What is REC Limited?

January 10, 2024 • vajiramandravi.com

About REC Limited

- REC Limited (formerly Rural Electrification Corporation Limited) is a Central Public Sector Undertaking under the Ministry of Power involved in financing projects in the complete power sector value chain from generation to distribution.
- It is registered with the RBI as a Non-Banking Finance Company (NBFC), a Public Financial Institution (PFI) and an Infrastructure Financing Company (IFC).
- History:
    - It was incorporated in 1969, in the backdrop of severe drought and famine in the country, to energize agricultural pump-sets for irrigation purposes, thereby reducing the dependency of agriculture on monsoons.
    - REC has evolved and expanded its financing mandate to cover the entire Power-Infrastructure sector, comprising Generation, Transmission, Distribution, Renewable Energy and new technologies like Electric Vehicles, Battery Storage, Green Hydrogen etc.
    - More recently REC has also diversified into the Non-Power Infrastructure sector comprising Roads & Expressways, Metro Rail, Airports, IT Communication, Social and Commercial Infrastructure (Educational Institution, Hospitals), Ports and Electro-Mechanical (E&M) works in respect of various

other sectors like Steel, Refinery, etc.

- Financing: REC provides long-term loans and other financing products to State, Centre, and Private Companies for creation of infrastructure assets in the country.
- REC funds its business with market borrowings of various maturities, including bonds and term loans, apart from foreign borrowings.
- RECPDCL (REC Power Development and Consultancy Limited), the wholly owned subsidiary of REC, provides a range of value-added consultancy services in the power sector.

Q1) What is a Non-Banking Finance Company (NBFC)?

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

Source: REC sets ₹1 lakh crore sanction target for infrastructure space including roads