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Dated: August 6, 2025

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
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Sub: Transcript of Investors Conference Call held on July 31, 2025.

महोदय / महोदया,

In continuation of our earlier letter(s) dated July 28, 2025 & July 31, 2025, 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 (Group Meet) of REC Limited held on July 31, 2025.

यह आपकी जानकारी के लिए है।

धन्यवाद,

भवदीय,


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

संलग्न : ऊपरोक्त अनुसार



“REC Limited
Q1 FY26 Earnings Conference Call”
July 31, 2025



MANAGEMENT: **MR. JITENDRA SRIVASTAVA – IAS – CHAIRMAN AND
MANAGING DIRECTOR – REC LIMITED**
**MR. HARSH BAWEJA – DIRECTOR FINANCE – REC
LIMITED**
**MR. MOHAN LAL KUMAWAT – EXECUTIVE DIRECTOR
FINANCE – REC LIMITED**

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

Moderator:

Ladies and gentlemen, good day and welcome to REC Limited Q1 FY '26 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand over the conference to Ms. Shweta Daptardar. Thank you, and over to you, ma'am.

Shweta Daptardar:

Thank you, Huda. Good morning, everyone. On behalf of Elara Securities, we welcome you all to Q1 FY '26 Earnings Conference call of REC Limited. From the esteemed management, we have with us today, Mr. Jitendra Srivastava, IAS, Chairman and Managing Director; Mr. Harsh Baweja, Director Finance; Mr. Mohan Lal Kumawat, Executive Director Finance.

We express our gratitude towards the esteemed management of REC Limited to provide us the opportunity today to host this call. Without further ado, I now hand over the call to REC team for presentation. Post which, Mr. CMD will take over for his opening remarks and then we can open the floor for Q&A. Thank you and over to you, team.

Management:

Good morning, ladies and gentlemen. I shall now take you forward to the investor presentation and the performance highlights for Q1 FY 2025-26. Just to remind you all, this presentation has also been uploaded on the stock exchanges and is also available on the website of REC. The presentation has been broadly covered into six areas: REC overview; operational performance; asset quality; borrowing profile; financial highlights and the ESG initiatives taken by REC.

On the overview front, as you know that REC was established in 1969. In more than 5.5 decades of its journey, REC achieved various milestones with some of them being, getting registered as an NBFC in 1998, then floated its maiden IPO in 2008, which was subscribed 27x. We got conferred by RBI with IFC status in 2010.

And thereon, we have been appointed by Government of India for its various flagship government of India schemes, such as RDSS in 2021 and most recently for the rooftop solar scheme in 2024. In 2022, we were conferred the Maharatna status, which is the highest status for any PSU and we also forayed into infrastructure sector in India.

And I'm happy to inform you that in 2025, very recently, REC became the first Indian public sector NBFC to get ISO 31000:2018 certificate, which is a testimony to our efforts of best-in-class risk management practices. REC has various key strengths, some of them being that it has strong fundamentals and a profitable business. It occupies strategic position in the growth and development of the power sector.

It has highest domestic credit ratings of "AAA" from all the four major credit rating agencies in India being CRISIL, ICRA, CARE and India Ratings. Internationally, we are at par with the sovereign ratings of India by both Moody's and Fitch at "Baa3" and "BBB-" respectively. Being a Maharatna company, we are strategically placed in Indian power and infrastructure and logistics sector.

We are the nodal agencies for various Government of India flagship schemes such as RDSS, Saubhagya, Deen Dayal Upadhyaya Gram Jyoti Yojana, Rooftop solar. We have diversified asset base with robust access to diversified funding sources. We have a healthy asset quality

with adequate provision coverage ratio and an experienced management team with sector expertise. We have been funding to entire gamut of power sector value chain, be it conventional generation, including renewables, transmission and distribution, and we have been also funding to infrastructure sector and logistics as well.

On the shareholding pattern, the Holding Company, Power Finance Corporation remains to be the largest shareholder of REC with 52.63% equity of our total paid-up capital. The foreign institutional investors hold 19.16% of our equity as of 30th June 2025. We have been continuously rewarding our shareholders by high dividend year-on-year. In the last financial year, we have paid a total dividend of INR18 per share, which was 180% on the face value of INR10.

Continuing that, for the Q1 FY 26, the Board of Directors have approved an interim dividend, the first interim dividend of INR 4.60 per share, which is 46% of the face value of INR10. The annualized earnings per share for the Q1 was INR67.60 and the book value per share as of 30th June has reached to INR302.63.

On the awards and accolades front, we have been getting various awards in almost all the fields, be it corporate governance, best funding solutions, excellence in green finance reporting, CSR awards, technology awards for generative AI implementation. So you name it, we have it.

On the operational performance front, we have made robust sanctions across all disciplines. As against the total sanctions of more than INR3 lakh crores in the last year, during Q1 itself, REC has sanctioned more than INR1 lakh crores worth of projects. The renewable energy remains to be the dominant force wherein we have sanctioned around 20% of the power projects. The distribution remains the largest area with 43% of the total sanctions made in the Q1 FY 26.

Let me take you through the disbursement. REC recorded its highest ever quarterly disbursement in Q1 FY 26, wherein we recorded total disbursements of INR59,508 crores, which was up 36% from the last year. The renewable energy disbursements were INR7,233 crores, which was up by 35% from the last financial year.

