to add to what I think, you mentioned about the last cycle you know which was the thermal power project cycle. So, what was the problem there. One was that, that revenue was not tied up and secondly the entity that came in were not so strong. You know when a project runs into difficulties, if the entity is strong, they are likely to pull it through. So, now what we have done is that we are dealing with the strong entities, so that's one and the second is that we always see that the revenue is tied up. We don't take up projects for the revenue is not tied up. These are two major changes that we have brought about.

- **Mr. Bhavesh Kanani - ASK:**

- Last bit continuing on the explanation you shared, Sir, what are the other hedges, let's say the risk in earlier power cycle was with related to fuel availability, which I am sure you have addressed now. In case of renewables, it could be related to the quality of panels, which vendor is supplying, I don't know how important land acquisition is for solar power projects, so what are the other hedges or important aspects you have put in place to ensure that the evaluation of project IRR is actually realized by the producer?

- **Management – REC Limited:**

- So, land definitely it is one of the most critical element in case of both solar as well as wind power project because you have to acquire and take on lease and therefore we are saying in the beginning that the developer should be in possession of 100% land, so we are not taking any chance. We are still seeing that some of the projects are getting stuck because of the land. So, 100% capacity is not getting installed because the small parcel of land could still not be acquired by the developer. Therefore, before getting into the project and making first disbursement, we are saying that you should have 100% land identified and in your possession also that is how we are hedging that particular list. We currently are not financing any project which doesn't have 100% tie up of the PPA. So, in the earlier project that we financed, we took a call on majority of project that they will be able to sell on merchant or this or that, but all that did not happen and we lost heavily on because of those reasons. Now, we are taking care that the 100% power offtake should be there. Earlier, we were saying that the offtake arrangement should be with a very good quality DISCOM because otherwise that risk was also flowing into the project. Now after introduction of the LPS scheme, that particular risk is completely gone away. So, there is no need to take into account that with home the developer has entered into PPA because now every utility is almost at par, so that risk is gone. So, other small, small things are also there. That is how we are hedging different risk.

- **Mr. Sushil Choksey – Indus Equity:**

- Thank you, Sir for taking my question, Sushil Choksey here from Indus equity. Now, government has permitted you to diversify beyond powers for energy transition, renewable, you have stated lots. Now, where do you see your mix between PSU and private let's say by 2030?

- **Management – REC Limited:**

- Yeah, right now our lending is 90% to the state sector, only 10% to the private sector. But going forward, since renewable energy projects are coming in private sector only, we do see that our lending to private sector will increase from the present level of 10% to ~30% by the year 2030.

- **Mr. Sushil Choksey – Indus Equity:**

- The second thing is when you're looking at renewable or energy transition, most of these big companies, large corporate, whether private or public would go from end-to-end. So, starting from polysilicon till solar park and they would integrate hydrogen also into that. So, now when that kind of transformation is likely, otherwise it's not viable, will you finance the manufacturing part of the first end or will you stick to only the end?

- **Management – REC Limited:**

- Thank you for asking this very pertinent question. In fact, we are precisely looking into this aspect. We have been started financing manufacturing also and some of the companies have come up with this end-to-end solution from production of the solar energy then production of green hydrogen, green ammonia, we are considering those projects. End-to-end solution also, we are considering those projects for financing.

- **Mr. Sushil Choksey – Indus Equity:**

- And this typically would be 70:30 or 75:25?

- **Management – REC Limited:**

- Depends on the entity. If the entity is strong, we can go for 75:25 or normally it is 70:30.

- **Mr. Sushil Choksey – Indus Equity:**

- And if working capital requirements are there in these projects, how do you manage that financing?

- **Management – REC Limited:**

- Working capital normally, these developers to relay on the banks, but off late we have introduced some products in which we also can provide working capital support in the form of non-fund-based facility. We call it call it LOU (Letter of Undertaking) by which a developer can use our LOU to take non-bank facility like bank guarantee (BG) or LC, which is backed by our Letter of Commitment, so that we are providing and you know that in such projects there is a requirement of giving advanced BG or a performance security for example and that also comes from the working capital facility. Now, that facility is available with us also. So, to that extent we are able to support these projects for working capital as well.

