आरईसी 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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G20 भारत 2023 INDIA
वसुधैव कुटुम्बकम्
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SEC-1/187(2)/2023/ 1157 **Dated: February 24, 2023**

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 Analyst Meet of REC Limited held on February 17, 2023.

Dear Sir(s),

In continuation of our earlier letter dated February 18, 2023 and pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of Analyst Meet of REC Limited held on February 17, 2023 is enclosed herewith.

This is for your kind information and dissemination.

Thanking you,

Yours faithfully,

(J.S. Amitabh)
Executive Director & Company Secretary

Encl: As above

“REC Limited Investor Meet”

February 17, 2023

MANAGEMENT:
Shri Vivek Kumar Dewangan, IAS, Chairman & Managing Director
Shri Ajoy Choudhury, Director (Finance)
Shri Vijay Kumar Singh, Director (Technical)
Shri Sanjay Kumar, Executive Director (Finance)
Shri Sanjay Kulshrestha, Executive Director (State Operations)

Management: We welcome you all in this meeting. You must be aware that recent focus on energy transition India is heading this G20 presidentship this year and in this G20 this energy transition working group is being led by secretary power. There is renewed push on this energy transition particularly on green hydrogen, green ammonia, renewable energy both solar, wind and hybrid solution and storage solution and offshore wind as well. Our focus now would be more on this energy transition initiative and we will try to raise this fund for funding these green projects. As you are aware that conventional generation has almost reached to its peak. Hardly about 26 gigawatt to 30 gigawatt for only fuel-based power plant are likely to come by the year 2030 and we had to reach this non fossil fuel-based generation of 500 gigawatt by the end of 2030. Right now we stand at about 175 gigawatt only, still a long way to go 325 gigawatt of non-fossil fuel based installed capacity would be set up in India. Right now, our renewable energy portfolio is about 25,000 - 26,000 crore only, but we hope that with push on this fuel project we are targeting up to 1,00,000 crore funding in the renewable energy projects.

Interviewer: This 25 going to 1,00,000 crores in how many years sir?

Management: We are targeting in the next two to three years.

Interviewer: Fresh disbursal of 25,000 crore is for next year?

Management: Because recently high-level meeting at the highest level was held and Government of India has decided to go with full throttle actually. Because last two years due to COVID, the installation of renewable energy was limited on 10 gigawatt to 14 gigawatt only that is not sufficient actually. We need to go for about 40 gigawatt to 50-gigawatt capacity every year now. Both REC PFC IREDA are financing this. Other banks are also present there.

Interviewer: PSU, private or both of them or PSU banks only?

Management: Largely PSU banks. So, we see the scope for about 1,00,000 crores for us in the next three to four years.

Interviewer: And as a country 50 gigawatt in next three years?

Management: Per year 50 gigawatt, then only it will be possible to reach. By 2030 the Panchamrit announced by Prime Ministry, the target is 500 gigawatts by 2030.

Interviewer: And these 50 gigawatts is equal to what 1,50,000 crore a year or 2,00,000 crore a year?

Management: 2,00,000 crore a year.

Interviewer: Out of 6,00,000 incremental 75,000 REC receive, 75,000 to PFC other 3,00,000 to 4,00,000 will come by IREDA/PSUs and private bank somewhat to equity also.

Management: So, that is one focus area. Then Government of India has allowed us to diversify to logistics and other infrastructure also. So, we are diversifying to metro projects, roadways also, highways, airports, ports and hospital projects have also come to us.

Interviewer: This infra will be your in a consortium or we will be the lead of the consortium or how it is?

Management: Small projects we will be doing solely, but large projects are there we will go in consortium with PSU and other banks.

Interviewer: We will lead the consortium or generally we will follow the leader?

Management: It depends on the opportunities some of the projects we will be leading, some of the projects PSU will be leading.

Interviewer: General question anyone will talk to in that in past we have not done infra, so do you have core competencies to take a lead in the consortium and to do this kind of?

Management: Yes that is what I just wanted to underline the fact that we are looking for the experts from each of this identified field. It is fact, that is the new area for us, we are developing our capacities so that will carry out due diligence and proper appraisal of all the projects done by us.

Interviewer: We are hiring outside consultants or we are hiring them within the company?

Management: Both options. We are taking them for fixed tenure.

Interviewer: Anything can you throw more light; anything has happened actually or this is all in the plan?

Management: We are in just process actually within month or two then all this we would like to highlight.

Management: So some total sanctions that we have done till now up to the end of Q3 is 19,2496 we have to see one particular road infrastructure sector we have already done 24,799. Now this constitutes majorly the metro projects what we have done in case of Mumbai metro that is under MMRDA.