On the outstanding loan composition front, our loan book has reached INR5,84,568 crores as of 30th June 2025, which is an increase of 10% from the last financial year. The state sector remains the largest area - largest focus with 87% of our total loan book and the private sector remaining at 13%. The RE loan book has continuously increased its pace and now the RE loan book stands at 11% of our total loan book at INR63,850 crores, which is an increase of 49% from the last financial year.

Now I'll take you ahead with the asset quality of REC. We are happy to inform you that during Q1 FY 26, REC has resolved one stressed asset, TRN Energy worth almost INR1,504 crores, resulting in gross NPA coming down to 1.05% as of 30th June 2025 and net NPA to 0.24%. The remaining 11 NPAs totalling to about INR6,147 crores have provision coverage of more than 77% , 77.05% to be precise, which are being resolved through NCLT. Just to again reconfirm you all, there are no NPAs in the state sector, and we are maintaining an ECL coverage of 0.87% on our standard assets, which is as per the ECL methodology under IndAS accounting norms. In

addition to this provision, REC also has reserves in the form of statutory reserve as required under RBI Act and also as required under Income Tax Act totalling to more than INR16,000 crores.

The borrowing profile of REC remains to be robust. We have highest credit ratings from Moody's, Fitch and Japan Credit Rating agency, at par with the ratings of India, long-term domestic ratings, highest with CRISIL, ICRA, CARE and India Ratings. Our total borrowings as of 30th June 2025 have reached to INR5,08,532 crores. We have access to multiple sources of funding with a mix of international and domestic sources to meet the business growth. We are also allowed to raise low-cost capital gains exemption bonds.

I shall now quickly take you through to the financial highlights of REC for the Q1 FY 26. REC recorded its highest ever quarterly net profit of INR4,451 crores, which was a growth of 29% from the last financial year. The total income reached to INR14,734 crores, again, a growth of 13% year-on-year. The net interest income at INR5,247 crores, a growth of 17% from the last financial year. The loan book has reached to its highest ever level at INR5.85 lakh crores. The net impaired assets has continuously reduced and now is at 0.24%. The net worth of REC has also reached its highest ever level, which is INR79,688 crores. The capital adequacy ratio of REC stands comfortably at 23.98% as against the requirement of 15%, which gives us enough cushion for future growth.

On the key ratios front, the yield has improved to 10.08% from 9.99% in the last financial year. Cost of funds at 7.12%. The interest spread is at 2.96%. The NIMs have improved from 3.64% from the last year to 3.74%. The return on net worth has improved to 22.63%. The interest coverage ratio stands comfortably at 1.63x and the debt equity ratio at 6.38x. The statement of profit and loss and the balance sheet is also available in the presentation as available on the website of REC.

I shall now quickly take you through the ESG initiatives taken by REC. The ESG policy was adopted by the Board of REC in January 2023. From there on, we have achieved various milestones in various areas. And most recently, we are happy to inform you that the corporate office of REC at Gurugram is being now operated by 100% Green Energy. As a stepping stone for India's energy transition, REC's lending strategies are tailored to align with India's commitment to harness clean and clean energy sources. Till date, REC has sanctioned 57,000 megawatt plus of projects, which have the capability of emission avoidance potential of 65 million tonnes equivalent of 2.62 billion trees.

With this, I shall now request Chairman, sir, to kindly give his opening remarks and also give us guidance for the future outlook, sir.

Jitendra Srivastava:

Thank you so much. Good morning, ladies and gentlemen. It gives me great pleasure to interact with all of you today on the aftermath of our first quarter results. As you all know, REC is a Maharatna GOI enterprise, and we operate in the power finance and infrastructure financing sectors.

Our primary borrowers are the state governments, the state electricity boards, the state power utilities, and we also lend to the private sector for all segments of power infrastructure, including renewables. During the first quarter of this financial year, we have sanctioned over INR1 lakh crores, which is an equivalent of over USD 12 billion.

We have the phenomenal pleasure of recording our highest ever quarterly disbursement of roughly INR60,000 crores, which is approximately USD 7 billion, and it represents an increase of roughly 36% on a year-on-year basis. Our loan book has maintained its growth trajectory, and we have reached our highest loan book of INR5.85 lakh crores, which translates to roughly USD 70 billion.

We are very confident that our strong fundamentals will continue to drive a very strong demand in both the power sector, the renewable sector and in the infrastructure sector. And we feel that 12% loan growth can be reasonably achieved in the coming quarters. We are targeting on an overall, this year, we are targeting around 12% growth. And we are very happy that our first quarter has turned out well.

We are not only just focusing on growth, but we are also focusing on the quality of our loan assets. This year, we have not had any new addition to our NPAs and our net credit impaired assets have reduced to 0.24% from 0.82% and we are targeting to become a net zero NPA company by the end of this financial year. Our yield on the loan assets has improved to 10.08% and our spread currently is at roughly 3%, 2.96% to be precise.

