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लिस्टिंग विभाग नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड एक्सचेंज प्लाजा, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - ४०० ०५१	**कॉर्पोरेट संबंध विभाग** बीएसई लिमिटेड पहली मंजिल, फीरोज जीजीभोय टावर्स दलाल स्ट्रीट, फोर्ट, मुंबई - ४०० ००१
स्क्रिप कोड—RECLTD	**स्क्रिप कोड—532955**
Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.	**Corporate Relationship Department** BSE Limited 1st Floor, Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai – 400 001.
Scrip Code—RECLTD	**Scrip Code—532955**

Sub: Transcript of Investors Conference Call held on May 14, 2025.

महोदय / महोदया,

In continuation of our earlier letter(s) dated May 8, 2025 & May 14, 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 May 14, 2025.

यह आपकी जानकारी के लिए है।

धन्यवाद,

भवदीय,

Jyoti Shubhra Amitabh

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

संलग्न : ऊपरोक्त अनुसार

“REC Limited

Q4 & 12-Months FY '25 Earnings Conference Call”

May 14, 2025

MANAGEMENT: **MR. JITENDRA SRIVASTAVA -- CHAIRMAN AND MANAGING DIRECTOR – REC LIMITED**
MR. VIJAY KUMAR SINGH – DIRECTOR (PROJECTS) – REC LIMITED
MR. HARSH BAWEJA – DIRECTOR (FINANCE) – REC LIMITED
MR. MOHAN LAL KUMAWAT – EXECUTIVE DIRECTOR (FINANCE) – REC LIMITED

MODERATOR: **MR. SHREEPAL DOSHI – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and 12-Months FY '25 Earnings Conference Call of REC Limited hosted by Equirus Securities 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. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand over the conference to Mr. Shreepal Doshi from Equirus Securities. Thank you, and over to you, sir.

Shreepal Doshi: Thank you, Puja. Good morning, everyone. We welcome you all to the earnings conference call of REC Limited to discuss the Q4 & 12-months FY '25 performance of the company and to discuss the business update.

Today, we have with us the senior management team of REC Limited, represented by Mr. Jitendra Srivastava, Chairman and Managing Director; Mr. Vijay Kumar Singh, Director (Projects); Mr. Harsh Baweja, Director (Finance) and Mr. Mohan Lal Kumawat, Executive Director.

Without further ado, I would now like to hand over the call to Mr. Supreet Pandya. Over to you.

Supreet Pandya: Good morning, everyone. I take this opportunity to introduce to all of you with the new Chairman and Managing Director of REC. Shri Jitendra Srivastava has assumed charge of CMD REC on 22nd April 2025. He is an IAS officer of year 2000 batch from Bihar Cadre. He is a seasoned civil servant with over two decades of distinguished service across finance, power sector, education, public health and infrastructure.

He has held other several key administrative and leadership roles across the Government of India and the Government of Bihar. Shri Srivastava has served as Joint Secretary in the Department of Drinking Water and Sanitation, Ministry of Jal Shakti from January 2023 onwards.

Sir, we are delighted to have you join us, and we are confident that your expertise and leadership will be invaluable to the company's future. Sir, we firmly believe that under your able leadership, REC will continue to scale to newer heights.

Sir, now I request you to kindly provide the opening remarks to the investors on this call.

Jitendra Srivastava: Thank you so much. First of all, a very good morning to all of you, and it gives me great pleasure and a sense of privilege to sit here before all of you and discuss the Q4 as well as the 12-month financial year '24-'25 progress of REC.

As we all know, REC is a Maharatna Government of India Enterprise, engaged primarily in non-banking finance, infrastructure finance and for public infrastructure. We fundamentally lend to the power sector, and we provide both capex and non-capex loans to state electricity boards, state power utilities, power departments and of late, the last 2 or 3 years, we have forayed into the non-power sector, and we have been funding critical infrastructure in various sectors.

Just for information, during '24-'25 financial year, our sanctioned projects stand at over INR3.37 lakh crores, which is a huge and which sustains basically the momentum of the last year. We have focused on documentation and disbursements, and it gives me great pleasure to let everybody know that documentation has, of this year, has increased to INR2.07 lakh crores.

Disbursements, if we look at it, have also increased on an 18% year-on-year basis to almost INR1.9 lakh crores, wherein we have a specific focus on the RE sector where the disbursement increased from almost 63% on a year-on-year basis to almost INR26,000 crores. We have set a very ambitious target of touching INR3 lakh crores investment -- I mean, disbursement in the RE sector from our current loan book of roughly INR58,000 crores by 2030.

Our loan book as on date stands at around INR5.67 lakh crores, which is again roughly 11% increase over the last year's loan book of INR5.09 lakh crores. We have targeted a INR10 lakh crore loan book by the year 2030. We are aiming for a growth of roughly 12% on a year-on-year basis, considering our previous track record, our current state of investments and the huge growth that we foresee in the power sector in the years to come.

This year, we have received prepayments of almost INR15,000 crores in quarter 4 of '24-'25, which is in addition to the roughly INR20,000 crores prepayment that we have received in the first 9 months of the '24-'25 year. Had the prepayment not been received, the growth in our loan book would have been close to 18% on a year-on-year basis.

So I would like to now announce the key financial highlights that we have achieved this year. First of all, it gives me the greatest pleasure to announce that REC has recorded its highest-ever annual profit of INR15,713 crores, which is a growth of 12% on a year-on-year basis. The net worth of the company has increased by almost 13% to roughly INR78,000 crores. The total income of REC has grown by almost 20% and is touching roughly INR56,000 crores. The net interest income, if you look at it, has grown by almost 27% and is touching almost INR20,000 crores.

