



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)/2024/1585

Dated: January 31, 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), <u>Mumbai - 400 051.</u>	Corporate Relationship Department BSE Limited 1 st Floor, Phiroze Jeejeebhoy Towers Dalal Street, Fort, <u>Mumbai - 400 001.</u>
Scrip Code - RECLTD	Scrip Code - 532955

Sub: Transcript of Investors Conference call held on January 23, 2024.

Madam/Sir(s),

In continuation of our earlier letter dated January 19, 2024 & January 23, 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 January 23, 2024.

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

धन्यवाद,

भवदीय,

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

संलग्न : ए/ए

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REC LTD Q3FY24 RESULT CALL

Tuesday, January 23, 2024

Phillip Capital

We'll start the call, so good afternoon everyone and welcome to Q3FY24 earnings call of REC limited today. We have the senior management team of REC limited represented by Mr Vivek Kumar Dewangan, IAS and CMD of the company, accompanied by Mr. Ajoy Choudhury, Director (Finance); Mr. Vijay Kumar Singh, Director (Projects), and other senior members of the team. As the process goes, Mr. Dewangan will open the floor with his opening remarks and some outlook on the growth, margins and asset quality going ahead, post which will open the floor for Q&A, currently the participant lines are locked, to ask a question you can press raise hand icon and in that case we'll unmute the line, now I hand over the floor to Mr Dewangan; over to you sir.

REC

Good afternoon. All the investors and analysts, it's my privilege to share with you the results of quarter 3 of REC limited.

Last year, you must have observed that our Assets Under Management had grown at the rate of thirteen percent. It had grown from 3 lakh 86 thousand crore to all of 4 lakh 36 thousand crores last financial year. But in the current financial year, our Assets Under Management is growing at the rate of twenty percent. AUM as on Q3FY24 stands at Rs 497465 crores, if we compare year on year basis or asset under management has gone up by twenty- one percent.

With regard to sanctions, there is phenomenal increase in the approvals accorded to different projects. Last year in the entire year total project sanctioned or approved were to the tune of about Rs 268000 crores. In the current financial year in nine months itself, we exceeded last year's twelve months performance at the end of Q3FY24. Our total approvals and sanctions stand at around Rs 325941 crores, Year on year Basis increase of sixty- nine percent.

With regard to disbursement, the last entire year our disbursement was about ninety- seven thousand, this we already exceeded in the month of November and at 31st December 2023 our total disbursement stands at Rs 122089 crores and we are committed. And we are hundred percent confident that in the current financial year our total disbursement by the end of 31st March 2024 will cross Rs 150000 crores.

Our total income, in the first nine months has gone up by nineteen percent, total income in the first nine month is Rs 34571 crores, as compared to Rs 29129 crores in the last financial year first nine months. The profit after tax has also grown by 24% in first nine months, last year in the first nine month our profit after tax was Rs 8054 crore. At the end of 31st December 2023, our profit after tax stands at Rs 10003 crore a growth of about 24%.

Our net worth has increased by 18% Year on year basis at the end of 31st December. Now our networth has increased from Rs 54839 crore at the end of 31st December 2022 to Rs 64787 crore at the end of 31st December 2023. Capital adequacy is quite comfortable at 28.21%. Our spread increased to 2.82% and our net interest margin is about 3.52%.

Our Gross and net NPA have gone down at the end of quarter. Our net NPA in September was 0.96%, now at the end of 31st December 2023 net NPA stands at around 0.82%. Here I would like to mention that at the beginning of 2018 we had total 36 stressed assets. Out of these 36 stressed assets, we already resolved 20 stressed assets. In Q3 we have resolved three assets, Dans energy, Meenakshi energy and Classic global.

The remaining sixteen projects are also at a different stage of resolution and we are quite confident that we'll be able to resolve those stressed assets by the year 2025. Another distinguishing feature is that no new NPA has been added into in the last eight quarters and we hope to maintain this track record. The major shift or focus area for us is renewable energy projects now. Honourable prime minister yesterday has announced PM Suryodaya Yojana that is Rooftop solar mission has been launched to cover one crore households. For a period of one year, Ministry of New and Renewable Energy is the nodal ministry for implementation of this rooftop solar scheme and MNRE has designated REC as the overall program implementation agency and they have given us the target to cover 40000 megawatt capacity of rooftop solar by the end of 2026. It is huge responsibility on REC and it is quite complex task, but as you might have seen our track record, we were able to successfully complete hundred percent village electrification as well as hundred percent household electrification through the two flagship schemes of government India that is Deen Dayal Upadhyay Gram Jyoti Scheme (DDUGJY) and Saubhagya scheme. So, we are committed to implement one crore household rooftop solar within one year under rooftop solar mission and by the end of 2026 we are committed to commission 40000 megawatt capacity from roof top solar.

The asset under management we are targeting is Rs 10 lakh crore by 2030. And we are quite confident that at the end of this current financial year asset under management will cross more than Rs 510000 crore.

And now with the renewed focus on renewable energy sector, our renewable energy portfolio is bound to increase in the current financial year. We have sanctioned renewable projects including large hydro amounting to about 1 lakh 25 thousand. Our renewable energy portfolio, we are targeting to increase it to about Rs 3 lakh crore, that would be about 30 percent of our assets under management by the year 2030. Government has also allowed us to diversify into non-power infrastructure & logistics that also will be giving a priority area and has already started financing electromechanical components of refineries and steel plants. We have started financing metro project railways, projects of MMRDA, the road and projects of MSRDC like Expressway, Kagal Satara road, Ganga Expressway. We are looking for financing airport projects, ports, IT infrastructure, data centre super specialist hospital, but one thing that we are ensuring is that asset quality should be good and cash flow should be ensured so that hundred percent payment security mechanism available to us so that none of this new non power infrastructure and logistics become NPA in future.