We have among the lowest cost of borrowing amongst all comparable NBFCs. Our net interest margin, which is a key factor of our profitability and our growth and an indicator of our strong fundamentals has improved to 3.74% as against 3.64% last year. Going forward, we are confident that our spread will remain in the region of 2.75% to 3% and our NIM in the range of 3.5% to 3.75%.

Our capital adequacy ratio is very comfortable, we are very comfortably placed at roughly 24% as against the adequacy norms of 15%. We have been continuously rewarding our shareholders with timely dividends and bonus shares issuance. This quarter, we have announced the first interim dividend of INR4.6 per share, which amounts to a rough dividend payout of approximately INR1,200 crores.

We are very happy with the power sector because the fundamentals of the power sector continue to improve, and that augurs very well for the country. In the last ratings of the DISCOMs, which we carried out, the high AT&C losses of previous years have come down to 16.3%. Almost 40 out of 63 utilities saw an improvement in their AT&C losses.

The ACS-ARR gap has further decreased by INR0.20 per unit. The regulators are issuing timely tariff orders. The utilities are engaging in several best practices like digital payments, customer engagements, smart metering and automation, safety and workforce training, renewable energy and sustainability, loss reduction and theft prevention. So we are very happy, and we are confident that the power sector will continue to boom.

As you are aware, we are the national implementing agency for the RDSS program. We are operating in 19 states out of 34 states. In addition, we are the source implementing agency of Government of India's PM Surya Ghar Muft Bijli Yojana and we are showing very strong performances there also. As on date, against the target of 1 crores customer by end of 2026-27, roughly 56 lakh customers have already applied, out of which installations have been completed in roughly 27% of the applicants. And so far, we have disbursed close to INR8,500 crores to these beneficiaries.

It gives me great pleasure to announce that REC is the first Indian public sector NBFC to have been conferred with the very prestigious ISO 31000:2018 award. This has been done for our enterprise-wide risk management framework. We are the first Indian public sector NBFC to receive this certification from the British Standards Institution.

We continue to hold the highest domestic rating of AAA and international ratings of Baa3, BBB minus and BBB plus from Moody's, Fitch and Japan Credit Rating Agency, which is at par with the sovereign rating of India. We, going forward, are very, very confident that this quarter and the quarters to come will augur well for REC.

I would like to extend my heartfelt gratitude to the employees of REC, to my entire team, to my Board of Directors. And in the end, I would like to thank the Honourable Secretary of Power as well as our Honourable Minister of Power for constantly guiding us and all the people in REC for their steadfast support and performance. I thank you once again for having participated in today's con call to listen to us about REC's progress. And I now turn the floor over to you, dear ladies and gentlemen, for your questions. Thank you so much.

Moderator:

Thank you very much. We will now begin with the question and answer session. The first question is from the line of Avinash Singh from Emkay Global Financial Services Limited. Thank you and over to you.

Avinash Singh:

Two questions. First one, if I see your Stage 1 and 2 PCR, based on ECL model, there seems to be lowering of PCR. Particularly, I notice one in that your electrical and mechanical infrastructure and logistics sector. That is where, I mean, you have close to INR48,000 crores, INR49,000-odd crores, and there now the PCR come nearly go.

Does it has the element of that one of the projects in Telangana that was kind of Stage 2, perhaps last quarter and now has moved Stage 1 and that is what is reflecting here. And on the private side, if I see, remember, energy again then the PCR has gone materially lower. So was there some account that was kind of under trouble last quarter and has come back. So these are the questions on the PCR reduction.

And the second question, if you can help me understand a bit better the underlying mechanics of what is kind of leading to this INR576-odd crores of fair value losses probably on your derivative mark-to-market. So how it the sort of mechanics are working and how it will sort of work going forward to the other two questions?

Harsh Baweja:

First, regarding your expected credit loss, there if you see that perhaps you are talking about the infrastructure sector, infrastructure core, where the provision coverage ratio is 0.03%. So it is

just because there are government guaranteed loans which have lesser PD and LGD. So with that reason, this coverage ratio is a little lesser than that.

Similar is the case of renewable energy. There, we have better rated agencies. And in those cases, the PD and LGDs are lesser than our other borrowers. And if you see that we used to maintain the minimum 0.40% threshold of ECL provisions on total basis, not on the agency-to-agency basis.

So in case if you see that against my 0.40% coverage of Stage 1, the average total coverage is around 0.87%, whereas for Stage 2, where the minimum requirement is 0.50%, my total is 0.90%. So we are well above the minimum threshold limit and the sufficient coverage is available.

Your second question was about the derivative losses. Yes, some of the derivative losses are there. That was our one leg of hedging that is with respect to CHF dollar. So in case the CHF got stronger against the dollar, so that has given us some losses. But taking those losses into account, our cost of borrowing is still well within the limit and much better than the peers.

Moderator:

The next question is from the line of Shreya Shivani from CLSA.

Shreya Shivani:

I have two questions. First is on the RBI final regulation, which has been announced and that becomes applicable from 1st October. So is it fair to assume that from the third quarter onwards, again, your standard asset provision will be on rise because every new project that you will disburse will be in the construction phase and that means the 1% standard asset provision will continue.

Now my question is, will you pass all of it through the P&L or will you be accounting for it in your reserves in your net worth? That's my first question. Just trying to understand what changes from third quarter onwards for you all. My second question is on the Kaleshwaram project of Telangana state.