Interviewer: So that will come under infrastructure?

Management: We also have done one HP Refinery complex petrochemical complex in Rajasthan Barmer where we have taken possession of 7500. Regarding your query of holding competency and capabilities so how we have started is that we are initially looking at government sector projects and those projects which are backed by the government guarantee also. Now so that give us like Mumbai metro project is 100% guaranteed by the government. we have one another health sector which Chairman Sir mentioned that also is 100% is government guaranteed. So, initially till the time we developed great capabilities for appraisals, for professionals, higher consultants just to

start with we have started looking at much, much safer assets, but large big assets also at the same time so that our presence is actually there in the market.

Interviewer: So this can be quasi guarantee or full guarantee?

Management: Whatever we have done in infrastructure it is full state government.

Interviewer: In the mix of public and private sector lending right now and three years down the line?

Management: Right now, it is 90-10 actually.

Interviewer: That is lower than. 85 what do you intend to take it to four years down the line once we start?

Management: Naturally like, this green hydrogen, green ammonia that is coming in the private sector only and renewable projects are coming in the private sector mostly they are coming in private sector which may go up to 25% to 30%. So, as we grow in the renewable sector, the private participation will increase.

Management: Any new customers, now for like hydrogen or ethanol all private sector participation will be there. So, of course our loan book growth towards that sector.

Interviewer: So, 25%, 30% can become private?

Management: It will take some time.

Interviewer: I am talking of three, four years down the line.

Management: Say by 2030 it will take some time without this project….

Interviewer: You are saying infra will 25% by 2030?

Management: Government has put a cap actually any year we can sanction max 33% of total sanction in that particular year. Total loan book also only up to 33% we can go for launching an infrastructure, but core 67% would be power sector.

Interviewer: So, with these kinds of sanctions what is the loan growth that you can think of like next year?

Management: So we are thinking of this year I think we should grow by 10% a year on growth. Next year our target will be 12%. Our other book is very high online is 2000 already. So, we believe that we can definitely clock 12% next year.

Interviewer: It can be higher also?

Management: Higher also yes.

Interviewer: But then what kind of disbursements would that end I mean this year you plan to end with 950 billion?

Management: This year if you see our target is around 85,000 crores to 90,000 crore that will give us 10% growth.

Interviewer: So, for 12% growth where do you see this disbursement number going?

Management: That would be around 1.2 billion.

Interviewer: And any more visibility for next few years like projection like it was in 12% so do you think whether over the next three to four years we will be able to do 12%?

Management: Next three, four years definitely. Because as sir has said this renewable and sustainable climate change initiatives will take us in the stage and with the infra is also on the priority list for the government and in the budget 10,00,000 crores have been provided, states are also doing their best, so huge opportunities are coming up in the non-power infra as well as the renewable sector.

Interviewer: How much of portfolio runs down every year due to repayments and shifting for other financial institution how much is that?

Management: The repayment which is there is around 40,000 crores to 45,000 crores a year. Around 10%.

Interviewer: Disbursal you are 80 so 10% growth should be there?

Management: Regarding business if you see, the planning of the CEA is generally forecasting regarding the investment and the loan book is that targeted around 14,00,000 crore per equities. So, it consists of 25,000 plus conventional power it will come in there. So, only 50% will come from the renewable. The renewable injection you have a injections towards this side. CEA has also come out with the transmission plan recently. They are saying that around 2,50,000 crore will be required on all corridor because they are also required the investment if you want the sustainable grid and the injection of that huge renewable. Investment opportunities are there. As infra is coming our way as a new sector that also add on hopefully what all we have been doing already.

Interviewer: But going forward would you like to move away from this government guaranteed model to an independent model where you just go on the merit of the project or going forward?

Management: We will obviously go by the merit of the project, but since initially we have opened space very recently only in the last quarter so that is the strategy as of now. Once we have the required ability, capability.

Interviewer: For next one, two year we will go?

Management: We are going for more safer project because we have seen that there is lot of appetite available even in assets like government guaranteed assets.

Interviewer: Who are our competitor in government guaranteed projects?

Management: All banks are there; all institutions are there. It is largely a first mover advantage on gaps and infrastructure that is our experience so far. So, we have done one particular hospital project, for example, it was available with all the banks, all the NBFCs also, but I think we moved fast, we did it first and therefore the entire exposure is now with us. It is government guaranteed also so its fits in our strategy. otherwise infra all banks, all NBFCs are active.

Interviewer: Infra projects also in defense projects or it depends on domestic that is done?

Management: Defense project we have not contemplated so far, but should there be any good projects we will consider it. Right now, there is no such projects. If it falls in the definition of this infrastructure, largely infrastructure.