With this I would like to assure all the investors that REC is committed to keep this growth trajectory of 20 percent in our assets under management and with your support and guidance, we are Committed to take REC to a new height. Thank you so much now I'll request our Director (Finance) to make a brief presentation on our financial results of Q3.

Thank you sir.

So journey from we were born in 1969 and since then we have grown. We were the first Indian PSU to issue USD green bonds and we were also conferred with the Maharatna status in 2022. Nodal agency for very important government programs like DDUGJY, Saubhgaya and RDSS. last year in 2023

we made the largest green bond issuance of USD 750 million, and we also recently became the first PSU to have Japanese Yen bond issuance.

So, these are the key strengths. The highest domestic rating and sovereign rating; Nodal agency for GOIs power sector schemes, experienced management team, strong fundamentals, company, diversified asset base, healthy asset quality, and we occupy strategic position in the growth and development of the power sector.

So, lots of awards and accolades. We were awarded the golden Peacock Award for risk management and also for corporate governance by the Institute of Directors London recently ICAI has awarded us the award for best financial reporting in the financial services sector. In the fortune 500, we ranked fifty third.

So Maharatna company gives us greater operational and financial autonomy and also allows us strategic investments by incorporating JVs. This is the highest rank among the PSUs and total of 13 PSUs have been accorded the status so far. So, last year we got the shareholders' approval for foraying into the infrastructure, so now we are funding to apart from power we are also funding to health, steel, IT infra roads and Metro port waterways airport, oil refinery, etc.

We are trusted arm of the government of India, we were the nodal agency as I've told you for DDUGJY, very important program for village electrification and then for 100 percent housing electrification, which is Saubhagya.

We are also along with PFC the nodal agency for RDSS scheme, which is for the reform of the distribution sector, which is a yielding very good results as of now with the AT&C losses having come down to almost 15 percent now. Now the government of India has recently announced Saubhagya scheme of rooftop solar program and as our CMD mentioned that we have been appointed as the agency for this important program.

EPS is Rs 50.65, book value of Rs 246.04 in the calendar year 2023. As you know probably in the mid cap segment we were the highest wealth creator for the investors. FPI holds around 20.6% in our Company. So, they have consistently held more than twenty percent in REC share since IPO. So, dividend yield if you see 136% we gave out in 2023 so far. We have already declared Rs 6.5 per share generally we maintain 30 percent of our profit as dividend.

On operational performance, our sanctions have grown to Rs 325941 crore from Rs 268461 crore in twelve months ending FY23.

Disbursements last year we achieved Rs 96846 crore. This year by November itself we had one lakh crore and currently we are at Rs 122089 crore at the end of December 23.

Outstanding loans, Rs 497466 crores outstanding loan currently from Rs 435012 crore as the end of March 2023. we have a pan India presence.

Our lending is largely to the state and joint sector, close to 90 percent and private sector borrowers account for Rs 47435 crore. state wise if you see the Telangana is the highest state where we have the highest loan outstanding followed by Tamil Nadu, and then Rajasthan and so these are the top 10 borrowers, all state sector borrowers where we have never had any slippages ever.

Asset quality consistently improved, no new NPA during the last eight quarters, Net NPA currently at 0.82% and gross NPA 2.78% with provision coverage of close to 70%. Most of the assets that we are resolving are giving us write back. And hope that by the end of this financial year, we should be able to resolve at least 2 to 3 very big assets. So, loan portfolio, total loan of Rs 497000 crore out of which

Rs 13812 crore, we expect this to come down below Rs 10000 crore by the end of March 24. Seventy percent provisioning coverage. Rs 12297 crore are in NCLT, 13 projects with 74% provision and 3 projects are outside NCLT being resolved with the total amount of Rs 1514 crores.

So, credit rating AAA by all the four major rating agencies and internationally we are rated at par with the sovereign Baa3 by Moody's and triple BBB- by Fitch. This year we also took the Japanese credit rating which has given us BBB+ rating.

Outstanding borrowings corporate bonds constitute around 41% of our total borrowing at Rs 175782 crore now. Foreign currency borrowing which is at 21% is Rs 91627 crore and 98% of these foreign currency borrowings are hedged. capital gain bond at Rs 41132 crore constitute around 9%. The rest are you know bank loans at Rs 87185 crore which is around 20%.

This quarter we raised total of Rs 39577 crore and last year we had raised Rs 86884 crore, total in this nine month period we have raised Rs 119462 crore.

So, these are some of the highlights, total income at Rs 34571 crore as of the end of December 23, 19% increase year on year net profit stands at Rs 10003 crore, 24% increase year on year, total comprehensive income at Rs 9880 crore, 53% increase year on year.

Loan book Rs 4.97 lakh crore, 21% increase year on year. Asset quality, net credit impaired asset at 0.82%. Networth now has gone up to Rs 64787 crore up 18% year on year and capital adequacy very comfortable 28.21%.

Some of the key ratios if you see, our yield as of the end of December 2023 is 10.13%, cost of funds at 7.28%, so for the Q3, interest spread is 2.85% and at interest margins 3.61%, but if you look nine month period of FY24, yield is 9.98% and cost of funds have come down from to 7.16% giving us spread of 2.82% and NIM of 3.52%. So, we had stated, you know, earlier that we'd like to have margin at 3.5% so this quarter we have achieved that. Our return on networth is 21.78%. Interest coverage ratio at 1.57 and debt equity ratio at 6.65. So, thank you very much.

Now we are open for questions

Phillip Capital

Thank you Vivek sir, and the team for your opening remarks we'll now open the floor for Q&A, anyone having a question, please press raise hand icon, your line will be unmuted.