During the last quarter, quarter ending 31st March 2025, we resolved 2 stressed assets totaling almost INR3,400 crores. That was KSK Mahanadi and Corporate Powers. As a result, our gross credit impaired assets have come down to 1.35% as against 2.71% last year. Also, the net credit impaired assets have reduced to 0.38% from almost 0.9% last year. We hope to continue this trend, and we are very hopeful that we'll become a net zero NPA company by the end of '25-'26.

The yields on our assets has improved to 10.05%. The cost of our funds stand at around 7.11%, and our resultant spread is at 2.94%. The NIM or the net interest margin has improved to 3.63%, which is an improvement of almost 6 basis points with regard to last year. And we are very confident that we will maintain the spread in the range of 2.75% to 3% and the NIM in the range of 3.5% to 3.75% for the coming year.

We have a very comfortable capital adequacy ratio. We are standing at a very comfortable 26%, in which our Tier 1 is roughly 24% against the RBI capital adequacy requirement of 15% and Tier 1 capital of 10%. So this high capital adequacy ratio provides us an ample cushion to support future growth.

We have been continuously rewarding our shareholders in the form of dividends. And it gives me a lot of pleasure to announce that this year also, we have declared a final dividend of INR2.60 per share, indicating a total dividend of almost INR18 per share for the financial year '24-'25, which is a growth of almost 13% compared to the previous year total dividend of INR16 per share. If you look in overall terms, the dividend payout for the company stands at INR4,740 crores, which is in comparison to roughly INR4,000 crores of dividend that we disbursed last year.

The reason why I'm so hopeful about the future growth of REC is because the fundamentals of the power sector continue to improve, and that is very good news for the country as a whole. The legacy dues of the generation and transmission companies, which stood at INR1.35 lakh crores roughly 3 years back, has reduced to nearly INR25,000 crores. The ACS-ARR gap has reduced to INR0.39 per kilowatt hour. Tariff orders of almost all DISCOMs are in place. The regulators are issuing timely tariff orders, barring maybe 2 or 3 states.

The Government of India, the Ministry of Power has embarked on a very ambitious reform-based and result-linked revamped distribution sector scheme, which was launched in 2021 for supporting DISCOMs and to make them more financially viable and to undertake reforms across that very complicated sector. Here, again, REC is playing the role of a nodal agency, and we have been assigned 19 states and union territories covering 32 DISCOMs for overseeing and monitoring the implementation of the RDSS scheme. Of these, action plans have been approved for 18 states, 26 DISCOMs. And we are very hopeful that the sufficient or the substantial gains in the RDSS sector will allow the investments to really flow in this sector.

For information of all concerned, REC is also the National Program Implementation Agency of the very ambitious Government of India's PM Surya Ghar: Muft Bijli Yojana, which is fundamentally a rooftop solar scheme, which was launched in February 2024 for installation of almost 1 crore rooftop solutions with a financial outlay of almost INR75,000 crores. It targets a generation of almost 1,000 billion units of renewable electricity from the installed capacity, which will reduce CO_2 emissions by almost 720 million tonnes over the 25-year lifespan of these rooftop solar projects.

So as on date, against this 1 crore, roughly 51 lakh consumers have applied under the scheme, out of which installation has been completed in around 25% of the total applications received so far. That comes to roughly 12.5 lakh households. And the subsidy that has been promised under the scheme has been released to roughly 70% of the total beneficiaries who have finished the scheme or who have applied it.

REC continues to hold the highest domestic rating of AAA and international ratings, which are at par with the sovereign rating of India from various credit rating agencies. We have constantly endeavored to diversify our investor base, open more funding options and reduce the cost of our borrowings. And in this regard, recently, in September 2024, we tapped the U.S. bond market and successfully raised close to US$500 million from the 144A bonds at a very tight spread of 127.5 basis points over the U.S. Treasury.

We also tapped the domestic zero coupon bond market and raised close to INR5,000 crores at an interest rate of 6.25%. These results were achieved despite a very charged geopolitical environment and heightened competition. This gives us even more pleasure. REC's achievements over the past more than 5 decades of operations have been very crucial in shaping India's power sector.

We have not only eliminated rural homes and promoted renewable energy adoptions, but our various diverse initiatives have empowered communities, we have strengthened the economy and paved the way for a sustainable future.

Our CSR initiatives are unique and are aimed to really contribute and identify those core people in our country who are really taking very strong steps to provide innovative solutions. We will continue to play a significant role in the government's overall objective and our dream of making a developed nation by 2047. And the Honorable Prime Minister's vision to make the power sector self-sufficient, we see ourselves as playing a very pivotal role in funding India's future ambitions in the power sector.

As I conclude, allow me to extend my heartfelt gratitude to the Honorable Minister of Power, Honorable Minister of New and Renewable Energy, the Honorable Minister of State for Power and New and Renewable Energy as well as Secretary Power. These personalities have been instrumental in guiding us, in supporting us and motivating us to pursue higher standards of excellence and delivery.

I am confident that with my very, very competent team and more than 50 years of excellent performance in the power sector, we will continue to play an important role, and I look forward to a very good investor call today, and best wishes to all of you. Thank you so much.

Supreet Pandya: Thank you, sir, for the opening remarks. I shall now quickly take you through the investor presentation. Just to remind you all, this presentation is also available on the website of REC and has also been uploaded on the Stock Exchanges, BSE and NSE.