Management REC provides a good comfort to a borrower because we can take total project, there will not be any problem in the consortium so that comfort is there with the borrower, we have that kind of edge we can customize these things.

Management: To answer your question about the government sector a large part of the interest rate investment is coming from the public sector and not from the private sector. Private investment is as of now quite low. So that is why our exposure will also be tuned with the requirement of the market.

Interviewer: Sir on the infra sector your spread would be similar to what you are currently bidding.

Management: Yes, we expect a spread of around between 2.5 to 3. Slightly better than renewable. Renewable is quite competitive because we also want to encourage renewable, we want to have more green projects and all

Interviewer: So, renewable would be lower than 2.5 in general right?

Management: Yes.

Interviewer: But this new opportunity in infrastructure space that would be closer to the blended or spread?

Management: Yes.

Interviewer: Sir on the funding mix how do you plan to fund because now you would be one of the largest NBFCs so in the domestic market on the bond front how is the appetite?

Management: See on the funding part generally our corporate bonds used to be 60%, but during last two years the banks have reduced their rates considerably and they have the -pre payment option as well. So, our bank loans have gone up. So, currently our bonds are at 40% I think we will hold on to that. So, we have avenues from bond market, ECB is 25% that will remain and then we have the term loans which is around 18%-20%%, 12% comes from the capital gain bonds that is increasing that is how it is, but ultimately wherever we find the cost benefit, the bond market shows better.

Interviewer: Bond market must be entirely fixed?

Management: Yes, it is entirely fixed.

Interviewer: Banks what is this generally is it EPLR or MCLR?

Management: It is MCLR based.

Management: Not much of the loans are MCLR based now. They are mainly linked to the external benchmark either Repo or T-Bills. Here the spread also we are able to have the minimum spreads at this point of time because both T-Bills as well REPO rate are at much higher rate. To get advantage we will be getting in future once the rates start coming down. Any case they have pre- payment option in case if we can get better rates in the bond market then in any case keep it

Interviewer: Your own loan book must not be EBLR linked so maybe that is the reason why NIMs have been lower last few quarters where book must be fixed?

Management: The NIMs were slightly moderated largely because in the last few years we had lowered our interest rates and loans which are coming for resetting are in these lower rates. Now with the slight increase in our cost of fund, we have raised our lending rates, but not to that extent. So, somewhat the NIMs have moderate. But then the other growth driver sanctions are growing, credit quality is improving so that is kind of after all and that is the ultimately the bottom line that is what we are looking at even if were to moderate to have a better quality. It is a tradeoff always between credit quality and margins. So, if you want to have good projects in hand, better good entities, strong entities we need to moderate our margins.

Interviewer: So, that proper mix in the borrowings we are able to cutting our cost?

Management: Not increased to that extent, growth rate increase of 2.5% repo, but our cost has increased marginally by 14 basis points from 7 % to roughly 7.14%.

Interviewer: And how did you manage this?

Management: By having the definite mix.

Interviewer: have u repaid bank loans?

Management: Repaid from the bank loans. Also more of the foreign currency borrowing we did which is at much cheaper rate on hedge basis, about 92% of the total foreign currency borrowing is already hedged also. So that roughly comes at about 6.75% so that is much lower as compared to term loan.

Interviewer: So you manage your cost of funds, but on yield side you passed on the benefit because obviously credit quality was quite good, so this thing can continue right going forward also because the targets are huge and you have to also make it attractive for your borrowers and your credit quality continues to be strong, your cost of funds you can manage it really well, so does that mean that this thing will continue like incremental yields will be lower and thereby we should settle for a lower NIM given that you have a very sufficient ROA of closer to 2.3%, 2.4% . Is that the fair understanding?

Management: Yes, that is the fair analysis. Our philosophy is to have good quality assets I mean even if we have to comprise a little bit on the margins that is the thing. So, we will continue to do that and with growth happening in our AUM, so we believe that we will be comfortable with our bottom line and even if some lower margin, but presently we think we can hold on to these margins currently 3.5 of NIM. I think we can hold on to them. So, with better quality of assets and more growth in terms of volume and in an AUM.

Interviewer: Just to dwell a little bit more on this 3.5% so one is that you said renewable would be lower margin business and then you on the other hand also seeing that I mean that overall, it should kind of we are dragged rather than holding on to study.

Interviewer So your mix will become adverse compared to what it is today in terms of higher yield with renewable share will go up.

Interviewer: We are also targeting higher quality business so that mean again lower yields and also renewable will be lower yield comparatively. If I look at it combined these two factors then it would be difficult for you to maintain NIM at 3.5.