Balaji

So, thank you very much I really thank the management and the key employees of REC for delivering good returns for the investors. My first question is that you know in Power sector you're doing really well, but since you are diversifying to other sectors how we are going to manage the risk, especially from the NPA perspective, that's my question sir.

REC

Yeah, you have raised a very valid question that was upper most in our mind when ministry of power allowed us to diversify into non power infrastructure logistics in the month of October 2022. So we are a bit cautious and initially we sanctioned only those infrastructures logistics project supported by the state government guarantee like MMRDA metro project was supported by the state government guarantee, then we sanctioned MSRDC project. That was also supported by the state government guarantee. In the meantime, in the last one year we have enhanced our manpower, we have taken experts from infrastructure and logistic sector who are expert in different road sector, railway sector,

those who are experts in the refinery E&M component, airports, ports etc. So on the one hand we have enhanced our expert manpower and we also strengthened our entity appraisal and project appraisal and in non- power infrastructure logistics we are targeting only good asset quality so that they do not become NPA in future and we are ensuring that we should finance only those infrastructure logistics projects which are supported by the revenue cash flow and payment security mechanism available to us so that this project do not become NPA in near future and because you might have observed that during last eight quarters not a single NPA has been added into our kitty and we are quite conscious that no new NPA should come into our books. That's why we are carrying out all due diligence with state entity and project appraisal so that only good asset quality with assured revenue cash flow are financed by REC.

Balaji

Thank you sir. My second question is related to your loan under management by 2030, you mentioned your target is Rs 10 lakh crore, but do you think that Rs 12-13 lakhs crore is possible by 2030.

REC

You might have seen that at the beginning of the financial 2021-22 our asset under management was Rs 385000 crore and by the end of March 2024, our asset under management will grow to more than Rs 515000 crore. So, in two years, you have seen that about Rs 130000 crore has been added. And that's why I'm confident, that our asset under management will exceed Rs 10 lakh crore, in fact will be able to achieve asset under management of Rs 10 lakh crore earlier than 2030 perhaps we might achieve 2028-29 itself. Two significant development have happened I had mentioned during the Interaction with the investor after Q2 results also that in July we had carried out one green finance summit at Goa on the side-lines of G20 energy working group meeting. There we had signed MOUs with the project developers, technology providers, OEMs to renewable energy sector and also electric vehicle ecosystem. We were able to sign MOUs worth Rs 286000 crore and out of this Rs 286000 crore which we have sanctioned, we have already sanctioned project more than Rs 1 lakh crore. And I'm quite confident that this Rs 286000 crore would get sanctioned in next 1 and a half year by the mid-2025, we'll be able to sanction all these projects and since you know that disbursement does take some time. Whatever it we are sanctioning here the entire disbursement will happen in next 2 to 3 years in the renewable energy project. Similarly, non- power infrastructure and logistic also last year we had sanctioned Rs 85000 crore and this year we are targeting that we'll touch about Rs 1 lakh crore from ongoing infrastructure and logistics also and plus Power sector itself is the power demand is increasing significantly government of India has decided that they'll go for capacity addition of 80000 megawatt capacity for coal based power plants, this is coming mostly in central and state sector. very few private sector projects are coming up, they are also there. So, we are committed to finance these coal based thermal power plants.

Distribution sector we are implementing agency as nodal agency for distribution sector scheme in respect of sixteen states and thirty- two distribution companies. The RDSS has an outlay of Rs 303000 crore and with government of India grant of about ninety seven thousand crores. This in last 1 and a half year, lot of development has taken in distribution sector, the introduction of late payments surcharge scheme by government of India has really improved the situation. The dues of the GENCO's and transmission companies are being paid on time, the government department dues are getting cleared. This fixed trajectory is committed by the Discoms with the support of the state cabinet. They are adhering to the trajectory committed under RDSS, they are clearing the legacy subsidiary dues in a systematic manner and with regard to the current subsidy, they're paying subsidy quarterly subsidy in advance for quarter four subsidy has already been paid in quarter three, so that's how systems are

improving in distribution sector and AT&C losses have come down significantly by 5 percent from 22 percent to 17 percent AT &C Losses were reduced. So, distribution sector is also looking up and with regard to transmission, since we are targeting installation of five hundred gigawatt capacity from non-fossil fuel sources, it will also require associated transmission system for evacuation of this renewable energy, so there is huge potential for transmission sector, that's why we are quite bullish on this the outlook of the power sector, particularly renewable space as well as non- power infrastructure and logistics also.

Bhavesh Patel

First of all, congratulations to the great set of numbers as well as wonderful performance, appreciate the hard work and helping with the country get better. I have a couple of questions. Number one, can you share the improvement or the current numbers in terms of return on asset. Since we are a financing company, it will be great to have that and then probably missing that number in this quarterly numbers and the second part is around we see that in terms of the performance QoQ, probably we have not done as well as, you know, last quarter. This kind of a lumpy business and we should see year on year or is there a reason for that? And lastly assuming that you have not given dividend this quarter and you are continuing with the dividend policy of around 30 percent of overall profit. Probably at the final dividend it'll get accounted for. So those are the questions. Thank you for taking this. And giving the opportunity.

REC

Let me add that Q2 versus Q3, actually in Q3, we had made reversal of expected credit loss to the tune about 580 and they were reversal. Total was 670 crores, that reversal had happened in Q2. If we discount reversal on account of expected credit loss, the effective PAT for Q2 was about 310 crore and in Q3 the PAT has increased to 3269 crore.

As far as return on assets is concerned so about 2.8%.

With regard to dividend, I would like to clarify that we are committed that 5 percent of networth or 30 percent of PAT whichever is higher we are committed at for the guideline issued by DIPAM, some interim dividend will be issuing in the current financial year and final dividend will also be there. So, we are committed that 5% of networth or 30 percent of PAT, whichever is higher that we are committed to give.