I mean this is a broader question that I read many media articles that there have been some study done by the union government, some committee, which said that the project is very unviable and it's been constructed wrong or something like that. What is our assessment of the same?

What do you think is the -- like a solution on the name? I understand it's a government project, so it may have state government guarantee. But just want to understand your perspective on this?

Harsh Baweja:

Ma'am, regarding your first question, the new potential guidelines are to be implemented from 1st of October. And there, for the under construction project, the provision gets increased from 0.4% to 1%. But that will be taking into effect prospectively from 1st of October. So in that case, if any amount released on the schemes to be documented from the 1st October onwards, there we will have to make some additional provision.

As I have just mentioned, against the minimum 0.4%, we are already making a provision of around 0.9%. So it is not going to make much of a difference for us. And if you see, even if I disburse say, around INR20,000 crores in the next two quarters out of the new sanctions and

documented post implementation of this new circular, I'll have to make an additional provision of 0.5% that cost me around INR100 crores.

And as regards to your supplementary question, REC is an NBFC following the IndAS accounting system. So for the IndAS system, even if I have to make the provision as per the RBI mandate, that is not passed through the profit and loss account, that is passed through the impairment reserves account in case if the provisions as per the RBI direction or RBI guidelines is more than the amount calculated as per my ECL. So we still have a margin left with that. My ECL provisioning is much better than the minimum prescribed by the RBI. But yes, we may have to change our guidelines that we'll evaluate it. And in case if needed, then we may change our guidelines also, but it is not going to make much of the effect.

Second, regarding Kaleshwaram. Kaleshwaram project was sanctioned in 2021-22. That was the basic premise of the project is that the project was coming from the government. In case if any of the project is coming from the government, we generally see that the state governments are equally responsible for that. And we had funded this project against the government guarantee as well as the budgetary provisions.

We are ensuring and we are taking up with the state government that they make the budget provision so that our repayment doesn't get hampers. If you see the past performance of the project, the project is progressing. But as far as my repayments are concerned, yes, that is there in the Stage 2 for the last 1.5 years, but they are making the payment every quarter, every month.

The project is not slipping away in Stage 3 asset. So we expect that the things will be a little better from now onwards, and we expect that they will make the payment and this will be Stage-1 asset after some time. But till then, we are not expecting that this will be slipped into Stage 3 assets or it will become NPA.

Shreya Shivani: Got it. Sir, just one follow-up question. Can you also give us the provision coverage ratio for Stage 1 and Stage 2 separately? You've given it together?

Harsh Baweja: Stage 1, it is 0.87%, and Stage 2 is 0.90%.

Moderator: Thank you. The next question is from the line of Abhishek Puri from UBS. Please go ahead. As there is no response, I'm taking the next question from Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Sir, two questions from my side as well. So first thing is, I mean, this quarter, we have done distribution capex of almost finance and distribution capex of almost INR18,500 crores. So typically, in the past, I mean, sanctions or disbursements towards this segment used to be very low. So what is it exactly, if you can just help us understand, please?

Harsh Baweja: Sir, as far as the distribution is concerned, some capex have increased and simultaneously, some of the special loans have also been sanctioned to our distribution companies. As far as the regulations are concerned, DISCOMs can take a working capital loan of 35% of their revenue of the preceding year.

So these alone have these sanctions within those limits. And we are abided by those limits also. While funding these projects, we take into account that, yes, total funding doesn't exceed that limit. So these funds have been granted against those limits, and these are secured against hypothecation of the assets or the government guarantee.

Abhijit Tibrewal: Got it. And sir, are we referring to that same split that we gave in the sanctions and disbursements, what we call as distribution capex. So are these working capital loans, which you explained is 35% of the revenue of the preceding year, basically within the limit of 35% revenue of the preceding year.

Harsh Baweja: Correct. Correct, correct. Any special loans, if that is being used for the working capital requirement, that will fall within that 35% category.

Abhijit Tibrewal: Got it. So sir, why call it capex then? Why do we call it capex?

Harsh Baweja: We have mentioned against that distribution scheme, sir. And against the distribution, it covered capex as well as non-capex also.

Abhijit Tibrewal: Got it, sir. This is clear. The second question I have is around the provisioning and the credit costs in this quarter. So while we called out, sir, in your opening remarks that TRN Energy, we have restructured and which is why it has led to a ECL release of almost INR270 crores. But if I look at the credit cost and the provisioning line item in the P&L, we have taken a provision write-back of almost INR610 crores, INR620 crores.

So just trying to understand, are there some utilities which were downgraded in the last quarter and have got upgraded in this quarter? Is there something like that which has led to some release of provisions?

Harsh Baweja: Yes, it is very much there. TANGEDCO rating increased from C minus to C by MoP. So some provision reversals are also there. And there were -- in some of the cases, the real progress was a little better than as of as compared to the previous quarter. So in that case, there was an LGD change impact.

Similarly, additional provision has been made of around INR295 crores. So basically, it is on account of the changes are rating from C minus to C of the TANGEDCO. And coupled with some of the smaller agencies, they also got improved.