Management: Not really because our equity is also growing, but that also gives push the NIM up slightly and we will not have very low spread, we will work at around 2-2.5, renewable it would be 2, but if you see other projects anything 2.5 to 3 largely in generation and distribution projects. They are all in the LPS and all that thing slightly between 2.5 and 3. So, if you see coming in 3.5 of NIM is fairly manageable and we can achieve that much.

Management: If you see our generation distribution book is more than 3,00,000 crores where we are not negotiating around the interest rates. We have a good margin over this and this is consisting of you can say 75% of the book. So, if you see the other part of this when it comes with the

renewable or infrastructure or private sector. So, these 3,00,000 crore assets are giving us a good revenue.

Interviewer: This thing will keep coming down and your other mix will keep going up. I am saying reduction in transmission.

Management: But in infrastructure also we are not compromised on the rates.

Interviewer: But it will be lower than your transmission and generation?

Management: So, whatever we do in renewable energy base that will be obviously at lower margins that will be compensated with whatever we are doing in infrastructure. So, today we are doing 9.5 and 10 type of open running in infrastructure space this was good margins. If these two things will balance out it will be easy to them remain on. largely.

Interviewer: So, in the last two quarters especially in any compression in NIMs is being offset by provision writeback, do you think in terms of stress assets whatever provision we have to take they are there only; they are sitting in there so 0 to negative provision should continue?

Management: Yes. Provisioning is nothing to do with the NIMs firstly.

Interviewer: No, I am saying at the PAT level at least whatever compression gets largely offset by especially the provision write back we had like any stress in terms of resolution also if you can share some thoughts?

Management: Resolution I think we have already done roughly 2,200 crore, Some large resolutions are lined up and are mostly at the final stage in terms. Lanco Infra which will be resolved in two to three months. Meenakshi Energy in two to three months. These two projects put together is 3,000 crores in terms of principal outstanding and there is a good recovery we are able to see now So, whatever you mentioned reversals out there obviously that will be there because resolution-based provisioning made, if there is a resolution there is the reversal of asset. So, this will keep happening on a quarter-on-quarter basis. Next quarter we see 3,000 crore projects getting resolved there will obviously be some reversal of asset because the provisioning is much greater than the expected recovery, what we have seen so far that provisioning in all our cases, almost in all cases has been reversed and there is a benefit in our balance sheet and it was a recovery and the provisioning is always a sufficient gap of the requirement.

Interviewer: How much would that lead anecdotally we are going to speak about the earlier cases that were resolved I think provisioning was around 65% to 70%?

Management: Correct. If we see all the projects where we had to compromise on the total recovery amount of total principal outstanding and that is the reason, we have been able to share register of 62%, but

the provisioning is in the range of 65% to 70%. So, there is always whatever asset gets resolved there maybe reversal. So, this year also we resolve say Jhabua Power provisioning.

Management: South East UP should be 100% reversal for the full principal.

Interviewer: How much was the amount?

Management: 900 crores. Some more projects are likely to resolve in the next financial year. KSK Mahanadi, Dans Energy and we are talking about this Nasik also which they are disbursing in the Government of Maharashtra, they take over as an asset our exposure is close to 2,300 crores. So, these 14,000 crores will come down substantially in the next one year that. As I mentioned, roughly 3,000 crore worth of principal outstanding.

Interviewer: Can you please keep the previous slide 14,900.

Management: Total outstanding for 14900 total outstanding for assets from these 3,000 we have the visibility plans are submitted they are likely to be approved by the NCLT in the next two, three months. So, 3,000 straightaway we see.

Interviewer: 3,000 will be in this March quarter.

Management: One Dans project is there we are doing that restructuring and lead lender is already done. Once we do that is under the 500 crore that will also happen in Q1 maximum. 5,000 crore, 6,000 crore projects we have the visibility today that is the resolving QoQ maximum. So, 40,000 crores in some of the projects 40,000 has got some projects under liquidation phase. Of course, the recovery level is not going to be very great, but then this adequate provisioning already in this closure. So, that will also conclude in next year, 23-24. So, likewise and we do not see any fresh acquisition of NPAs going forward all of our assets particularly thermal, whatever assets do we have today say roughly of 8,000 crore of total outstanding all of them are performing very well. There is no financial stress in any of the projects. So, we do not see any fresh NPA happening going forward. This is only what will resolve going forward.

Interviewer: Sir what was this number one year back like today it is 14,923?

Management: So, I think we have at roughly 2,500 crores. So, last year still the number was only 2,500. In 9 months, it is 25 which we may say next year still will be higher than it was. Plans for 3,000 crores are already in the final stage.

Interviewer: We have been the successful bidder so what is the plan, how much will we invest in that project?