Bhavesh Patel

Thank you and all the best, appreciate this. Thank you.

Shreya CLSA

Okay, ok, really sorry for this technical issue and congratulations on a good set of numbers. I have three questions sir first is on the loan growth while it's great to see a good growth in the renewable and even the generation segment in within the discoms distribution segment, can you help us understand this RBPF line item that has grown quite a bit this year. This line item at zero loan book in FY22 so that will help us understand what's going on here, what's the tenure of these loans which segment what is it about? I understand it's for the distribution segment, second on the assets that I've gotten resolved, as far as I remember reading a media article where it was mentioned that Dans energy will probably be a 100 percent recovery project. So, can you help us understand how much recoveries we've made in Meenakshi and classic global? It feel it seems like that the write-offs have

been higher in these 2 projects. And so, my third question is. Recently RBI had released these draft guidelines for Government NBFCs that you guys will be brought under scale based regulation and the exposure norms will be applicable for you. Now you give out loans to certain states or certain states discoms which are a part of LPS and also clearly your exposure norms will get flouted. So, what will be the impact on you and how should we read into that regulation? Those are my three questions, thank you.

REC

I'll request our director project, he'll just tell about this RBPF revolving bill payment facility, thereafter Director finance will take up and with regard to RBI guidelines also Director finance will address this question.

So RBPF is revolving bill payment facility. Actually, in fact When government of India has introduced the scheme of late payment surcharge on 3 June 2022, so there were two requirements for the utility, one was to liquidate the legacy dues which was close to Rs 139000 crore as on third June 2022 which of course now come down to Rs 60000 crore. There was another requirement of continuously clearing the current bills of the GENCO. So legacy dues I mean there was one loan product for legacy dues and for current payment dues, we had introduced this RBPF Revolving Payment facility, now this facility is actually only for a period of one year and it is Revolvable. I mean utility like a cash credit facility by the bank can draw the facility and pay back without any implication of prepayment premium. And this facility can be renewed. After one year subject to satisfactory repayment and other things in the facility. So over to you.

Shreya CLSA

So just to follow up on that so the RBPF and LPS line item together those two line items should be considered as part of the same scheme which was launched by government last year, right?

Right, yeah because I could see that in LPS you have sanctioned about 72 thousand, but your disbursements in LPS segment has only been cumulatively been 30 so I should also count the RBPF disbursements, then only I'll be able to come to the sanction. Is that correct?

REC

So LPS sanction first for the legacy dues and using LPS the discom can draw that facility and liquidate legacy dues. Dues prior to 3 June 2022, whereas under RBPF, any current dues subsequent to 3 June if utility is actually taking power from and current bills are required to be paid for that particular payment RBPF can be used, so RBPF is only for current and not for legacy. LPS is for legacy and not for current dues. Tenure also there is difference, the LPS loan that we are giving maximum tenure of four year, somehow that discounts are opted for 48 equated monthly instalment, some of them have given update for lower, some of them will be clearing this LPS loan within period of 3 years also. The RBPF revolving bill payment facility loan is short term loan, it is less than one year and repayments are happening within a period of six months also.

Now with regard to particularly resolution on Dans energy Meenakshi energy, we can give the figures. So, on Dans energy we have of course as you said we have recovered 100 percent plus some interest, so this asset now has been restructured with PPAs available, so this has been resolved fully and without any haircuts. Meenakshi energy our exposure was Rs 710 crore, where recovery has been to the tune of 30 percent. our provisioning was around 80 percent, so there has been a write back of 71 crore. Classic global is a small case of only 3 crores for loan and we have recovered 86 percent in this case.

As far as Dans energy is concerned, the total outstanding was Rs 366.88 crore and we have recovered Rs 415.98 crore, so there is excess recovery of Rs 49.10 crore, 113%.

Shreya CLSA

Got it. And so, in Meenakshi your loan outstanding was seven billion, right?

REC

Yeah, 710.84 crore.

Shreya CLSA

Okay ok. Okay. Okay.

On the RBI guideline.

REC

RBI guidelines you say we even if we are put in the larger borrower framework there isn't going to be much of a challenge because we are already complying with the exposure norms of RBI, so we are fully compliant with all the provisioning provisions of RBI with regard to the upper layer. Currently, although as based on our balance sheet we are in the upper layer but because we are government owned entity, we are in the middle layer. So, but even if it is in the upper layer, we have no challenge.

Shreya CLSA

Have we crossed the 25 percentage limit?

REC

Twenty- five percent limit?

Shreya CLSA

There's an exposure norm, right? Twenty five you cannot do a single borrower, you cannot have more than.

Percentage so that will get crossed, right?

REC

No, no, no, no, that will not get crossed, for an infrastructure finance company Like, the limit is 30 percent. So, we are fully compliant with this for individual borrowers, we have not crossed 30 percent of the exposure, and for a group of borrowers it is 50 percent. So that also we are complying fully.

There is no issue on that.

Shreya CLSA

Okay sir, this is useful, this answers all my questions. Thank you.

Jigar Jani - B&K Securities

congratulations on a great set of numbers, just wanted to know you mentioned that there are 3 large projects that are coming up for resolution probably by the end of the fiscal year, would you throw some more light on which are these projects and what are the expected write backs that we can see from these projects that is number one. And second what would be our target in terms of loan growth

say for FY25 considering we are setting on a very strong sanction book and all the projects that we are involved in and will we have any benefit from the rooftop project that you just mentioned in terms. Disbursements or we are just an implementation agency at on that front?