- **Mr. Sushil Choksey – Indus Equity:**

- I think PNB announced some tie up with your organization. So, is it for these kinds of joint development or it's only for working capital?

- **Management – REC Limited:**

- It is for collaboration in both renewable projects as well as for infrastructure projects. It's not for working capital, it's mainly for infrastructure project both in power and nonpower sector.

- **Mr. Sushil Choksey – Indus Equity:**

- My last question on E-mobility and energy transition, does it mean only on the manufacturing and fast charges or would you look at the vehicle part also?

- **Management – REC Limited:**

- In fact, we have sanctioned about 4,000 electric buses. I was mentioning you that we have signed MoU worth ₹2,86,000 crore in Goa. A major chunk is coming from the electric bus segment. Electric bus, both OEM manufacturers will be financing the operator also as well as the associated charging infrastructure. So, in the current financial year we are targeting that we will be able to finance ~10,000 electric buses and going for next two years, we will be able to finance ~50,000 electric buses.

- **Mr. Sushil Choksey – Indus Equity:**

- So, you will stick to buses, not cars?

- **Management – REC Limited:**

- Cars. Car aggregators are also coming up, but we are not going to do a retail financing.

- **Mr. Sushil Choksey – Indus Equity:**

- I understand**,** if somebody comes for 5,000-10,000 vehicles.

- **Management – REC Limited:**

- Yeah then only we'll be able to consider.

- **Mr. Sushil Choksey – Indus Equity:**

- Thank you.

- **Mr. Dan -- India Capital:**

- Hi, Dan from India Capital here. I was wondering if you could talk a little bit more broadly about the scale of investment in the grid you expect in the coming years either by dent of greater or aggregate power demand or because of the higher TND intensity with more renewable generating capacity? What, type of growth in grid investment nationwide do you expect?

- **Management – REC Limited:**

- Let me just tell you about this renewable energy segment, Green projects. Green projects, Honorable Prime Minister has committed in COP 26 (Inaudible) at Glasgow that India will strive to install about 500 GW of electricity capacity from non-fossil fuel sources. This includes not only solar and wind, but also biomass, it includes the associated storage system, because renewable energy is intermittent in nature, in order to stabilize the grid, we need storage solution. It also includes battery energy storage systems. It also includes pump storage projects like hydro projects plus it includes Green hydrogen and green ammonia space too. This is new technology initiative. This will entail the technical arm of the Ministry of Power that is Central Electricity Authority, they have made a projection that this installation of this green projects, generation projects, the storage projects, evacuation through green energy corridors that will require debt financing about ₹15 lakh crore to ₹20 lakh crore in the next seven years. So, we are targeting a humble pie of 20% of this business by increasing our green projects portfolio to about ₹3 lakh crore.

- **Management – REC Limited:**

- Yeah. Also, we are focusing more on the non-power infra, so that also is our focus area. I think by 2030, we will take that up to 30% of our total loan.

- **Mr. Mangesh Kulkarni -- Almonds Global Securities:**

- Hello. Sir, this is Mangesh Kulkarni here from Almonds Global Securities. Sir, this is regarding the resolution status of the various projects, like you have mentioned about 9 projects expected to be resolved in the current financial year. Out of that four will be in immediate basis. So, can you just explain what will be the amount involved in this?

- **Management – REC Limited:**

- You were talking of four.

- **Mr. Mangesh Kulkarni -- Almonds Global Securities:**

- Yeah.

- **Management – REC Limited:**

- So, four I think we have Dens Energy, TR & Classic Global, and Meenakshi Energy. The total principal outstanding against these four projects is ₹2,500 core and therefore we think that in next 1-1½ months' time this much amount of principle will be reduced from our NPA which is ₹14,800-₹14,900 crore. So, that is how it will come down.