Management: Basically, we wanted resolution near the fair value that is why we went into that, but unfortunately the other two bidder backed out in this process. We have brought in this DVC,

(Damodar Valley Corporation) they are partner and they do have the experience of running a Chinese plant that is in Raghunathpur in West Bengal, they do have expertise and they have also done reengineering for this spare parts of Chinese plant. By reengineering they are able to manufacture those spare parts in India itself because they do not have to depend on Chinese suppliers. Two units are already functional 600 megawatt (300 into 2 units) is already functional. Unit number 3 that is 660 megawatt we do have that with we have infusion of about 1,500 to 2,000 crore we will be able to make it operational. Since it is a PIT Head plant the variable cost should be very competitive and DVC is having the distribution network also, so even if there is no PPF on that, we will be able to observe that through the distribution across our DVC.

Interviewer: How did this run through the PMF because at one end we are the financer now we are also investors so if you can give some light?

Management: Basic idea is that to run that plan, make it functional so that we sell it off to prospective bidder like we also propose a Project Asset Management Company (PAMC). Would like to brief on this all-asset management company concept.

Management: On the Amarkantak, we have given a value of 3020 for this particular asset. This already has 1,300 crore of cash available income, so our net outgo is only going to 1,600, 1,700 crores for the resolution plan implementation because 1,300 whatever is available will be utilized for this channel and as Chairman Sir mentioned that another 1,500 crores to 2,000 crores we expect on unit 3 which is 360 megawatt. So, with 1,500 crore of fresh CAPEX, 1,500 crore of resolution plan outgo, so with 3,000 crore we will have 300 megawatt of operational asset, 600 megawatt of operational assets and one unit will get completed for 660 megawatts. So, total of 1,220 megawatt on the operational asset will be available to us in 3,000 - 3,200 crore and it will be finance by REC and PFC because we are partners. It will be a combination of equity and debt largely in debt not equity and as Chairman sir mentioned about PMC now take this concept further forward so what we are anticipating in proposing to the government and it is under active moderation that we will form PAMC (Project Asset management company) rather than just being run be REC PFC we will set up a joint venture company now we will keep participating on all stressed assets and try to safeguard or maximize the recovery by way of participating in stressed assets.

Management Particularly those assets where we are the lender, we will start with them.

Interviewer: Once this asset is coming operational what happens to our lending that becomes standard.

Interviewer How much is that because there was change of management?

Management: RBI allows that once there is change of management this becomes standard.

Interviewer: How much is the exposure?

Management: That will go off once the payments are made to the lenders including REC/PFC, so that past as you said is completely resolved. Now fresh lending whatever we do.

Interviewer: How much haircut that will?

Management: Tentatively the resolution has happened at around 32%, our provisioning is already 75% to 76% Provisioning that way there will be write back only.

Interviewer: What is the exposure?

Management: Our exposure was 2,300 crores.

Interviewer: Competitors were much lower?

Management: Yes. Initially they were better at one particular level to improve our rate and then we wanted to take it over in any case or we wanted to get a very good fair value. So other people did not pass through it so we got this particular. Through in its operation PPA is there so the other unit see currently recently one PPA was announced for five-year period which has got a 5.13 Rs of tariff. So, demand is growing so PPA is likely to happen, but even if does not happen even if sell it to the exchange it is going to give us very good generation, we can project 1.5.

Interviewer: Previous PPA what is the prices?

Management: Previous PPA CERC. Cost plus basis

Interviewer: After this much PPA 75% write off.

Management: The reason for that lower value what we are seeing that project under construction is not fetching good value at all. In this case 1,320 megawatt is under construction so that nobody is actually giving you very good value for that. Now coming to the 600 megawatt which is operational these two units got commissioned in way back in 2010-11. their residual life is 7 years, 8 years, 9 years so not much of value is and debt portion was also very low at the operation project because they were already paid off initially. The debt position of these 600 megawatts was very low.

Interviewer: Debt project is write-off is less, but debt is more.

Interviewer: Is your capital requirement increasing if you invest in private companies because I guess your risk weightage would be 0 for the public sector exposure?

Management: No, it is not 0 it is only government guaranteed projects there are reduced risk weightage. So, our current CRAR is 25 is very comfortable. So, internal accruals are coming every year we are adding 7000 crores so that gives us very good headroom. Capital is not a concern.

Management Public and private. Only government guarantee?

Management: Because below risk.

Interviewer: Sir concern of investors this Adani exposure we like some more clarity please share the details we have done complete analysis, all the power projects PPA met?

Management: Yes, all of them all of our projects have PPA renewable, transmission.

Interviewer: Including the sanction to be given money?

Management: Yes.