Abhijit Tibrewal: Got it. So sir, just to kind of summarize this, this almost INR620 crores of provision reversal that we saw almost INR270 crores was on account of TRN Energy and the remaining like we explained is TANGEDCO, which got the rating upgraded from C minus to C?

Harsh Baweja: Correct. TANGEDCO is around INR600 crores. And the COD change in fact is around INR106 crores. EAD change impact is around INR295 crores. So total comes around minus INR620 crores.

Abhijit Tibrewal: Got it. This is useful. And the last question that I had was around this RDSS. I mean, from what I understand, and please correct me, sir. From what I understand, RDSS has a sunset date of

March 2026. So I'm just trying to understand how much more would we be able to disburse under RDSS for the next three quarters?

And when we say the sunset date is March 2026 for RDSS, does it mean that whatever is sanctioned until March 2026 can be disbursed in FY '27 or is it that all disbursements under RDSS will come to a stop from March 2026 onwards?

Harsh Baweja:

So I'll reply you in two parts. One is regarding subsidy. So the sunset date for the subsidy is '26. But most of the states have already requested through the central government for extending the time line for the schemes. And we also expect that it should be increased. Some of the work have already been left. Those awarded works are to be completed. So if that gets extended, the subsidy will be released within the time line extended also.

As far as my loan is concerned, I can disburse the loan beyond the time lines also. That is not an issue. That is separate schemes, and before the closure of the scheme, I can always fund those schemes as disbursements.

Moderator:

The next question is from the line of Chintan Shah from ICICI Securities.

Chintan Shah:

So sir, one question on the competition front. So now with a steep rate cut of 100 bps over the past 4, 5 months. So how do we see the competition from the banks, particularly on the refinancing side for the commission projects? And also due to this, do we anticipate some pressure on our yields? So yes, that's the question?

Harsh Baweja:

If you see that during the quarter, we have been able to maintain our spreads in the NIM as well as the yield also. So we expect that even in case if the yield gets lower in the quarters to come, our cost of borrowing will also be a little lower. So with that, we'll be able to maintain the NIM and the spread. What was your second question?

Chintan Shah:

So that was the question -- only question. So basically, I just wanted to understand more on the competition and will that be impacting any growth. And also now, also in terms of our borrowings, so how much of that would be floating in, which would get the benefit of the rate cut?

And on the yield side, how does the repricing happen? Is it an annual reset or 2-yearly reset or how does it work, yes?

Harsh Baweja:

Actually, if you see my loan book, it has around 30% is of 3-year reset and around 60% is 1-year reset. So even if I change my loan costs today, the benefit will be passed on after completion of 1 year. In case of 3 years, it will be passed on after 3 years. So it is not going to affect my yield as well as earning on this account.

Chintan Shah:

Sure. So whatever the benefit will be passed on, that will be compensated by the reduction in the borrowing cost. Is that a fair assumption?

- Harsh Baweja:** Yes, that is what I'm saying. As far as my borrowing books are concerned, almost 20% gets matured in 1 year. So that remains the same for the next 3 years. So the 20%, which are replenished with the new borrowing will come at a lower rate.
- Moderator:** The next question is from the line of Manish Agarwalla from Phillip Capital. Please go ahead.
- Manish Agarwalla:** Sir, I have two questions. One is if I see the repayment rates in conventional generation and transmission segment, those have increased, and that has been increasing for quite some time. Are these regular repayment or is there any element of prepayment or refinancing there? That's one?
- Harsh Baweja:** During this quarter, we have got prepayment of around INR15,000 crores, of which, if you see around INR5,000 crores or around INR6,000 crores was the prepayment that was mainly from the NTPC and second is from the Adani. NTPC is a AAA company. They could borrow from the bond market. So that is why they have made the prepayment.
- And as regards to Adani, that is regularly they used to churn their portfolio. And sometimes what happens that because for creating head rooms for the new sanctions, they prepay to us. So once they prepaid this amount, the headroom was created and they have submitted more schemes for the sanction, and we'll be sanctioning the schemes shortly. And rest most of the amount is coming towards the RBPF scheme. So the rest of the amount out of the INR15,000 crores that has come, that is part of the RBPF schemes, where the scheme itself specifies that they can make the prepayment giving a 3 days notice to us. So that will continue to happen every quarter. So in case if the DISCOMs have the funds available with them, it is better to make the prepayment so that the DISCOMs also become vigilant and cautious about their borrowings.
- Similarly, once they prepay the amount to us towards the RBPF scheme, they can get it again replaced or they can take the funds again from us for further disbursement in the next quarter.
- Manish Agarwalla:** Got it. Next question is about your core infrastructure segment. So if I see over the last couple of years, you have sanctioned INR1.4 trillion worth of loan, whereas the disbursement has been the INR18,000 crores. Just wanted to get your sense, are these sanctions still valid or these projects are getting delayed, that's one?
- And also if you can add that recently, you have signed MOU with government of Maharashtra worth INR1 trillion for infra projects. So overall, your take on how this pace should move going ahead? That's it for my side?
- Harsh Baweja:** As far as the infrastructure projects are concerned, the funds are being disbursed on the request of the agencies. And sometimes what happens that because of their cash flow requirements, they use to draw the funds at a later date. So these schemes are still valid, and the balance funds, in case they're required by the agencies except one or two, the funds will be released in all other schemes.
- As regards the MOU with the Maharashtra government, that MOU happened with not only REC, but with most of the agencies, and we expect some of the schemes whether from the power sector

or from the infrastructure sector that will be posed to REC and we'll be sanctioning those schemes, but that will take little time.