- **Mr. Mangesh Kulkarni -- Almonds Global Securities:**
- Will there be any write back or provisions on this?
- **Management – REC Limited:**
- There will be right back, the discussions and the resolution plan that we have in hand there will be write backs.
- **Mr. Mangesh Kulkarni -- Almonds Global Securities:**
- Okay and Sir, Ratan India whether it is out of NCLT or within the NCLT?
- **Management – REC Limited:**
- So, Ratan India, we were trying resolution with the government of Maharashtra outside of NCLT, but now we don't see that happening and then we have filed a Section 7 application in NCLT for resolution via NCLT.
- **Mr. Mangesh Kulkarni -- Almonds Global Securities:**
- Okay. Thank you, Sir.
- **Management – REC Limited:**
- Thank you.
- **Mr. Aishwarya Agarwal – Edelweiss:**
- Aishwarya Agarwal from Edelweiss. Earlier year, total outstanding for the sector was ~ ₹1,31,000 crore and currently it's in the range of ₹₹70,000-80,000 crore for the distribution sector?
- **Management – REC Limited:**
- Okay.
- **Mr. Aishwarya Agarwal – Edelweiss:**
- So, as far as I recollect out of this, the decline of ₹60,000 crore, ~₹40,000 crore was financed by PFC and REC, is that correct?
- **Management – REC Limited:**
- See the total share in the distribution space, CapEx we have ₹87,668 crore, which is ~18.48, right our total loan portfolio.

- **Mr. Aishwarya Agarwal – Edelweiss:**

- Sir, I'm not talking about the portfolio. The total outstanding 2 years back or roughly 1 year back of the entire DISCOM sector was roughly ₹1,30,000 crores, right? Out of that, the current figure is roughly ~₹70,000-75000 crore, of which ~₹40,000 crore was financed by PFC and REC and you talked about a prepaid meters, right? So, if I look granular into it that the total amount outstanding more than ₹1 lakh crore was from various municipal houses. They were not paying electricity bill to the State Electricity Boards. So, do you think that police stations, municipal houses, all those people who were not being they have started paying currently? Do they have the money and will they abide by the law of having a prepaid meter with them and how many prepaid meters we have installed?

- **Management – REC Limited:**

- Okay. Very pertinent question. Your question pertains to these dues from the government department or government entities or urban local bodies. As I had mentioned that the government department dues it covers all these urban local bodies also, it was to the tune of ~₹1,35,000 crore in the year 2021. Now, it has come down to ₹63,000 crore. All the state governments through their cabinet resolution have committed to bring down this government department dues. They liquidate this the government department dues by the year 2025-26. By March 26, all will go away. For eg. Police Department has got budget of ₹100, what the state government does of the ₹100, so ₹20 EMI for payment of their electricity, they are paying to the DISCOMs. At the state level itself, the finance department or state government they are giving to DISCOM. That's how this government department through budgetary allocation from the budget of the respective government department, it is being paid to the DISCOM. That's how these departmental dues have come down and if they have to avail Government of India grant under RDSS, they have to liquidate their government department use compulsorily by the year 2025-26.

- **Mr. Aishwarya Agarwal – Edelweiss:**

- Payment for prepaid meters and how many have been installed?

- **Management – REC Limited:**

- Yeah, let me tell you that. Total requirement of prepaid smart meters is ₹25 crore. Prepaid meters are coming in smart meters only. Out of ₹25 crore prepared smart meters sanction has been done for about ₹23.5 crore smart meters have already been sanctioned RDSS. Tenders have already been invited for about ₹10 crore prepaid smart meters by the distribution companies and they are already awarded awards for ₹3 crore prepaid smart meters. But we hope that in next 1 year or 18 months all ₹25 crores prepaid smart meters will get awarded. We also made an assessment of manufacturing capacity within India for prepaid smart meters. We had detailed meeting with the EMA and all the manufacturing association. The manufacturing capacity has been ramped up, which was earlier ₹5 crore. Now, they can produce ~₹10 crore prepaid smart meter every year. So, they'll be able to cater to the total requirement of ₹25 crore, that is going to be installed in the next 2 to 3 years.