Interviewer: And what is our thinking going forward say one is already given to power purchase so no problem, sanctions also you will do with power purchase?

Management: Yes.

Interviewer: And what is our thinking on if any particular group comes for the fresh projects are we in a mood to again to value add and give more loans or we go by the merit of the project.

Management: We will go by the merit of the project.

Management: So, suppose sir as Chairman mentioned there is a lot of emphasis on the renewable or the energy transition and we all know that Adani has also got market player they have developed high quality assets that we all are aware. Suppose they win a project in SECI NTPC tender and the credential of that particular project of that particular project is very good and the revenues are showing by secure NPTC there is no risk for us to invest. So, we will take asset by asset, evaluate, do due diligence.

Interviewer: And we can go on infra side with private players also going forward?

Management: Infra as we mentioned that initially we are looking at state sector not private sector, only state sector entities so that we are still in developing phase. Infra will wait for a while to take a call.

Interviewer: Infra again if you go with private player in power, you have PPA bank, but in infra we are taking some risk we are aligning.

Management: Because that is not a PPA mechanism for example in infra projects.

Interviewer: As we will have some underlying risk factor, we cannot guarantee that you will have some underlying risk factor.

Management: That is why to start with we have gone with the government guarantee only.

Interviewer: Can you give some more detail?

Management: I like to inform you one more thing this smart metering has got very good potential and revamp distribution sector scheme. 25 crore prepaid smart meters are to be installed all over the country, total business about 1,50,000 crore and it is going to be OPEX mode only, this is the guaranteed payment over a period of 8 years to 10 years to the operator. There also we are looking for financing smart metering project. Some of the smart matrix projects have been won by Monte Carlo, Adani Group. GMR Group So, they are all bankable projects irrespective of whoever wins that we are more than willing to finance this smart metering. Another area this electric mobility area perhaps we just missed out. This electric mobility is charging infrastructure is another area we are looking into right now we have taken two, three projects for electric buses. For around 3000crores

Interviewer In this exposure you can break it down into tenure and how much is transmission, how much is renewable, how much is thermal?

Management: Total of 13,400 crore of project that we have sanctioned to Adani group so far in this we have disbursed 8,200 crores. So, these are renewable energy projects, updation project, transmission and distribution projects.

Management: Mostly it is generation project with thermal generation is 4,000 crores, renewable is about 3,000 crores remaining is transmission and distribution.

Interviewer: And what is the tenure of this loans?

Management: So, for thermal it is normally 16 years, 17 years, 18 years I am just giving you ballpark numbers, renewable also is actually 16 years, 17 years excess of one year of moratorium and 15 years, 16 years of principal repayment, T&D is also 14 and these assets like T&D they have won in TBCB projects and are competitive projects. Renewable all of them are SECI projects, all of the operational projects are performing very well, they are not performing well they are performing very well. We do not see any stress, we have done one coal mining project also under AEL which is generating almost double the DSCR sort of a revenue, so there is huge surplus cash available there, in any of these assets there is no financial stress. One particular project thermal project which is almost 98% complete will be commission. With that our total book will be commissioned of projects.

Management And out of these 8,200 crores which we have has disbursed, more than 1,200 crores has come back, repayment. as per normal schedule

Management: There is no default, no delay. It is all assets and therefore there is no Balance sheet Funding Working Capital funding it is all asset funding.

Interviewer: Sanction project which you told in that how much would be private?

Management: So out of that 2,00,000 crore roughly. We have 192000 crores We still have private roughly say 20,000 crore which is largely renewable. We have done up to Q3 so it is going to be that renewable is going to be private rest all is more or less same.

Interviewer: Rest all is guaranteed by government only?

Management: So, whatever we have done largely government guaranteed whatever we have done LPS. Is 100% government guaranteed. So there is a combination and then there are some CAPEX projects also which are not government guaranteed. Backed by assets

Interviewer: Adani all will be at SPV levels you mean to say?

Management: All at SPV levels.

Interviewer: You also have a group level exposure gap right they cannot fund anyway?

Management: RBI allows 50% group level exposure. So, ours is only 7,000 crores.

Interviewer: Total book 50% can we give?

Management: 50% of networth

Interviewer: WHAT?

Management: Net Worth is around Rs 54000 crores

Interviewer: Total loan 5% ok network 50?

Management: Yes. In group it is 50% for the entity is 30%.

Interviewer: You said that foreign currency borrowing that you take an advantage this year it is up from 9,800 to 14,500 so rupee depreciation would that have created?

Management: That already is factored in. Every quarter we have to account it so whatever the loss is there we have to already accounted for. Anyway 92% is hedged. We have already hedged 92% so balance 8% whatever as per the INDAS whatever loss comes we have to account for the same quarter so we do it because tomorrow the rupee becomes stronger, we will have to refer write-back as well.