Moderator:

The next question is from the line of Shreepal Doshi from Equirus.

Shreepal Doshi:

My first question was on the provision split. So if you could give us the details, like, for example, while there has been reversal during the quarter. But as you highlighted to the earlier participant that INR270 crores was because TRN.

And then because of the other -- some of the discounting upgrade also there was some reversal, but I wanted to understand the split of this in because you would have provided fresh provisioning towards the disbursement that we have done during the quarter, right? So if you could give us some more details on this provision split where in you've seen INR616 crores of reversal during the quarter?

Harsh Baweja:

Sir, if you can note it down, the regular ECL provisioning on the incremental lending is around INR295 crores. Then provision reversal is around INR605 crores, of which are majorly from the TANGEDCO where the rating has been increased from minus C to C. Then there is a change in the LGD, which has resulted in reversal of INR125 crores. Then there is an additional provision made due to delay in COD that is INR106 crores. Then there is a reversal in the case of TRN, that is a restructured account. That reversal is around INR272 crores. And other floor change in the ECL rate is around INR16 crore. So the total net reversal comes around INR620 crores.

Shreepal Doshi:

Okay. I think this LGD change is because of what reason? Like what would have benefited as that broadly this -- the rating of period would have benefited us there as well or anything else?

Harsh Baweja:

Somewhere, the progress has happened. So that's the reason. There are various reasons for the change. The rating change is one of the reason.

Shreepal Doshi:

Okay. Got it. Sir, the other question was on the RBI policy on the provisioning part. So while you gave a detailed answer on that as well. But just wanted to understand that will we have -- for the incremental disbursement, will we have a difference in pricing wherein we will try to take an impact of this additional provision requirements because on the risk-adjusted basis, would we want to implement that as a policy or will we still continue with the normalized pricing policy that we have?

Harsh Baweja:

I think during the year itself, it is not going to make much of the impact on our financials. And ultimately, whenever we change the price, we have to be market competitive. So we see the market, and accordingly, we'll take the decision.

Shreepal Doshi:

Okay. Got it, sir. So sir, just the last question to squeeze in. Which are the projects incrementally that we are anticipating to get resolved over the next couple of quarters. And how is the exposure there and the provisioning there?

Jitendra Srivastava:

We expect that by the FY '26 end, all the projects we expect that it will be resolved. If you see that Hiranmaye, Bhadrashwar, Sinnar these are at the advanced stage of resolution. Similarly, agencies, Global metal Srikanth Energy and Bhavnagar, they are in the very much under

discussion with us and some formula will be worked out, and these are already under discussions at advanced stage.

There are five other projects that is Shree Maheshwar, Konaseema, JAS Infra, IndBharat, Lanco Vidharba, these are under liquidation. And most of the assets have already been sold, and we have already made 100% provisions against those. So whatever turns against these schemes will be an income for us.

So we expect that we have already reversed INR270 crores against TRN. And we further expect that in case if all these assets are dissolved, the total reversal would be around INR700 crores to INR800 crores during the year itself. That is the minimum which we are expecting.

Shreepal Doshi: Got it. That is including the INR270 crores that you've already seen being reversed this quarter?

Harsh Baweja: What do you want to hear from me? Yes. it is additional.

Shreepal Doshi: That is very helpful. Good luck for the next quarter.

Moderator: The next question is from the line of Sanket Chedda from DAM Capital.

Sanket Chedda: Congrats on a good set of numbers. While a couple of my questions got answered, I just had one thing on growth. You said that we'll do 12% comfortably. Is that 12% conservative guidance in your mind seeing how Q1 has fared this is higher disbursement and also 3% less quarter-on-quarter growth. So have you been conservative there on growth or we feel that 12% is the max that we will be able to do?

Harsh Baweja: Sir, as far as the growth is concerned, this quarter, if you see that we have made one of the best disbursements, and that is the highest disbursement during the quarter. That has added the INR17,000 crores to my loan book from INR 5.66 lakh crores in the Q4 FY '25 since my Q4 was flat.

Had there been a little bit growth of even INR5,000 or INR10,000 crores, my growth would have been more than 12%. But still, we are keeping a target of 12%. We'll review it on a quarter-to-quarter basis. And the target, we'll try to achieve during the year itself and it will be on the yearly basis.

Sanket Chedda: Sure, sir. And on margins, if I heard it right, you said that we will be able to maintain the margins at current levels, right, because of the benefit on the cost of funds that we going ahead?

Harsh Baweja: Yes. We'll be able to maintain the NIM of around 3.5% to 3.75%, which we are already at 3.74%. And similarly, spread will be between 2.75% to 3%.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: Congratulations on a steady set of numbers. Sir, just one thing on the growth part. So if you see your loan book growth has steadily come down from 17%, 18% to 10% in this quarter. Now if I look at your numbers, your prepayment plus repayments in FY '23 used to be only 6%, 7% of the opening loan book. So that 6% has climbed up to 20% in FY '24.