- **Mr. Ashwini Agarwal – Edelweiss:**

- Okay sir, thanks a lot.

- **Mr. Umang – Kotak Mutual Fund:**

- Good evening sir. This is Umang from Kotak Mutual Fund. Just a couple of questions. One is, clearly, we are diversifying quite a bit from our core business which we have been doing for years now. And the segments that we are entering appear to be fairly diverse, right? I mean Road, Sports, E-mobility, non-logistics etc. So, how are we working towards building these project evaluation capabilities in-house or we continue to depend on external consultants for evaluating these opportunities?

- **Management - REC Limited:**

- Yeah, in fact we are doing both actually. We have developed our in-house capability. As I had mentioned to you that we have roped in, the sector experts in the form of advisor, senior consultant, consultant from NHAI, railways, airports side, ports experts. We have roped them in our team. They are in-house experts. In-house, the project appraisal team we have strengthened so that they are capable of appraising this project in a systematic manner. In addition to that, we are also taking help from the external agencies for evaluating. This technical evaluation, we are getting it done through the external agencies also.

- **Mr. Umang – Kotak Mutual Fund:**

- Okay. Sir, the second question is, if you could talk a little bit about the ECL model changes that we have done and there is ~₹700 crore worth of write back in the P&L. Out of that, how much is due to the ECL model change and how much is coming through recoveries and how should we look at the credit cost going forward.

- **Management - REC Limited:**

- Yeah, so there is no change in the ECL model as such. See, what happened is, majority of our lending is to the state sector utilities and during the second wave of COVID, when this pandemic was going on, and there was concern about the health of these distribution companies in particular. So, therefore at that time we had to increase the provision on our standard asset. So therefore, to work out a methodology we said okay, we will have a floor of 0.4% on each assets, right? Now, RBI mandates that you should have a 0.4% on all standard asset, taken together. So therefore, we did that and we actually provided for at that time during the pandemic and also because, as I said, there was some uncertainty about the health of the distribution sector.

- Now the pandemic is behind us and as our CMD has explained that the health of the distribution sector is improving day-by-day, there is marked improvement in the reduction in AT&C losses, tariff revision, subsidy receivables etc. So therefore, we thought that provision which we had made, it was a kind of management overlay, can be reversed. Our provisioning on standard asset is still 0.69%. I mean, compared to 0.4% which RBI mandates, it is 0.69% and on Stage II assets which is very low in any way, there, we have actually increased the provisioning, the floor rate to around 1%. So, that's the modification that we have done. It was provided earlier and now because there is no need, we have withdrawn it.

- **Management - REC Limited:**

- Now, one more thing to add. The total impact is only ₹508 crore on the PAT. So even if we don't consider that, the profit comes to about ₹3,300 crore which is much higher as compared to any of the earlier quarters.

- **Mr. Umang – Kotak Mutual Fund:**

- So basically, the balance provision write back is because of reversal on provisions on some of the other assets.

- **Management - REC Limited:**

- Yeah, some of the other assets. Actually, two of our assets have actually been resolved after the 30th September date and therefore the additional provision that was made there vis-à-vis the resolution that has occurred, we have written back. Not entirely, but to a sizable extent we have reversed the provisioning where it has actually been resolved.

- **Mr. Umang – Kotak Mutual Fund:**

- Understood.

- **Management - REC Limited:**

- Umang ji, I just wanted to add what CMD sir said about your first question about the infrastructure financing. We know that we are very new to this sector. We are aware of this fact. We know that we still have to start financing this. I think in our earlier interactions we have been able to perhaps clarify that we are not taking any risk in infrastructure financing. We did ₹85,000 crore of sanction last year. Out of ₹85,000 crore, 95% of financing was backed by the government guarantee and only one project was of Jindal which is "AA" rated entity, which we did along with many other banks and led by SBI. And at the same time, we are ramping up our ability to apprise these projects slowly. We are not participating in any project where we are taking any compromise on the asset quality or quality of the entity. I just wanted to add that.