This presentation has been divided into 6 broad areas, which is REC overview, operational performance, asset quality, borrowing profile, financial highlights and the ESG initiatives taken by REC. As you know that REC has a long history of more than five decades. Recently, we have been appointed as a national program implementing agency for PM Surya Ghar Muft Bijli Yojana. We also issued our maiden yen bonds i.e. JPY bonds of JPY 61.1 billion and a USD 144A foreign bond issuance of $500 million in the year 2024.

REC has various key strengths, some of them being that it is a Maharatna company, which is the highest coveted status that any public sector enterprise can get, and it is a strategic player in the

Indian power, infrastructure and logistics sector. REC has a diversified asset base with robust access to diversified funding sources. REC occupies strategic position in the growth and development of the power sector, and it is a major player in the renewable energy segment and creation of India's green energy corridor.

The healthy asset quality with adequate provisioning coverage ratio of REC is one of its key strengths. REC has strong fundamentals and profitable business with stable margins leading to strong profitability. REC continues to enjoy the highest domestic credit ratings of AAA from all the 4 major credit rating agencies of India, which are CRISIL, CARE, ICRA and India Ratings.

We also hold the international ratings of Baa3 and BBB- from Moody's and Fitch, respectively, which are at par with the sovereign rating of India. Additionally, we are also rated BBB+ by Japan Credit Rating Agency for the most recent yen bond issuance of REC.

We are the nodal agency for major flagship schemes of Government of India, such as RDSS, Saubhagya, Deen Dayal Upadhyaya Gram Jyoti Yojana, Rooftop Solar Scheme, etcetera. REC has an experienced management team, which has high sector expertise.

As you know that REC forayed into infrastructure sector in the year 2022, by virtue of which REC can fund to various sectors of infrastructure, such as metro, port waterways, airport, oil refinery, roads and highways, IT infra/fiber optics, steel infra, health sector, etcetera.

Just to take you through the shareholder outlook, as at March 31, 2025, PFC, which is the promoter of REC, continues to hold 52.63% of the equity share of REC. The foreign institutional investors hold 20.48%, and the mutual funds hold almost 9.24% of REC. The FPIs and the FIIs have continuously reposed faith in REC and have consistently held more than 20% in REC's paid-up capital since the IPO in 2008.

As already informed by CMD sir, we continue to incentivize our shareholders. And in that process, the Board of Directors have recommended the final dividend of INR2.60 per share, which is subject to the approval of the shareholders of the company. By virtue of this final dividend, the total dividend declared for the financial year 2024-'25 amounts to INR18 per share, which is 180% on the face value of INR10. The earnings per share of REC for the financial year 24-25 was INR59.55, and the book value per share reached to almost INR295.

REC has won various awards and accolades in its history, the most recent being the Gold Shield Award under the Financial Services Sector Other than Banking and Insurance category by the Institute of Chartered Accountants of India for the financial year '23-'24.

Just to take you through to the operational performance of REC. REC has sanctioned close to INR3.37 lakh crores of new projects in the financial year '24-'25, out of which the renewables continue to be the dominant force and were 31% of the total sanctions that were made by REC. The infrastructure and logistics sector projects were 13% of the total sanctions.

On the disbursements front, REC has made the highest-ever disbursements in a financial year of more than INR1,91,000 crores, which is a growth of 18% year-on-year. The renewables saw growth of 63% year-on-year and disbursement of INR26,000 crores in the financial year was also there.

The outstanding loan book of REC has increased to INR5,67,000 crores, which is a growth of 11% year-on-year. REC has been consistently increasing its share in renewable energy, and the overall loan book now stands at 10%. The infrastructure and logistics sector continues to be high and is at 12% of the overall loan book. The state sector occupies 87% of our total loan book and the private sector, 13%.

Now taking you through to the asset quality. The asset quality of REC has been continuously improving, and the gross NPA have reduced to 1.35% of the total loan book and the net NPA at 0.38%. During the year, 5 projects aggregating to almost INR6,000 crores have been resolved. On the remaining NPAs, the provision coverage ratio stands at healthy almost 72%. And just to remind you, there is no NPA in the state sector and on the state sector also, the ECL provisioning as per Ind AS methodology of 0.93% has been created.

We now have 12 projects under NPA, out of which 11 projects worth INR6,000 crores are being pursued through NCLT with 77% provisioning, and remaining 1 project of INR1,500 crores is being pursued outside NCLT with 50% provisioning.

On the borrowing profile front, the total outstanding borrowing of REC has reached to almost INR4,88,000 crores, of which foreign currency borrowings constitute 33%. Just to remind you all, almost 99.8% of these foreign currency borrowings are hedged. These foreign currency borrowings allowed us wider investor base and thus reduces reliance on only domestic sources. REC is also 1 of the only 5 companies who are allowed to raise low-cost capital gains tax exemption bonds.

The financial highlights has already been given by CMD sir, so I'm not touching them again. Just to take you through the key ratios, the yield on loan assets of REC has improved to 10.05% from 9.99% from last year. The cost of funds have reduced to 7.11%. The net interest margin has also improved to 3.63%. The return on net worth stands at a handsome 21.46%. The interest coverage ratio is comfortably placed at 1.58x and the debt/equity ratio at 6.29x.

During the last quarter of '24-'25, REC has recorded a profit after tax of INR4,236 crores; and for the financial year, the highest-ever annual profit of INR15,713 crores, which is a growth of 12% from the last financial year.