And last year, sir, it was 26%. So almost 1/4 of the loan book, which was starting in FY '25 was not there. So this has been the main reason why we are disbursing more and more. But the runoff from our loan book is very high. So how do we see this situation? What is the main reason behind this?

And in terms of how we are engaging with our borrowers, can we put some conditions in our term sheets so that this runoff, which is very high, can be arrested because, sir, the question now is not related to disbursement, but the runoff. That is actually the main factor why our loan book is not able to grow at a higher pace than what it was earlier?

Harsh Baweja:

In fact, during the conference of Q4, we had explained that wherever the payment was received, there were some certain reasons for that. It is not that because of the pricing those repayments were made. Similarly, during the quarter 1, except the NTPC which is a AAA company and they had been maintaining their account for the last several years with us, they made the prepayment to us.

Otherwise, the other accounts are the normal part of the business, it is not because of the pricing. We also know how to compete with the market, and that is why we are keeping for the renewable sector is concerned, our rate of interest is a little at lower side. And as regard to others, we are very much competitive with our peers, and that is why we have been able to maintain this growth.

So if you see during the quarter, Out of the INR15,000 crores, around INR6,000 crores is prepayment. The rest is from RBPF scheme. As I've already explained against the RBPF scheme, the prepayment will keep on coming. And if one of the prepayment comes to us, they again get the disbursement in the following quarter. That is the regular business.

And if you see if any of the agency is making prepayment to us, we see that is a healthy business practice. Since those are the strong agencies, they are able to make the prepayment to us. So we should not be very much afraid on the prepayment that will keep on coming. But yes, it should not affect my business, and that is very much within the control.

Sarvesh Gupta:

And sir, as I asked on the term sheet itself, are there some levers that we can use to not allow so high rate of prepayments or repayments?

Harsh Baweja:

First of all, I'm not agreeing what you said the high rate of prepayment. That is not the case. Secondly, yes, I very much agree that we should have the conditions in the sanction letter, so that even if they want to make the prepayment, they should deter from that, for that we have prepayment policies. So in case if they make the prepayment to us, that will be against some of the prepayment charges. So that is a deterrent factor, which is a levied in accordance of terms and conditions.

Moderator:

The next question is from the line of Raghu Garimella from TriWest Capital.

Raghu Garimella:

Most of my questions have answered. But regarding the net gain loss on the fair value charges, I just want to find out if suppose the rupee devaluates further, would we see some charges appearing in this quarter and next subsequent quarters or is this is a one-off thing for this quarter?

- Harsh Baweja:** Actually, if you see in our case, wherever the foreign currency borrowing has been there, that is very much protected against the Seagull option of hedging. So the Seagull option is tested on the day of the settlement. So we cannot make any comment as of now. But as of today's date, there is nothing to worry. But yes, all will depend on the day when it is tested i.e. on the day of the settlement.
- Raghu Garimella:** So there's an option, there's a probability that I may get a write-back also in the next quarter. Just to understand the nature of that.
- Harsh Baweja:** These are the settled business which have already been taken place. So there will not be write-backs against that. And we have the options also, if we see any kind of threat to any of the Seagull limits available with us, we get it increased by paying extra premium for that. It is a regular practice from our side. And we keep on watching our portfolio every day, and we take the preventive actions also.
- Raghu Garimella:** Sure. Just one last question. Please don't mind me asking. I'm raising one of your competitors' name. Recently, I was on the IRFC con call. And because of their unique structure and things like that, they are looking at a spread of just 100 to 150 basis points on any infrastructure loan.
- And I heard from the management saying they are ready for giving any infrastructure loan, not just railway-linked infrastructure loan. So do you foresee these kind of new companies, PSU companies with similar borrowing costs as ours being a competition to us in the future?
- Jitendra Srivastava:** So I'd like to comment here. Number one, I'd like to say that each PSU and their management and their boards decide what they want to do and whether they want to price aggressively, whether they want to have a low spread or whatever. So I would not like to comment on whatever IRFC is planning to do. That is entirely within their call. But as far as competition is concerned, number one, let me say that the pool is huge. Whether we are talking about the infrastructure sector, whether we are talking about the power sector, the potential for borrowing is huge, number one.
- Number two, I would like to also say that our management also, if it feels that we need to act in a particular manner, depending on case-to-case basis, we take individual calls. So while all of us are operating in the same sphere, I think, number one, that the pie is fairly large, and I don't think there is too much competition. And we also have our own sectoral priorities, while IRFC may foray for some time into infrastructure or power or whatever. Ultimately, their main sector, the railways will also cry out for their investments. And I'm sure the railways would not like them to invest in infrastructure at the expense of investing in railways. So I think we should leave it to the management of the various boards to take these business calls. The business call to foray from one sector to another, it depends on a lot of factors. Most of them very, very temperamental. So it is not possible to take a long-term view on these points.
- Raghu Garimella:** I know we are not -- you have been perfect, but we are not at all seeing any threat to a particular position, right, according to you?