REC

Regarding 3 major assets in fact there are more than 3 but the 3 major assets that includes TRN energy where our exposure is close to Rs 1500 crore, also Bhadreshwar power in Gujarat and Nagai Power in the state of Tamil Nadu. So those 3 and there's some development happening in case of LANCO Amarkantak also where after the conclusion of first round, its resolution plan was submitted but now there is a much better offer from 1 or 2 new entities. So, we are evaluating that option also and we believe that the for us being the largest may also get resolved in the fourth quarter.

Regarding Asset under management in FY25 we are expecting that in the current financial year or asset under management will cross Rs 510000 crore or Rs 515000 crores. FY25 we are targeting AUM about Rs 6 lakh crore.

And what was the other question?

Jigar Jani - B&K Securities

The rooftop solar scheme.

REC

Yeah. roof top solar.

REC has been designated by the Ministry of new and renewable energy as overall project implementing agency. We will be coordinating with the rooftop owners, distribution companies, vendors, financing companies, in addition to that MNRE has also identified 8 centre public sector undertakings under the ministry of power eight CPSE have been designated, they'll be setting up their solar subsidiary which will be taking up rooftop solar in RESCO Model. For that today in our board meeting, line of credit, to the tune of 15 thousand to each of the CPSE subsidiary which will be implementing group of solar we are providing line of credit facility for 8 subsidiary the maximum could go up to 1 lakh 20 thousand crores.

As per the mandate given by MNRE to us by the year 2026, we had to make efforts to install 40000 megawatt capacity from rooftop solar. The assuming an investment of 5 crore per megawatt, the total investment may range from 2 Lakh crore to 2 lakh 40 thousand crore for installation of 40000 megawatt capacity. The subsidy amount is available for lower capacity, say 1 kilowatt to 10 kilowatt capacity, subsidy ranges from 20 percent to 40 percent. Ministry of new and renewable energy is in the process of revising the subsidy structure also, perhaps more subsidy would be given to 1-2-3 kilowatt. They'll be taking approval of the competent authority and then soon notify. So, we do see potential that rooftop solar business will also give us this certain. If we are able to finance this CPSCE subsidiaries who will be working as RESCO.

Jigar Jani - B&K Securities

But this would be showing up in FY 25 majorly what I can tell in that case.

REC

In the current calendar year, we have targeting one crore household, so if we go by the lowest denomination, say only 1 kilowatt per rooftop, even then it will enter 10000 megawatt capacity, but

most of this rooftop solar will come in denomination of 2 kilowatt or 3 Kilowatt. So, about the total installation may happen from 10000 megawatt to 20000 megawatts by the calendar year 2024 by the end of December 24. Okay. Yeah, yeah, most of it will come in FY 25 that's correct because in the current financial only 2 months are left so whatever is possible in next 2 months will come, most of it will come in FY 25 only.

Jigar Jani - B&K Securities

Sir and you mentioned the exposure for TRN energy, could you also mention for the other two projects, Bhadreshwar and one more project that you mentioned?

REC

Yeah, so Bhadreshwar have an exposure of 900 crore, lanco amarkantak is 2300 hundred crores and we also have a Nagai where it is, 500 crores. 560 crores is in the Nagai, so these are the four which we are looking at resolving at least this year.

Nishant Shah

Thank you for the opportunity and congrats on the very good set of results. j just following on from the last question like just to be doubly clear, this roof top solar opportunity is basically as not really lending to individual owners of the rooftops are like end retail customers. It is us this is still going to be more of a B2B kind of like loans to other companies, right?

REC

Yes.

Nishant Shah

Yes, perfect. And secondly you mentioned like between 10000 to 20000 is the capacity that's getting added on this how much does that translate to in terms of say AUM or disbursement opportunity?

REC

Yeah, say assuming say 10000 megawatt capacity gets installed, if we go by the lowest the most conservative estimate 10000 megawatt will entail total investment of if we say 5 crore per megawatt, so it will be 50000 crore, some of it will come in the lower category where subsidy would be applicable. If we go by the most conservative estimate 40 percent will come in the form of subsidy to around 20000 crores would come as subsidy, there will be financing opportunity for thirty. But retail financing we are not getting into retail finance retail financing done by the banks etc, but for big vendors like CPES, for them we will be able to finance about 15000 to 20000 crores from rooftop solar in the first one crore household.

Nishant Shah

But and just so I remember this year loan growth guidance for next year is about 15-16 percent, right? like from 5.15 or something trillion to 6 trillion.

REC

I have mentioned that current financial we are targeting our loan book will go to more than 5.10 lakh crore and next financial year by the end of March 2025, our loan book will grow to about 6 lakh crores.

Nishant Shah

Exactly, so that's what I was asking like it's about 16 percent. Okay, perfect yeah perfect, that's it for me. Thank you so much.

Aravind R

Yeah , thank you so much for the opportunities and congratulations on the great set of numbers and like my question is on the same lines of loan growth, you mentioned about 5.10 by the end of this year and six lakh by end of next year. So, it implies like close to 17 to 18 percent end of a growth. I'm also looking at the disbursement numbers for this year out of 1.22 lakh crore we have disbursed in this year in this year taken nine month 2024 numbers half of that came from the distribution scheme itself and most of it is most from like one off schemes, you know, like where the discoms need financing to clear the dues I'm just trying to understand where would the you know disbursements opportunity come from like if distribution sector is not going to contribute next year you know which segment. Contribute to that kind of a growth, that is my first question and my second question beyond like margins, yields have improved and cost of funding has also like improved in the current quarter like in comparison to the last quarter where do you see you know yields and cost of ones to settle like for the next few quarters? Do you expect any increase in cost of funds due to market situation or anything else? Thank you.