Just to quickly take you through to the ESG initiatives taken by REC. REC has taken significant steps on the ESG front, the most recent being in January 2025 where REC has started stakeholders' ESG assessment of private borrowers and the suppliers. REC is strategically lending for a sustainable future, which is focused on green infrastructure financing, demonstrating its unwavering commitment for Panchamrit goals and fostering environmental sustainability.

For India's energy transition, REC, being the stepping stone, has tailored its lending strategies to align with nation's commitment towards harnessing clean and green energy sources. In the process, REC has already supported almost 52,700-plus megawatt projects in clean energy. The highlights of ESG performance in financial year '24-'25 is also available on Slide number 33 of the presentation available on the website of REC.

With this, I shall now conclude the presentation and open the round for the Q&A. Thank you.

Moderator: The first question is from the line of Shreya Shivani from CLSA.

Shreya Shivani: I have two questions. First is, thank you for sharing that the ex of prepayments, the loan book growth could have been at 18%. I wanted to understand that the repayment rate being elevated is very much a function of those RBPF loans that we had given out, which will continue for another year. So what is our outlook on disbursal growth? It was 18% this year. What would it be in FY '26? How elevated do we expect the repayments -- prepayments to be and, thus, where our growth outlook would be? That's my first question.

My second question is on the renewable energy projects. We have been hearing of the PPAs not getting signed and there's been a slowdown with the DISCOMs, etcetera. What is an update over there? Has there been some intervention to smoothen the process? If you can give some color on that.

And sorry, one more question, third question is, if I see your Stage 1 and 2 provision coverage ratio, while it has been increased on the DISCOM book that was expected, it has also been increased on the private renewable book as well. That used to be about 60 bps in December '24, that has been raised to 132 bps. So can you help us understand, is there any stress or any reason to be concerned about the private renewable book that we've raised the Stage 1 and 2 PCR over there?

Harsh Baweja: Yes, Shreya, that is regarding the repayment and the disbursements, as you know, that REC has given an exponential growth as far as the disbursements are concerned. It has increased from INR90,000 crores to INR1,50,000 crores and then to INR1,91,000 crores. And this year, again, we are expecting, provided the market conditions are there, then we are expecting that our disbursement should touch around INR2 lakhs to INR2,10,000 crores during the year itself.

As regards to prepayments, that will continue to be on the same lines, and we expect that approximately INR1 lakh crore of repayments generally becomes due in the year, and it will be on the same trend. Regarding the prepayments, yes, this year, we have received the prepayments of around INR34,000 crores, of which around INR22,000 crores were from the RBPF, in which the scheme itself states that anyone having the surplus of the money can repay the amount and that, again, they can take the disbursement. So the disbursement and the prepayments both are flowing in the same way.

Similarly, sum of around INR12,000 crores have been prepaid by some of the agencies. Yes, those prepayments were there, and some of them were expected and some of them were not anticipated. And out of this which that Adani has made the prepayment of around INR1,800 crores, which were mainly because of some exposure issues were there. They have taken the further exposure from REC by prepaying this debt.

Similarly, ACME has prepaid the amount that was the mandate given through their public issue, which they raised during the year itself. As per their prospectus, they had to prepay the amount. And once they raised the money from the market, they prepaid the amount. Yes, MSEDCL has made the payment of around INR3,700 crores. That was perhaps they have made some other arrangements have been made.

You will understand that REC is a financial institution. Prepayments and the repayments are a regular phenomena. Anyone who understand and who knows that they can get cheaper funds from the market, they used to do the same thing. What we are doing as far as my borrowings are concerned, during the year itself, I have made the prepayment of around INR17,000 crores to my bankers, where my borrowing rate was higher. And I have replenished the same with a lower cost of funding. So this is a regular phenomena. I think we should not be afraid from these kind of things to happen. But yes, my policies are there not to encourage any kind of prepayments are there. That policy are still there.

Vijay Kumar Singh: With regard to your renewable PPA not getting signed, the query was regarding that. So as far as REC is concerned, we are taking up only those projects for funding which have already signed PPA. So PPA not signed is not a risk to REC. But yes, there are issues in terms of signing of PPA. The renewable energy implementing agencies, NTPC, NHPC, SJVN and SECI, they have conducted bidding.

And we understand that close to 40, 50 gigawatt of bidding concluded in the last year needs PPA to be signed with the DISCOMs. And I think this is an ongoing process. Sometimes it does take time in the distribution companies to come forward and sign the PPA. Every DISCOM has a defined renewable purchase obligation.

So sooner or later, we have seen in the past also sometime, this gets accumulated and the number looks elevated. But I think in due course of time, things get sorted out. So that is something which list to the sector. But again, let me say this one more time that we take up funding of a project only when the PPA is signed, so as such, no risk in our book.

Harsh Baweja: You have asked about the private sector increase in the ECL. That was on the trend and no new NPA has happened, except the Bhavnagar, which happened in the Q3 of FY '25. And that was a very insignificant amount that out of total loan book of INR5,66,000 crores, that is around only INR13 crores. And for that, we have already started the resolution process, and we have filed a case in the NCLT. And perhaps we expect that in the next 2 quarters, that will be resolved.

The account which have elevated the provisioning in the private sector, that was mainly of the Alaknanda. There, some of the rating of the company and the promoter was degraded from B to C, and C- has attracted the extra provision.

So because of that and similarly, one of the project, which was in the public sector that has been bought by some private sector company, that is the Teesta Urja. So on that, we have to make the higher provisioning of that. Rest all, absolutely on the track. Nothing extraordinary things has happened as far as the private sector provisionings are concerned.