- **Mr. Umang – Kotak Mutual Fund:**

- Thanks for adding that, sir, because that was my next question. So, in the first half of this year, out of ₹2 lakh odd crore worth of sanctions that we have done, of that whatever non-power infra sanctions that we have done, how much is government backed or guaranteed in whichever way?

- **Management - REC Limited:**

- So ~₹40,000 crore we have sanctioned and whatever we have sanctioned to the government entities, all of that is actually backed by the government. Like, we have done one metro for Bangalore, it is backed by the government guarantee. We have done another water infra project, that also is backed by the government guarantee. So we did road that was not backed by the government guarantee 'Ganga Expressway' and were at par in terms of security package with other banks. Again, SBI is the lead lender for road projects. We did for ~₹3000 crore. But otherwise all other government projects what we did is backed by government guarantee.

- **Mr. Umang – Kotak Mutual Fund:**

- All right. Great! Thank you so much and wish you good luck.

- **Ms. Niharika – Equitas Investment:**

- Niharika from Equitas Investment. So my question is on CRAR. So it's at ~28%, which is much higher than what is required by RBI. So just your thoughts on that. How are we planning to go about it? CRAR, much higher than what is required by RBI.

- **Management - REC Limited:**

- Yeah. So that's a good thing, isn't it?

- **Ms. Niharika – Equitas Investment:**

- But it is still higher.

- **Management - REC Limited:**

- So even if our CRAR is quite high, our debt equity ratio is reasonable at 6.4x. So CRAR is high because we have taken in lot of projects with government guarantees, of our total loan portfolio if you see, almost 40% is guaranteed by the state where the risk weightage is lower. So that's a reason. But this enhanced CRAR gives us ample scope for growth. We can take up more projects, particularly in the private sector. So, that's an advantage of the enhanced CRAR which will happen because there's a renewable push now and in the infra space, where were largely looking at government projects because we were getting hold of the space so now we are looking at private sector projects as well. So, where there is no discounting on the risk weightage, 100% risk weight is there.

- **Ms. Niharika – Equitas Investment:**

- According to you, what would you perceive as two major risk to our numbers? If I have to narrow it down to two major risks which you perceive as of now.

- **Management - REC Limited:**

- So one is that obviously, you know, because of the geopolitical reasons and sometimes RBI announcing OMO operations and so on, cost of funds is one risk which we are very carefully monitoring and managing it as well. In spite of almost 56% increase in REPO rate and 60% increase in t-bill rate, our cost of funds have largely remained the same. Some increase if you compare to the previous year. So, that's one challenge that we will have going forward because our disbursement is also very huge. Other risk, I don't know, I really can't see any other risk. Yes, on the margins you can say because we are so cautious about the asset quality, so margins can be under some kind of pressure, but we are now improving. The trend at least have been reversed from NIM of 3.28% now we have gone to 3.45%. So, we are okay with that.

- **Ms. Niharika – Equitas Investment:**

- Any interest rate hikes we have taken recently? Like quarter two or…?

- **Management - REC Limited:**

- Yeah, we have done two interest rate hikes in the last 6 months period for 25 bps each, almost across the board. Except in one case we didn't increase, for renewable because that's a focus area. We don't want to raise the rates of renewable projects too much. But 25 basis point we have raised in renewable and 50 basis points in other cases.

- **Ms. Niharika – Equitas Investment:**

- That was it. Thank you.

- **Mr. Ramesh Pochwani – Mehta and Vakil:**

- Ramesh Pochwani from Mehta and Vakil. Sir, in your presentation you mentioned the transmission and distribution losses in one year have come down from 22% to 17% which is a good 5% reduction. Going forward, do you see another 5% reduction coming in the next one year before the smart metering installation starts showing its effect? That was the thought which I wanted to know.