Interviewer: So what I was thinking was that while it is cost effective, but when you add rupee depreciation hedging cost and all that is it still effective?

Management: It is still effective it is coming 6.5 after hedging cost.

Interviewer: Hedging cost has substantially come down and we do this hedging for various option which are available. Seagull, call spread etc.

Interviewer: So wherever you take the borrowing immediately you hedge?

Management: Not immediate at the opportune time.

Interviewer: So then because last 9 months.

Management: So that already factored in those accounts during that particular quarter.

Interviewer: So when is the account that is provision or interest cost only you add?

Management: Interest cost only. Losses are added to the interest cost.

Interviewer: What is the limit in which you can kind of increase that because I see it obviously 9 months your capital gain bonds has gone up, foreign currency borrowing, slightly banks loan has slightly gone up 61,000 to 71,000, so what is the limit pipeline which you?

Management: Foreign currency borrowing we can go under automatic route only up to 750 million. In case we have to raise more than that then we have to approach RBI for getting a higher limit available to us. So, every year we approach RBI. Normally the amount which is allowed is 2 million and we are able to raise that amount in that particular financial year in case it increases beyond that then also we have to approach RBI for that.

Interviewer: So, you are currently at what 75,000 crores foreign currency borrowing?

Management: Yes.

Interviewer: You can go as high as you said foreign currency borrowing?

Management: The AGM is approved up to limit of about 12 million a quarter up to that in particular up to 16 million we can go. So, at present the operating amount is about 11 million so 5 million is still available to us, but we have to approach the RBI for getting approval in case you want to raise more than 750 megawatts.

Interviewer: So, this is one avenue second your capital gains bonds how far can you go?

Management: There is no limit there after this post COVID lot of this real estate transactions are happening. So, this capital lot of investment is coming in 54EC.

Interviewer: So, then next year also we should expect foreign currency to go up and your capital gain because obviously bank loans are at the higher rate today?

Management: There are four company who have been allowed to raise the capital gain bond NHAI, IRFC, PFC and REC. So, this year next year they were not raising any amount related to capital gain because they had not met the budget to these investors. So, next year they will be approaching the capital gain markets also. So, as such the amount should remain almost at a similar level which we have been able to give in this particular.

Interviewer: So, then your bank term loans will go up?

Management: Bank loans depends whether we will be raising through the corporate bond or the bank term loans wherever the lending cost is lower we go for that.

Interviewer: What about green bonds there was some article?

Management: We are going for the road shows we have already made an announcement for raising the green bond. So, that road show will commence from 21st.

Interviewer: What price you will be raising?

Management: It depends actually we are going for a 5-year tenure at present we are thinking of.

Interviewer: So that will be tax free?

Management: No that is not tax free.

Interviewer: What are the benefits to the borrower?

Management: That is only offshore.

Interviewer: There is one article that LIC an employee provident fund maybe mandated to by at least 1% of the net worth?

Management: This green taxonomy proposal is under consideration of Ministry of Power. So, the Ministry of Power would be recommended to the Ministry of Finance.

Interviewer: That will be positive for us?

Management: Yes. Because they in any case will have to invest in the green bond as per the taxonomy which is there.

Interviewer: Then we will get at a 5%, 6%?

Management: Not 5%, 6% some say 50 basis point lower as compared to the normal corporate bonds.

Interviewer: Capital gains comes at?

Management: 5%.

Interviewer: So green bond be higher than capital raise money?

Management: Green bonds are cheaper.

Interviewer: 0.5% below corporate bond?

Management: Yes 3.5%.

Interviewer: 0.05.

Management: 50 basis point lower.

Interviewer: We thought green means it would be more.

Management: We had been fighting actually this lot of deliberation is going on in G20 this climate financing track is there. So, there this issue has been raised that we should provide cheaper financing. What developed countries have promised is volume for green financing that is only 30 to 50 basis point improvement is there.

Interviewer: If in international and domestic you take from LIC now corporate bond 0.30 to 0.40 it has been less, but it is offshore ideally it should be lower rate?

Management: No offshore is a different thing.

Interviewer: Means who are borrowing from offshore then only they will get 0.4 they will get less and here also it is less for green use 0.85.

Management: ESG compliance is this much so that is why getting an advantage in domestic and in international.

Interviewer: For 6.75 you mentioned will be closer to 6.40, 6.3. that is green bond.

Management: Yes.

Interviewer: How does the demand from our major borrower the state electricity board and their power generation company what is their demand on funds?