Shreya Shivani: Got it, sir. So just one follow-up. So the disbursal number that you have given and expectation of elevated repayments, does -- it looks like we will only be able to do about 12%, 15% growth next year also, right, AUM growth?

Harsh Baweja: Yes, we expect so. It should be around 12%, plus/minus 1% or 2%, you can take it up. And you can understand that we have given you target of around INR10 lakh crore loan book by 2030. So somewhere, it may be 11%; somewhere, it may be 13% in the years to come. But if we take average growth of 12%, then it should touch INR10 lakh crore by the year 2030. It's, in fact, what we had given the guidance earlier.

Moderator: We will take our next question from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal: So first thing, just trying to understand, out of these 12 projects that we now have under NPA, I mean, have we shared some projects which are in advanced stages of resolution and which could potentially get resolved in this year? Why I ask is during your opening remarks, you also shared the fact that we would look to get to net zero NPA by the end of this fiscal year. So if you could just help us understand some of the projects which are in advanced stages of resolution, and what is the progress in each of those projects?

Harsh Baweja: Sir, as regards to the NPA assets, you know that at the beginning of the FY '25, that is on 1st April '24, there were 16 projects which were to be resolved. Out of them, we have resolved 5 projects in the year '24-'25, that is Nagai, KSK, Lynx, Amarkantak and Corporate Power. There, we have a recovery of around 71%.

1 more project had been added, which I have just mentioned about the Bhavnagar. So 11 plus 1 became 12. So 12 projects are to be resolved, and we are sure that these projects will be resolved by the end of Q4 '26, of which the major projects are Sinar project, second is Hiranmaye project, third is Bhadreshwar and the fourth is TRN. So out of that, if you see that we have already filed IBC case in respect of the 6 projects. And one is under restructuring, that is TRN, and 5 are already in technical write-off where we have already made a provision of 100%.

So we can expect a good amount of recovery out of the projects which are under the IBC, that is the Sinar, Hiranmaye and one more project, Bhadreshwar project is there. There, we can expect a good recovery. So I am expecting that around INR800 crores to INR1,000 crores will be recovered in the FY '25-'26.

Abhijit Tibrewal: Got it, sir. And sir, the other thing I wanted to understand is while we've spoken a lot about these prepayments and the fact that some of these happened in the normal course, but in a declining rate environment, I think banks will be much more aggressive in kind of trying to get some of these projects that you have financed today. So I mean, what are we trying to do around it?

Basically, I think you spoke about some retention schemes or retention policies that you have in place. But I mean, beyond the RBPF, I think in a declining rate environment, otherwise also, there is going to be that pressure which will be there on the rundown in the book, the prepayments. So what are we kind of trying to do to address that?

And the last question that I had was again on the RE side. Sir, obviously, I mean I think Gensol was a one-off example of maybe misgovernance. But just trying to understand, on the RE side, how are you looking at things? Is there a case to believe that maybe in the next 12 to 18 months, we could see more such issues coming out of the RE sector?

And sir, I also explain why I am kind of questioning that, in the past, whenever we spoke about stressed assets in the thermal sector, we have always prided that there were no stressed assets in the state sector. Large part of it were in private. But if you look at the RE side today, right, large part of the financing that has happened on the RE side is predominantly private in nature. So what are your views on the RE financing and how asset quality could evolve over the next 12 to 18 months?

Jitendra Srivastava: Yes. Thanks for the intervention. I'll just -- yes, I would like to appreciate that you have rightly pointed out that we are in a declining rate environment. And the high interest rates that one could normally charge in the earlier years are no longer available. We must also realize that the liquidity scenario in the economy has loosened up further with the repo rates coming down. I think we can expect interest rates to only go southwards.

Having said this, we are very conscious of the fact that we have been fundamentally involved in the power sector for a long time. We have unique capabilities and unique perspectives with regard to the power sector. Fundamentally, we are looking at 3 or 4 major interventions.

Number one, we are really going to incentivize the construction part of the project finance. As on date, generally there are no incentives in place for any player, whether it is a state player or a private player, to incentivize early completion of projects. So that is one area which we hope to target in the days to come. The second is the option of refinancing. The option of refinancing, once scheduled, COD has been achieved. That is another option that we are looking at. We are also looking at streamlining and liberalizing the ease of doing business with respect to our guidelines. I think a combination of all these 3 parameters will make an interest rate reduction an irrelevant consideration.

I'm hopeful that once our guidelines have been further liberalized, once our incentive mechanisms have been put in place, people are not going to look at interest rate advantages. Rather, they will look at ease of doing business because as we know, there are a lot of imponderables in the power sector, and there are a lot of risks in the power sector with regard to project completion, the nature of constructions, the huge investment involved, the various risk factors which sometimes one cannot plan for.

I think REC is uniquely placed with its past profile, with its expert entity appraisal process, I think the interest rate consideration may not be very relevant in the year to come. I'll now request my colleague to answer the issue with regard to the RE side.

Harsh Baweja: As regards to RE sector, you will appreciate that our rates are already most competitive rates in the market and in all the segments, that is whether generation, transmission and distribution are concerned. So since we have a competition with directly with the banks, so our rates are already competitive.

And there, we have the policy also that we give a post-construction, post-completion discounts also. And perhaps we are yet to see a phase where our projects are being refinanced by the banks. So that case is still not coming to us. But yes, we are keeping ourselves ready for the threats in the near future also. So we'll continue to keep our rate of interest competitive.