- Jitendra Srivastava:** This quarter, we disbursed INR60,000 crores. If you look at the disbursements of other companies and specifically, if you talk about IRFC, you might like to see how much they have disbursed and how much we have disbursed.
- You might like to take a look at their loan book and take a look at our loan book. I would not like to quote the figures. You're a smart person, I'm sure you can draw your own map and your own logic from that.
- Raghu Garimella:** Sure. The only reason why I'm asking...
- Harsh Baweja:** I'll supplement what sir has said. If you see that ultimately, whatever you earn that is subject to the tax as well as the dividend to be paid to the shareholders. So whatever left, I have to decide whether I have to go for the growth or not. Ultimately, I have to remain in the business. If I have to remain in the business, then I need the capital also for the next years to come. So I don't know how much NIM would be sufficient for them to go at a rate at which they want. So it is their call, but we are working well within our -- as per our prudence.
- Jitendra Srivastava:** Just to supplement one more point, which our Director Finance has just mentioned, please remember whatever NIM or spread that we earn ultimately goes to shore up our capital reserves and increases our results and surpluses, which further increases our potential to lend to this sector.
- Now if somebody comes in with a very low spread, you can yourself determine whether they are in for the long term or whether they are a short-term player. Our entry on a very low margin is -- I don't think it's a long-term strategy. So an indication of a 1% spread is the first indication that you are in for the short term. And the borrowers also should take a cue from that and see whether they would like to borrow from a short-term player or from a long-term player.
- Raghu Garimella:** And sir, the only reason why I'm forced to ask this question is because of the decrease in the loan book growth from maybe 16%, 17% to 12%. This is kind of creating all kinds of doubts if really REC is competitive and really able to compete with the other players and increase the loan book. So that is the only reason why these doubts are creating, that's all?
- Jitendra Srivastava:** Let me pose the counter question. Do you expect the power sector to grow at 18% for the next 50 years?
- Raghu Garimella:** Not just power, but infrastructure, we are into multiple segments, right?
- Jitendra Srivastava:** Just look at infra also. What is the general growth of the infrastructure sector? See, every sector will in its infancy stages or in its early stages show a spurt of growth. And after some time, it plateaus, it reduces and then it maintains a very steady growth trajectory.
- So we see, every sector starts out like this. You might have 20% growth in its first phase, then you might see it will come down to 18%, then will come down to 15%, then it will stabilize at 12% or it will come down to 8% or 10%, depending on the potential for that sector. So each sector has its own growth trajectory, it will have its own equilibrium.

We are in the power sector for the last 50 years. I personally think there was a time when interest rates were very high. That saw a lot of borrowers coming in at that time when interest rates are very high, there were very few players. Then gradually, the sector consolidated, started delivering, interest rates came down.

Then once people got assured that there is a stable market, and it is not prone to too many risks, that saw the entry of many more players. That drove down the interest rates under. And now the sector, I think it's still in a growth phase. But somewhere down the line, we will hit some equilibrium. And I personally think you're a long-term player. You need to watch out these trends in the market and see how this sector is progressing.

So I think we are bullish about the power sector. And the mere fact that so many parties are coming into the power sector is indicative of the fact that they are seeing growth. So we are fairly bullish. Again, I will emphasize. See, the borrower may temporarily get swayed by slightly aggressive interest rates temporarily. But he also realizes, the borrower also realizes that he is also there for the long term. So ultimately, he will switch to a long-term player.

Moderator:

The next question is from the line of Punit Bahlani from Macquarie.

Punit Bahlani:

Yes. Two questions from my end. Firstly, on the infra book, if I see like we have grown around 15%, it is higher than the current loan growth. But what are the plans here? Are we planning to grow at a faster pace because -- asking this because private sector capex is kind of muted, and banks are also not going heavily on the capex front. So do we have kind of a mandate or something to grow?

And I'm assuming that the current mix is broadly -- it's mainly government projects, right, in the current infra book. Secondly, if you could just repeat on the reset period that you mentioned. I think you mentioned 48% is 3 years -- sorry, 48% is 1-year reset. On the 2-year and 3-year reset, if you could mention what is it?

Harsh Baweja:

Sir, as far as the infrastructure sectors are concerned, as we have already mentioned that we are very choosy while selecting these projects. And in case if the project is self-revenue sustainable, we are going for that kind of infrastructure based funding. We are not in hurry for funding these infrastructure projects since our hands are full with the power sector project that is evident from the disbursement taking place during the quarter 1.

We have achieved the highest level disbursement of INR60,000 crores. So we'll have the same strategy in the next 2 or 3 quarters of the year. So in case if any good projects comes, then in that case, definitely, we'll fund the infrastructure project otherwise, since the ample opportunities are available in the power sector we'll continue to have the focus on the power sector. As regards the loan book is concerned, 1-year loan book is around 60%, and 3-year loan book is 30%.

Punit Bahlani:

Got it. Yes. Thank you for this. On the infra book, majorly currently of the outstanding book, everything is government projects. I think most of it is government projects, right?

Jitendra Srivastava:

Yes. Most of the projects are government projects. These are secured against the government guarantee.

Punit Bahlani: Got it. Thank you so much.

Moderator: Thank you. We will take that as our last question for today. I now hand the conference over to the management for their closing comments.

Management: Thank you so much for the call today, and we thank all the participants for taking their time out for attending this call, and we look forward for similar such interactions in the coming quarters. Thank you.

Moderator: On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Jitendra Srivastava: Thank you very much.