Management: CAPEX is rising because of this RDSS schemes and all. The distribution sector actually this totals this provision about 3,00,000 crores for distribution sector reform scheme. Out of 3,00,000 crore sanction is already made for all 2,50,000 crore sanctions which will be made out of 3,00,000 crore this 97,000 has to go as Government of India grant remaining is to the state government or through borrowings. So, in distribution, up to next three to four years actually this 3,00,000-crore investment will happen. Transmission again it is going to happen because whatever this renewable energy projects are coming up, the evacuation for transmission has to be developed. For transmission also we see that about 1,00,000 crores would be required in the state sector. Generation as I have told you this conventional generation is going to be limited about 30,000 megawatt only, 30,000 megawatt also now its cost is coming 8 crore per megawatt. So, again it is 14000 crores in the conventional generation, but NTPC does not take borrowing because they get this cheaper fund, but other than NTPC state out of these 30,000 megawatts 15,000 will come through the central government, 15,000 will come from the state.

Interviewer: So, in front of Green Bond, we can only finance green energy?

Management: Yes.

Interviewer: In international and domestic how much we are expecting for next year in green bond?

Management: We have already done the sanction of 22,000 whatever we are going to take maybe 500 million or so that would be for state whatever sanctions we have done.

Interviewer: For next year 1,00,000 crores domestic and in international 50,000 crore borrowing what is the plan for the big picture?

Management: Green bond this time we are going, but in future whether we will go for green bonds or some other bonds that we will have to see.

Interviewer: No, I am asking about green bond?

Management: Green bonds only.

Interviewer: Because there we are getting 0.3, 04 benefit?

Management: In green bond there is a limitation that it has to be invested only in the green bond. We are targeting about 1,00,000 crores in the next three to four years. So, we will probably go again for that bond.

Interviewer: Again, this there will be appetite for this?

Management: In green there is metro project is also there. Green if you see the number our book is 25,000 crore and this year, we have already done 21,000 crores in green renewable energy space already sanctions. Now all that will result into disbursements over a period of time. So, we are building this particular book and going forward I think there is a good visibility going for green bonds products.

Interviewer: Even green finance also we will do lower there also the lending rate will be lower?

Management: In renewable our lending rate is lower.

Management: See lending and borrowing are happening in cheap and spread is like that only volume is different.

Interviewer: You have talked about discounts and if you want help about discount people are there?

Management: They are now with this introduction of delayed payment surcharge; situation is improving and what has happened this revamped distribution sector reform scheme it is really making this discount to think through actually. Last financial year these AT&C losses have come down by 5% from 22% to 17% that is a very good indicator and we hope that this trajectory would continue .AT&C losses and this gap between ACS and ARR is also narrowing down. We want that this should come down to 0 in next three to four years.

Interviewer: So conversely if they improve so much our book also will reduce?

Management: It is not like that requirement is so huge for that currently our per capita power consumption is one-third of the global so that is the huge requirement in the power space. The way India is developing and we aspire to become developed economy. Right now, both energy consumption one-third of the world average, emission is also one-third of the world average. So, we are yet to peak actually, our peak emissions are yet to come.

Interviewer: So, these AT&C losses 22 to 17 is it sustainable like what was the reason?

Management: Yes, it is going to be sustainable because there has been a lot of emphasis on clearing government department dues and timely subsidy payments outstanding. Now a lot of discipline has come into the sector. So, this is likely to continue.

Management: And with smart metering, the collections will improve because in final projects we have seen 50% improvement in collection by smart meters.

Management: Repaid smart meter are going to be the real game changer.

Interviewer: Smart grid will also be lots in so we can play a big role because with more and more renewable you think the grid has to become smarter, so one side discom losses will be under control so we need not finance that and we have to finance the smart green and all that?

Management: Green corridor etc. yes.

Interviewer: So, prepaid smart meter what you said what is the planning like where it is, at what stage of evolution it is today?

Management: Now the bidding has commenced actually some of the major states like Uttar Pradesh bids about 3 crore prepaid smart meter, they are in the process of finalizing it. Gujarat is also under finalization state, Assam has already awarded, Bihar has already awarded, next Mizoram and Tripura also been awarded. So, next 6 months we feel that all these major states will be awarding this prepaid smart meter and next two years this all-prepaid smart meter should be installed. There is an incentive also, those who do the early installation of prepaid smart meter by December 23 Government of India is giving additional grant of Rs. 450 per smart meter to the state government.

Management And some of the states are working very hard to get this additional grant?

Interviewer Which is also important you give incentive, but people should be interested also.

Interviewer: So, you take some numbers like 25 crore is the smart meter installations and you said some outlay also 150?

Management: Roughly 6,000 per smart meter.

Management: Thank you so much for your time.