Similarly, that to supplement that, how to meet this lower declining interest rate scenario, we are also focusing on the low-cost raising the funds. Recently, we have raised the institutional bonds at 6.86%, which is the cheapest source of funds available in the domestic market currently. And we could raise the funds at cheaper rate as compared to our peer companies, that is HUDCO and PFC and all that. So we are focusing on that.

Similarly, as regards the why one should come to REC, there is a sectoral limits where the banks have the limitations. Banks have to fund to all the sectors. So there, they have the sectoral limits, so they cannot go beyond that limit for the power sector. Like REC, since we have been in this business for the last 50 years or so, we have offices in almost all the states. There, we have the direct connect with the borrowers.

So those borrowers, they understand our system, we understand their systems. Our services are much better in servicing to all, whether be it the renewable sector or the state sector. So there, we have the upper edge. And that is why we get continuous business, and that is why our sanction and the disbursements growth are happening for the last 4 to 5 years.

Moderator: The next question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: So a couple of questions. First one on AUM growth. So as you rightly said, I mean, these prepayments are part and parcel of the business. Now if we were to look at in this backdrop, the biggest drag right now in AUM growth is distribution-led asset. Now here, my question is that, okay, considering all the schemes, some picking up, some maturing, how do you see this -- the distribution-led AUM to grow?

Because last year, it had grown at 2-odd percent only. So how do you see over, say, next 1 to 3 years, how this distribution-led asset will grow eventually, I mean, if the RDSS were to pick up, PMC, so most of it was not to pick and some schemes were to mature?

And related to that, coming to thermal, thermal has done okay last year, I mean, despite some resolution impact of 3%, it has grown at 8%. Now if we were to look at the NEP 2032, now the idea is 95 gigawatts of thermal, out of that probably 35, 40 gigawatts will come from a state. Now given that gestation period of nearly 6 years for thermal project, more or less, if we are really serious about this 95 gigawatts, the planning to execution should start in the next 1, 2 years.

Now in that context, can you give idea that, okay, which are the state utilities who is going to contribute a large part of this 35, 40 gigawatt that is going to come in the state sector? And what is the kind of visibility here because the thermal growth will again be key for your renewables particularly? So the first question, that thermal growth and distribution.

Second, when it comes to your profitability, I mean, some of the projects there will be -- I mean, the interest rate is declining. And also, there have been some noise around your estate-related project, you charging higher interest like a Kaleshwaram project.

And once those kind of rate negotiations happen, probably there will be some pressure on your NIMs. And also this credit cost will start to see a more normal as we go past this recovery phase. So how do you see kind of your NIMs and ROAs to be kind of trending, say, after FY '26?

Vijay Kumar Singh: So I think on your first question regarding the distribution-led repayments, let me clarify that particularly in this year, we have seen that there are certain repayments, which are actually not expected because in some of the case, the state governments, and we are seeing this trend for the last 1, 2, 3 years, the state governments are now supporting DISCOMs. And this particular support comes in the year-end. So February, March is the time when such support comes.

Now in case of, say, for example, Chhattisgarh received some state support, close to INR2,000 crores, and then they made that particular repayment using that because otherwise, it doesn't make sense for them to keep the money idle at their end. So such repayments have also happened.

Let me be very specific that in our distribution segment, other than RBPF, there is nothing else which is actually making these repayment things happen. RBPF, the product itself is designed in a way that there is a facility available to the borrowers in which they can make prepayment at any point of time. But we are seeing that regular disbursements and repayments are happening, apart from some INR5,000 crores to INR10,000 crores, which is happening particularly in this particular year.

Thermal in the state sector, you know that central sector like NTPC, NHPC, they raise funds for their projects on their own. But the state sector, we are the key financiers for them. And we are looking at this generation sector very, very closely. So wherever the project is ripe and needs financial closure, we have done the sanction. We have done sanction in case of Haryana; Rajasthan, 2 projects; Haryana, 1 project; MP, 2 projects; Maharashtra, 1 project; DVC, we have done 2 projects.

Likewise, whichever project is available and needs financial closure, we have given the sanction, and there are some issues around terms and condition interstate. That discussion is undergoing currently. So we are going to target this particular state generation sector very, very aggressively.

Harsh Baweja: Yes. I'll supplement to what Vijay sir had just mentioned, that there are some other projects like the Bihar is coming with 2,400 megawatt project. MP is coming with a 3,200 megawatt project. Similarly, in the private sector, if you see, that Lanco has been won by the Adani. So there may be some expectation that Mahan is going for the expansion. JSW is going for the West Bengal expansion, that is 1,600 megawatts. Essar Power is going for the 1,600 megawatts.

Similarly, in the transmission projects, if you see the TBCB projects, there is an ample opportunity around INR1.1 lakh crore business to come in the next 2 to 3 years. And in the last year itself, RECPDCL and PFC subsidiary have sanctioned 45 TBCB projects of around INR55,000 crores, so of which we expect that the major chunk will come to REC.

And similarly, there is a smart meter project scheme, 11 crore smart meter projects have been awarded to various MISP agencies. And that cost around INR45,000 crores to INR50,000 crores, of which we are expecting that a good amount of business will come. So that will keep our book growing at the same pace at which we are anticipating.

As regards to the NIM and this spread, that our NIM is at present 3.63%. And we have already mentioned that it will be between the 3.5% to 3.75%. Similarly, the spread, that would be between 2.75% to 3%. So we'll continue to maintain. We have already mentioned that we are resorting to some of the cheapest cost of borrowing. And our Board itself is competent or authorized to fix the interest rates. So our card rate is fixed by the Board itself.