REC

Disbursement profile let me take, you have asked a very valid question. Disbursement up to end of nine months was 1 lakh 22 thousand and this year we are targeting that we'll touch about one like fifty thousand. You are quite right that LPS and RBPF will not be much significant in the next financial year. But next year, what will happen that renewable. That we are sanctioned, their disbursement are going to pick up actually. This year not by disbursement has happened, but next year from renewable segment and not. Huge disbursement will happen from these two sectors. plus, conventional generation that we have now it been being expedited minister power is closely monitoring this plant, those are in the pipeline, they have to be commissioned. They're also quite significant. Disbursement will happen, then RDSS revamp distribution sector scheme, what is going to happen is that. The result evaluation framework is quite tight. So, some of the state which will not be able to clear this result evaluation framework because the work has already commenced as they'll require funding. If they are not getting from government of India, they'll seek loan from REC and PFC to continue the work, and once they are able to qualify for REF then only they'll be able to claim amount from the government of India. So, we hope that we'll be able to maintain this growth trajectory of disbursement in the next financial as well. Now you can go over the margins.

Aravind R

Just as a clarification so you're saying like one and a half lakh crore kind of disbursements is possible even next year you're seeing.

REC

Next year, more than 1.50 lakh crore actually we are targeting, it should cross more than 1.50 lakh crores next financial year also.

Aravind R

Sure.

REC

Regarding margins, our cost of funds have actually slightly come down in spite of the, you know, all the elevated market Et cetera, so we feel that you know now that the they're going forward, the interest rate scenario may soften a bit and so therefore our cost of funding will effectively come down. We have you know employed very efficient borrowing mix of 54EC capital gain tax exemption bonds and ECB to the full extent because where we get better rates than the domestic market. Rate in domestic market is slightly elevated, we expect that going forward this should also soften, so therefore we believe that a reduced cost of funding will definitely give us better margins.

Aravind R

Anything on yield on advances like do you see any improvement in that case?

REC

Yield is currently at 9.98, we believe that the yield will remain like that. Because, you know, we are very conscious of the asset quality and we are dealing with generally A-rated companies only, and therefore we don't see much problems and particularly because our push will be on renewable energy where our rates are slightly better as compared to the other segment. So, yields may not rise, but we, we can improve upon our margins by reducing the cost of funds. So, there our efforts will go.

Aravind R

Sure, thank you.

Ashwani Agarwalla

Could you say just a couple of questions here when we say 1 crore households we are targeting 10000 megawatts, so there will be a company to whom you will give loan and that company will install rooftop solar panels and all this 1 crore households, right? Is that the thought process?

REC

I'll tell you there are multiple stakeholders in this entire rooftop solar scheme. It is up to the owner of the rooftop to decide will be multiple option available to him, there will be say rooftop owners, 20-30 vendors will be there who will be willing to provide. He has to select whichever vendor is available in who can provide better quality and CPSE will also be there. CPSE will also be there as one of the vendors. So, it will be entirely up to the rooftop owner depending whether he wants to avail the subsidy or not because the state electricity regulatory commissions have allowed different tariffs. If an owner is willing subsidy, they give net billing tariff for about say 2.5 to 3 rupee per unit and but if one is not availing subsidy, they give a net billing tariff about 4.5. So, depending on structure, the owner will take a call whether he would like to will the subsidy and then he'll also take a call whether to avail this known or pay upfront from them or he'll also have the option if he's not willing to put in his money, he can ask the CPSE which will install this solar rooftop and they'll get some roof rental they'll get on that account and their bill will also get reduced, so depending on that what we are targeted for with regard to financing, we are not targeting this retail. That will be done by the banks etc. If some vendor aggregator comes like CPSEs, if they are aggregating the demand and they have to install, say, say 1000 roof or 5000 roofs, only those aggregated vendors we will be able to finance.

Ashwani Agarwalla

I've got more question. So, sir, what is the area required for installing one Megawatt half a megawatt capacity?

REC

We are not talking about one Megawatt actually rooftop solar requires for two kilowatts about hundred square foot is sufficient.

Ashwani Agarwalla

100 square feet of clean area or a flat area.

REC

Exactly. And if 1 megawatt capacity we are talking in the ground mounted about three to four acres would be required.

Ashwani Agarwalla

So now for a targeting 10000 megawatt I think quite a few lack square feet of area would be required. Do you think it is really possible to gather so much unanimity in terms of decision making where there are big societies or 20-30 people living in a single society to come at a single point of thought process, let's have a solar panel on our society, let us invest some amount and who will take care of that any problem which occurs in the terrace or something from my point of view, it's a far-fetched idea and getting one crore households doing the same doing this entire thing in one year itself, do we have the necessary infrastructure of CPSE vendors, everything at place in all the metropolitan cities and other places that this can go in one single year?

REC

Yeah, you're rightly pointed out. It is quite complex exercise, it is not that simple. It is not necessary that in an area all every rooftop owner will agree to install rooftop solar. It is not likely to happen and if some societies are there then resident welfare association RWAs will be able to claim subsidy, so it is going to be a very complex exercise and it requires a lot of awareness campaign like MNRE has requested state government to identify certain cities, like. They are identified Varanasi, they have taken up in a mission mode that they'll be installing 25000 rooftop solar in next 2 to 3 months. That is being taken as a pilot project which is being done in mission mode, then all the state governments have been requested to identify, this would be taken up in the same cities' urban conglomeration. So, each of the state governments are identifying the city and they'll be taking in a mission mode actually. So we are targeting about 25 to 50 thousand depending on the size. That's how this aggregation will happen.

Ashwani Agarwalla

Inform also do you want to recalibrate that you will be able to finance 1 crore households or 10000 megawatts of this solar panels in FY25 or you still stick to that number?

REC

Let me clarify that. Other than this, residential building, there's another scope that is government department and commercial establishment. That is a segment we are targeting. For that there is no subsidy amount involved, their CPSEs are going to play a big role. suppose state government decide to populate their government building in say want to see it will be given in one go and the financing the CPSEs will take it in a risk model. Similarly commercial, we are not targeting a retail business, retail business or financing opportunities that we are not there, all role is only that have coordinator. There we are not looking for. Financing opportunity. That retail financing will be done by the banks and the small NBFCs.