- **Management - REC Limited:**

- Let me share with you that, the distribution companies when they came for sanctioning the RDSS project, they were supposed to give us trajectory for bringing down the AT&C losses. Most of the DISCOMs have committed to bring down their AT&C losses to say about 10 to 12%. But some DISCOMs are there, their AT&C losses are as high as 25%. Still 25% are there. So, those DISCOMs will strive to bring down their AT&C loss to about 15%. Overall, 5% may not be possible perhaps because by the end of this RDSS period, that is going to end in 2025-2026, the next three years the AT&C losses will come down to ~10% to 12%. So another 5% to 7% reduction will happen in next three years.

- **Mr. Ramesh Pochwani – Mehta and Vakil:**

- And with smart meter installations, don't you see this becoming a single digit loss in a year, after 2026?

- **Management - REC Limited:**

- Yes. Some of the DISCOMs have become single digit actually.

- **Management - REC Limited:**

- Gujarat DISCOMs are already in single digit. There are two DISCOMs in south, they are also in single digit. So, there is a trajectory for each of the DISCOMs that by which time they will come within 10% to 12% bracket as CMD sir mentioned. So, they have to follow that particular trajectory. We believe that after this intervention of smart metering, this reduction will be much steeper than what we are seeing.

- **Mr. Ramesh Pochwani – Mehta and Vakil:**

- And after smart metering, don't you feel with reduction in these losses and commitments given by DISCMOs, the cost of power to at least industry or commercial enterprises will go down so that things become more affordable and you know…

- **Management - REC Limited:**

- That's a very correct observation, sir. In fact, pilot studies have been carried out in many states before going ahead with such a national level smart metering campaign. And those pilot studies suggest that there's lot of saving because in our system there's huge commercial losses because of many factors we all are aware, theft being one of them. So, all that will be curtailed and then it will have impact on the cost of power also because the cost of power today is inflated because of the losses.

- **Mr. Ramesh Pochwani – Mehta and Vakil:**

- It is double digit per unit to a manufacturing enterprise. So how do we become competitive?

- **Management - REC Limited:**

- So it should come down.

- **Mr. Ramesh Pochwani – Mehta and Vakil:**

- Globally, not only domestic but globally and that should be the way forward for the private sector to participate in the CapEx for manufacturing which, I mean government is holding hand for infrastructure as well as manufacturing over the last 5 years.

- **Management - REC Limited:**

- Yeah in fact, some European countries the tariff for domestic is higher than that of industrial tariff.

- **Mr. Ramesh Pochwani – Mehta and Vakil:**

- Yeah.

- **Management - REC Limited:**

- But you'll also have to appreciate the fact that we are living in a political democracy. The state governments have been giving incentives, they have been announcing subsidy to certain sector. So, that has to be cross subsidized somewhere. There has to be a balance. But overall we think that with the introduction of prepaid smart meter, overall improvement will happen.

- **Mr. Ramesh Pochwani – Mehta and Vakil:**

- Thank you and all the best.

- **Moderator:**

- So, in the interest of time, we would take one last question. Please introduce yourself.

- **Mr. Shripal – Equirus Capital:**

- Hi, Shripal this side from Equirus. My question was on the order book. So since we're talking about similar level of growth for FY24 as well as FY25, what is the kind of sanctioned cumulative order book that we have with us?

- **Management - REC Limited:**

- Let me just explain to you that the last year's sanction were ₹2,68,000 crore and disbursement was about ₹97,000 crore. So all the disbursement from the new projects must not have come because initial year the disbursement for manufacturing is only about 5% to 10%. Then gradually the disbursement goes for 4 to 5 years. But for renewable energy projects the disbursement takes place in next 2 to 3 years. This year H1 we already sanctioned ₹1,95,000 crore and we have huge project pipeline, and we are anticipating that current year our sanctions will go up to ₹4,00,000 crore and our disbursement will cross ₹1,50,000 crore. So next year we have at least these many project pipelines. This sanction and disbursement trend will continue next year also.

- **Mr. Shripal – Equirus Capital:**

- Got it, thank you.

- **Moderator:**

- On that note, we'll end the analysts meet. Thank you so much everyone for your attendance today. And one behalf of REC Limited and Ad Factors, we would end this meet today. Thank you.