So keeping the margin intact, we fix the price and that need to be competitive. As you know that in the next 5 to 7 years, 80-gigawatt generation capacity is to be added. And there, we get the best of the yield. Our generation interest rate as of now is 10% to 11.5%. So that will contribute to the growth and to the NIM also. Similarly, infrastructure project may also contribute to the NIM and the spread also. So these are our strategy on which we'll work.

Moderator: We will take our next question from the line of Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: First question is on the Telangana state exposures. I see that you have an exposure to the Kaleshwaram project, another power generation company and another power distribution company. Which of these are in NPA or SMA today? And any other Telangana state accounts which are in SMA or NPA apart from these 3?

Harsh Baweja: Sir, Kaleshwaram and TSWRIDC, both are in the Stage 2 assets and are standard. Some of the AP DISCOMs are in Stage 2. You know that somewhere there may be some administrative delays. You know the working of the government and sometimes they don't get allocations from the center on time, and some budgetary supports are also delayed. And that is why they have slipped from Stage 1 to Stage 2.

And wherever they have slipped to Stage 2 or the delays are there, we have been charging delayed and penal interest from these assets. They have been regularly making the payments and we don't foresee any kind of difficulty in realizing our debt.

Ashlesh Sonje: Okay. And any status on the resolution of these exposures? Can there be a haircut here? And any plans to consolidate these exposures with a few lenders?

Harsh Baweja: We don't think so that it will be in the same fashion and the style in which it has been going, I don't think that we are going to restructure these loans or there should be any haircuts on these loans and these are secured against the government guarantee also.

Ashlesh Sonje: And no plans to consolidate them, right, with any specific lenders?

Harsh Baweja: No.

Ashlesh Sonje: Okay. Got it. And secondly, just another question on the...

Moderator: Sir, sorry to interrupt you, but we request you to rejoin the queue for follow-up questions. The next question is from the line of Shweta from Elara Capital.

Shweta Daptardar: So I'm again dismantling the growth levers, both on the thermal and the distribution side. A few things might be repetitive. So on the thermal side, while there is no second thoughts about the funding opportunity, especially also given the fact that greenfield projects have become costlier, but the problem is about the implementation and the execution delays. So when do you see thermal coal generation disbursements sort of coming to us in a manner that it would drive the loan growth for us? Point number one.

Second, on the renewables side, again, you mentioned and touched upon the interest rates, and that's fairly known. But now there is question about quality of renewable projects that are coming to fall. So while state exposure has decreased, there has been growing number of private sector renewable projects, 1 or 2 we already have seen sort of hitting the bottom. So on the renewables side, have things changed for you in terms of being selective or on the underwriting side, that's part of renewables?

Third, on the distribution side, so while RBPF has been holding up our loan growth, so in Q4, the sanctions towards RBPF were huge. Now is this a Q4 phenomenon? Or this is something like, okay, look, now RBPF is completely behind. And now that the implementation of government capex is picking up, so RDSS disbursements on the distribution capex side will sort of pick up on a larger scale in '26 vis-à-vis FY '25. Also on the distribution side, because RDSS and LPS are towards their sunset clause year, so will we see tapering of disbursements from the distribution side going forward beyond FY '26-'27? And therefore, finally, what are the levels to this 12% to 13% growth? Yes, that's all from my side.

Vijay Kumar Singh: With regard to thermal growth, we mentioned earlier that we have already sanctioned multiple projects, which were available for financial closure. And then our final discussions are going on. In fact, you know this that states implement project only after they finalize major projects. Major projects means BTG projects and balance of plant projects. And then only they take up the initial site activity also in which the funding starts.

All these projects have been sanctioned in the past 1 - 1.5 years. And then in majority of the projects, now the EPC is almost decided, and we are also at the verge to finalize the terms and conditions to get going on these projects. We still have left a number of projects and particularly in the joint sector where we still have not started funding because the budgets are still not ripe enough. Those projects will also come our way and joint sector with central sector agencies and state sector.

Normally, if you have seen in the past that these projects, the central sector companies do not expose their own balance sheet, rather, they rely on the balance sheet of the JV company. And those JV companies, traditionally, they also avail loan from institutions like us. So that also is going to be a mega opportunity for us in times to come.

Thermal, as I mentioned, that now since majority of EPC contracts and the major contracts are getting concluded, and we believe that in this current financial year, there will be substantial growth in terms of disbursement, capex disbursement in thermal segment.

Regarding renewable energy projects, of course, interest rates are so competitive. I mean, we can compete with any bank in this particular segment. And therefore, you might have seen that we have done a large number of project sanctions. In the past year, we did INR1,35,000 crores. This year, we did INR1,07,000 crores. In the current year, we are targeting close to INR1,50,000 crores of sanctions. And earlier sanctions are now converting into disbursements also.

We have been saying this that we are very, very particular about the quality of asset. And as I said, that we take up the project for funding only when the PPA is signed, not alone PPA, but there are other critical factors like open access is also one of the major issue which causes financial stress in the early stage of the RE project. So we are very, very critical that all the critical things are available to the project like PPA, open access, evacuation system, then only we take up the project for funding.

The stress that you are talking about in the RE is about 2 very small projects. One is for 1 megawatt; another is, I think, 5-7 megawatts. And these were sanctions maybe some 10/12/15 years back. And they traditionally had the issue of PPA, realization of some tariff-related issue also and realization of revenue and therefore, they become NPA.