Ashwani Agarwalla

So, when we are saying that we will disburse 1 lakh 50 thousand crores next year, so roughly we can say 20000 megawatts will be financing next year, is that the amount we are looking or is that the amount of project or the amount of power we are looking for next year? No.

REC

1 lakh 50 thousand crore that we are targeting for disbursement, there we have not accounted for rooftop solar.

Ashwani Agarwalla

Outlook without I'm talking about renewable energy. Yeah.

REC

Renewable energy as I have mentioned, we had signed MOU to the tune of 2.86 lakh crores in the month of July 2023, out of this 286000 crore MOU we have already sanctioned project worth one lakh, another 50000-60000 crores will be sanctioned in next 3 to 4 months and entire sanction of 290000 crore will happen in FY25. And we are also taking up the state sector hydro project, today our board has approved certain hydro projects which are being implemented by. So those renewable energy project that we have sanctioned last year in FY22, FY23 and FY24, their disbursement are going to ramp up because renewable projects have short gestation period, within 2 to 3 years all the disbursement happen. That's how we are targeting that major disbursement will come in FY25 from the project which we are already sent in the last two years.

Ashwani Agarwalla

So, what's the total sanction of hydro power at the state level?

REC

I mean not only hydro power but we are counting the entire renewable which includes of course solar, wind, hybrid, PSP and of course hydro also. So, this year we have done 125000 crores, till December. And we intend to do roughly 1 lakh 75 thousand crore by end of this financial year means another 50 thousand crore will be done, you know, basically. Approximately 10-12 thousand crore is already sanctioned. Okay, another 40 thousand, so we have a good book of RE projects now available.

Ashwani Agarwalla

So, I'm trying to understand, so this 175 plus another 2 lakh, 375, this sanction will be disbursed in how many years.

REC

This 175 has hydro, PSP, now hydro project takes roughly 4 to 5 years to complete. PSP takes 2 to 3 years to complete, solar will take 1 to 1 and a half years to complete when we'll take 1 and a half to 2 years to complete. But the major portion of expenditure for these budgets is likely to happen maybe in next financial year out of what we are sanctioned this year.

Ashwani Agarwalla

So ok we can assume it is 2 lakh crores. but 70000-80000 crore disbursement comes in next year.

REC

That's correct.

Ashwani Agarwalla

What the next.

REC

Not at least 60 to 70.

Ashwani Agarwalla

60 70, what about the rest, which we have signed till 125-150 right now and we'll complete to 215 by next year.

REC

As we have an order group of what we sanction not only this year sir, but last year, last to last year, the project that we sent him say five years back, the disbursements are going on in those projects even now. So, projects that we sanctioned today, we have total 16000 megawatt of projects which are under construction. So, I'm just giving an example, likewise we have some distribution scheme. Another big area is RDSS, where we have sanctioned projects in this particular financial year and major displacement will happen next year. So likewise, there are many, I mean similarly transmission projects also. Now we have.

Tej Patel

Thank you for the opportunity that since we knew that 40 percent of your outstanding order book is to discoms right and so I know the numbers are improving and the financials of discoms are improving, but as you know I want to get an idea of what are your arrangements with these discoms. That makes you believe that this assets are safe, for example, your largest lender which is Tangedco, right? Which accounts for I guess 30 percent of your total outstanding borrowing, has 40000 crore losses, right? So just wanted to kind of get an idea of what arrangements do you have with this discoms that makes these assets safe?

REC

Yeah, so for this discom if you carefully examine that whatever lending we had done it is on account of three things. One is capex, some capex program of the discom. Second is LPS, which is happening last in this year, and. Third is RBPF also to a large extent. There are a few other things we are giving some other short term advances, but those are not that significant. Now Capex are supported by the cash flow that the discom gets through ARR, so there is absolutely no worry on that side and entire funding of LPS. As well as RBPF is secured by way of government guarantee. So, we have not given this particular advance to any of the discom without additional collateral of government guarantee. So, wherever there's a government guarantee I mean we believe that there's a certainty of debt servicing and there. Therefore, we draw comfort out of that proposition.

So just to add to what our director (projects) have stated. So Tangedco yes they did not revise their tariff for a very, very long time, but operationally it's a very good project, now you know I being the nominee director in that company, you know government of Tamil Nadu has undertaken to take over their losses every year. So, this year they are taking over around 70000 crores of losses from the company.

So, this way, you know, they are planning to and subsidies are all now coming on time. The tariff multi-year tariff revision has happened, now. They have automatic tariff increase every year and then of course it drew up any increase or decrease. subsidies government department dues are all coming on time. So, you know, the story of discoms have changed significantly in the last 1 or 2 years after this RDSS scheme has come and the LPS scheme under which you know now all the discoms are, the subsidies on time you know revisions are happening almost in 95 percent of the cases, so major improvement has taken place now with the smart metering that is going on around 95 percent of the collection will be sort of assured. So, we believe that going forward this this comes with turn viable you know very soon. Then in fact now also their viable most of them, but whatever the stress is there, that will also go away.

N.MODI

Good evening sir? Yeah, just I wanted to know by doing this work of implementing agency do we get any fees or professional income something, do we derive?

REC

0.4, 0.5. Okay. So, do we do get fees like in case of other programs that we handled as nodal agency, and Saubhagya we got a very handsome piece that adequately covers all our expenses. and duration.

N.MODI

So, the thing you have entered into one MOU with RVNL which we have not announced that was a quite big amount.

Are we analysing announcing it in our website.