Other than those, everything else is actually going on very well, and we are actually witnessing that the credit rating of these assets is also improving. You know that we now have LPS in place. And therefore, no project is actually seeing the delay in receivables. These are on time, and therefore, there's a remarkable improvement in the credit ratings.

Regarding disbursement in the distribution segment, LPS got over maybe 2/3 years back. RBPF sanctions, you mentioned that Q4, there's no sanction. In fact, in RBPF one sanction is actually valid for 5 years, so whatever sanctions we did maybe two years back, it is still valid for another three years. What we sanctioned last year is still valid for next 4 years, likewise. So RBPF sanction is not an issue. We are targeting RBPF disbursement close to INR80,000 crores to INR90,000 crores in the current financial year.

And the capex-led disbursement will definitely improve this financial year because RDSS, the grant component is also almost getting over. And now the states will actually be required to put the balance 40% as 60% is grant, which is now almost coming to the end. The balance 40% is the opportunity available to us and we have sanctioned a large number of projects for counterpart funding. So those disbursements will also kick in very soon. And I think we would start seeing them in maybe Q1 itself and certainly in Q2.

Moderator: We'll take our next question from the line of Nilay Dalal from ITI Mutual Fund.

Nilay Dalal: I have one question with regards to the borrowing for FY '26. The current borrowing stands at INR4.88 lakh crores. I would like to understand what would be the expected borrowing for FY '26, along with this bifurcation of how much would be the domestic borrowing and how much would be the ECB?

Harsh Baweja: As you know, this time, our total borrowing is around INR4,88,000 crores, of which INR1,66,000 crores is from the external commercial borrowings, that constitute around 33% - 34%. This year, we have plan of raising INR1,70,000 crores.

And with regard to bifurcation, you know that we are running a financial institution where on the day of the fund requirement, we go into the market and wherever we get the cheaper source, we tap that market. So on the day of the requirement, if my ECB source is cheaper, then we'll go for the ECB source of funding, however that ECB cost should be inclusive of my hedging charges. Innovative hedging techniques makes ECB cost cheaper, and then we go for the ECB route, otherwise, we go for the institutional funding. You see that the bank's term loan are a little costlier. So our portfolio, though it is diversified, but the bank portfolio is a little less.

So generally, on the day of the requirement, we evaluate the proposals. And based on the cost, the source whichever is cheaper, then we go for that kind of funding.

Nilay Dalal: Okay. Understood. So you said the incremental will be INR1.7 lakh crores, right?

Harsh Baweja: INR1,70,000 crores.

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

Punit Bahlani: Just sir, firstly, on the competition bit, you mentioned that you have not seen too many balance transfers in this quarter. So fair to assume that the prepayments in the renewables segment, in the transmission segment that we have deemed this quarter, there is no asset balance transfer or refinancing to a PSU bank. It is just prepayments, like that is the first one.

And second, what is the interest rate differential basically between -- let's say, we are charging somewhere between 8.5% to 9% for a renewable project, what is the public sector bank charging for the same project, assuming a similar credit rating and everything? So yes, those are the 2 questions.

Vijay Kumar Singh: So in RE, there were some repayments, and we got those repayments in the last quarter. So we were aware that this will happen back in May and like Adani, we expected a few because those repayments were lined up, and we knew that they will come up in Q4 itself. In Q1, as we see, there is no repayment visible as of now and we believe that the interest rate that we are offering particularly to RE sector will be good enough to retain the assets with us.

With regard to our interest rate, we have been saying that we are very competitive. In the state sector, we have done some projects even at 8.5%. But generally, our interest rate starts from 8.95%. And in private sector, it starts from 9.2% and goes up in a step of 25 bps.

Other banks are also offering in the same range, maybe 10/ 20/ 30 bps here and there. But if you have seen the sanction number of INR1,07,000 crores, that means the developers are interested to get financing from REC and therefore, the interest rate that we are offering is workable for them. So therefore, we say that our interest rates are quite competitive.

Punit Bahlani: So not any balance transfers this quarter, like as such on a large scale, basically. It's just the repayments that have happened, like balance transfer doesn't have -- not any bank pitching in and taking account. Nothing like that has happened, right?

Vijay Kumar Singh: Nothing of this thing is visible at this point of time. So nothing will happen in Q1 at least.

Moderator: The next question is from the line of Pavan from Edelweiss.

Pavan: The 87% is state loans. Are they entirely backed by the state government guarantees?

Harsh Baweja: No, sir, almost 50% of that is backed by the state government guarantees.

Pavan: Remaining 37%, I understand.

Harsh Baweja: That is against the hypothecation of the assets, sir. But 90% plus loans against the non capex are state government guaranteed.

Pavan: Pardon me, sir, can you please explain that again, the last part?

Harsh Baweja: I was saying, out of my entire portfolio of the government funding, 50% is secured against the government guarantee. And as far as the non-capex loans are concerned, more than 90% are guaranteed by the state government.

Pavan: Got it. Got it, sir. Sir, second question, in the earlier point, you were talking about external commercial borrowing and foreign currency loans. Are they completely hedged both for foreign currency risk and also for the interest rate risk?

Harsh Baweja: Our 99.9% portfolio is hedged, and the hedging is as per the RBI approved structure only.

Moderator: Ladies and gentlemen, in the interest of time, we will take this as our last question. I now hand the conference over to Mr. Shreepal Doshi for closing comments.

Shreepal Doshi: Thank you, Puja. Firstly, I would like to thank the management of REC for giving us the opportunity, and thanks to all participants for joining the call. Thank you, and have a good day.

Vijay Kumar Singh: Thank you.

Jitendra Srivastava: Thank you.

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