REC

RVNL is implementing major rail stock rolling stock and other projects, we had strategically entered into MOU for an amount of 35 thousand crore to be implemented in the next three years. That we are working out.

yash

Yeah, thanks, thanks for the opportunity and you know my congratulations to you all. I just want one clarification while most of the things are already discussed. When you see the quarter on quarter performance on headlines looking softer but even if you take out the impairment. You know it's much better. Just one clarification, you know, on your slide when you show that quarter and quarter, your asset quality has improved in fact, compared to the last quarter also, then why this cost is there and, you know, and what is your forecast looking like for next quarter on this particular line item. Because I'm trying to also correlate that with the notes of accounts where in the in nine months, there seems to be a reversal of 1151 crores but it's not showing in the PNL.

REC

Last quarter we had reversed around 670 crores that was you know during the pandemic period we had made certain provisioning on standard asset. Now RBI mandates that we should create a minimum provision of 40 bps even today as we speak, our provisioning is close to 70. 70.4 bps. So, we are well above the RBI target, but last quarter, you know, because the health of the distribution companies have improved the power sector in general was showing positive signs, so we thought we will reverse this provisioning of 670 crores which was created during the pandemic, and the pandemic being behind us. So that was the reason why we did it this year.

yash

I think it is not a standard provisioning, it was one off reversal.

REC

Yeah, it's a one- off reversal which was created in a particular situation and now the situation having not been existing, so we reversed it.

yash

When you know some clarification so like you know when you say that quarter on quarter the asset quality is improved, then why there is a cost in this quarter and when you say that next quarter also you are expecting some further resolution with the asset qualities further improving.

Tentative forecast for the next quarter because you know this is the headline number which is impacting the performance and you know that is reflecting.

REC

Actually, for the current quarter the regular ECL which we have made on the fresh disbursements is 203 crores and there is a reversal in respect of Nagai and OPG power of 75 rupees and ECL for Meenakshi on account of resolution is 11 and the favourable impact on achievement of COD in respect of the APGenco and another one more project that is minus 83 and that accordingly we have provided for 56 crore rupees, so virtually there was a regular ECL on 203 but the provision which were required to make was only 56 crores because of the certain reversal which we made in respect of the projects which were resolved.

yash

What is your outlook for the next quarter on this particular line item.

REC

So next quarter some large assets I mean in the current quarter, some large assets where our exposure is high and the expected recovery is also now we believe that it is going to be high. So, it is expected to be I think on much higher side than Q3.

yash

On the higher side is you are saying provisioning or the reversal?

REC

Reversal.

yash

Okay, thank you. Thanks.

Shweta Daptardar

Thank you sir for the opportunity, so just one clarification on the rooftop scheme. So, in the rooftop solar scheme you mentioned that there is 30000 odd crores opportunity this is after knocking off subsidies, right? And if these are set up under Resco model, so we'll be financing largely Project developers. So, is my understanding correct?

REC

Your understanding is perfectly correct. We are after knocking off the subsidy, then this retail customer over there who will be availing loan from the small banks, we are targeting only this aggregator vendors, including CPSEs who will be carrying out this rooftop solar model, from that we are expecting some business to come to the tune of about 15000 to 20000 crores loan they might take.

Shweta Daptardar

Alright understood. So, one more clarification so to one of the earlier questions, you mentioned that you are already complying with the RBI norms of single borrower exposure of 30 percent, but I believe that RBI sort of came up with these norms or highlighted perhaps to you one or two years ago. So, there might be certain legacy issues. In your portfolio which already might be exposed over 30000. So how is there a sort of a rundown there or you know if there are repayments happening, so how, how would that those adjustments happen? Thank you.

REC

Even after taking into account the legacy outstanding dues, we are perfectly in compliance with the RBI norms of thirty percent. Of course, RBI allows government guaranteed loans to be shifted towards the government. So therefore that much leeway RBI provides and therefore considering the government guaranteed loans we are perfectly in compliance with the RBI norms taking to account all our outstanding.

Shweta Daptardar

That explains sir, thank you.

Rahul

Good evening gentlemen, actually I wanted to know your stance on the rooftop solar program. So basically, is our stance aggressive and also could you kindly provide me with an approximate tenure for the completion of this program? Thank you, thanks a lot for the opportunity.

REC

Ah, for the current calendar year, up to December 2024 target being given is one crore households and up to March 2026, we had to install capacity they have indicated capacity of. 40 giga watt that is 40000 megawatt capacity has to be installed by the end of March 2026. Here there are two components, one is residential household plus common building, commercial establishment, all in it will be 40 gigawatt capacity by the year 2026. But for the current year, mainly it is being targeted to cover one crore roof top.

Rahul

It's so is that stands aggressive on that part?

REC

MNRE has made calculation based on the feedback received from the states because this exercise has been going on for last two months actually to be frank with you. MNRE has been in touch with the state government, they had taken note of the concerns of distribution companies, they had certain issues to net metering etc cetera. so they have they are addressing the concerns or distribution

companies now discoms are on board for this roof of solar and MNRE had asked the state governments to identify the focus cities. So, each of the states have identified four or five cities in the order of priority and each city they are taking minimum 25000 rooftop solar. For example varansai, in MP they have taken indore. similarly, all the states had identified their priority cities where minimum target that. They are looking for in the urban conglomerate is minimum 25000 rooftop solar. So, we hope that based on a realistic assessment made by MNRE, this target of one crore household has been given.

Rahul

thank you Sir.

Phillip Capital

Okay, thank you Rahul. with that we conclude the Q&A session, so I would like to thank the entire management team of REC Limited for taking time out and patiently answering all the questions. Thank you sir and have a good day.

REC

Thank you all the analysts and investors for very profound questions and we are enlightened. We hope that we'll be bringing you a better result in Q4. And as committed to you FY 25 is going to be better than FY24. Thank you so much.