Operator: Ladies and gentlemen, good day and welcome to REC Ltd. Q2 and H1 FY27 earnings conference call hosted by Equirus Securities. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shripal Doshi from Equirus Securities. Thank you, and over to you, sir.

Shripal Doshi – Equirus Securities: Thank you, Danish. Good afternoon, everyone. We welcome you all to the earnings conference call of REC Ltd. to discuss the Q2 and H1 FY27 performance of the company. To discuss the company's performance, we are pleased to welcome Mr. Jitendra Srivastava, Chairman and Managing Director; Mr. T. S. C. Bosh, Director Projects; Mr. Rajesh Kumar, Director Finance; and Mr. Mohan Lal Kumawat, Executive Director Finance. On behalf of Equirus, we would like to thank the senior management of REC Ltd. for giving us the opportunity to host this call. I would now like to invite Mr. Supreet Pandya, DGM Finance, to take us through the presentation. This will be followed by the opening remarks from Mr. Jitendra Srivastava, CMD, REC, after which we will open the floor for questions and answers. Over to you, Supreet.

Supreet Pandya – DGM Finance: Thank you, Shripal, and thank you, Equirus team. Good afternoon, everyone. REC welcomes you all to this Q2 FY27 and H1 post-earnings call. For the information of all participants, the investor presentation has been uploaded on the stock exchanges and also on the website of REC in compliance with SEBI norms.

I shall now take you through our investor presentation for the quarter, which has been broadly divided into six areas: the REC overview, financial highlights, operational performance, asset quality, shareholders' outlook, and what we are doing in ESG at REC.

As you are aware, REC has a successful track record of more than 5.5 decades, during which it has grown by leaps and bounds and has rewarded its shareholders time and again with dividends and bonus shares. It currently boasts strong financials with stable asset quality. As a pioneer of new initiatives, most recently in 2026, REC successfully launched India's first pilot issuance of tokenized corporate bonds under the SEBI regulatory sandbox framework.

We have multiple strengths as a company. Some of these are that we are the highest domestic-rated company in India, with a AAA rating. Internationally, we are rated at par with India's sovereign ratings. We are rated Baa3 by Moody's, BBB- by Fitch, and most recently, the Japan Credit Rating Agency upgraded the international ratings of REC to A-. All of these ratings have a stable outlook.

We maintain very robust asset quality with a healthy provision coverage ratio. We are one of the strategic leaders in India's power, infrastructure, and logistics sectors, and are also a nodal agency for major Government of India power-sector reforms, some of the most recent being the Rooftop

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Solar Scheme, the RDSS scheme, and the India Energy Stack. We are also a major player in renewable energy and in the creation of India's Green Energy Corridor.

We have a diversified portfolio on the business side, where we are funding the entire infrastructure and power-sector value chain, including renewable energy, conventional generation, transmission, distribution, infrastructure, and logistics.

We have the capability to appraise, fund, and monitor newer technologies such as battery storage, pumped storage, green hydrogen, nuclear power, and all the new emerging technologies.

We have won various awards and accolades across all areas, including corporate governance, financial reporting, risk measurement, and planning. I am glad to inform you that most recently, REC was awarded NBFC of the Year at the 3rd Annual Bharat NBFC and Fintech Summit & Awards 2026.

Coming to the financial highlights, for H1 FY27, the loan book of REC has reached an all-time high of 6.17 lakh crore, which is a growth of 6% from the same period last year. Net worth has increased to 94,325 crores, a growth of 14% year-on-year. While maintaining such a high loan book, net credit-impaired assets have sequentially gone down by 50% to 0.11%, compared with approximately 0.24% at the same time last year. Total income of REC for the half-year has reached 29,068 crores, and net interest income is roughly 10,116 crores. Net profit for the half-year has reached 7,541 crores.

The capital adequacy ratio, which indicates the future growth potential of any company, is at a comfortable level of 24.04% against the RBI requirement of 15%.

Coming to the broad areas of revenue and profits, interest income of REC for the half-year was 28,398 crores, while finance cost was about 18,280 282 crores, giving profit before tax of 9,483 crores and resultant PAT of 7,541 crores.

The key ratios of REC for the half-year were as follows: the yield on loan assets was 9.57%, which was stable compared with 9.55% in Q1. The cost of funds was 7.19% in the half-year, with the resultant spread being 2.38%. NIM remained stable at 3.22%, and ROE was 16.89%. The interest coverage ratio is comfortably placed at 1.52 times, and debt-to-equity is 5.6 times.

Coming to the operational performance of REC for the half-year and Q2, in Q2 FY27, REC disbursed 56,457 crores, which is a 67% growth over the June 30 quarter, or Q1 FY27. That is a growth of 67%. We made disbursements across all categories, and disbursements remained strong. During Q2, roughly 11% of our disbursements went into conventional generation, 17% into renewable energy, and distribution contributed 22% of the disbursements made in Q2 FY27.

For outstanding loan assets, we continue to maintain strong AUM growth in Q2, which has risen by 6% from March 31, 2026. If we compare it with June 30, the growth is 5% as of September 30, 2026. This growth has come across all areas. If we compare March 31 and September 30, the conventional generation book has grown by 4%, renewable energy has grown by 15%, and infrastructure and logistics, which is the area into which we diversified approximately 3 years ago, now constitutes 10% of our portfolio and has grown by roughly 6% from the March quarter.

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This is significant growth compared with what we have seen across all other NBFCs, while we remain insulated from all the major geopolitical issues, crude-related issues, and the monsoon as well.

On the outstanding borrowing front, borrowings of REC have reached 5.27 lakh crores, which is a growth of 4% from March 31, 2026.

Now I will come to asset quality. REC remains committed to continuously resolving its bad assets, which are now very insignificant. In the current quarter also, we resolved one project worth roughly 4 crores. As a result, our gross credit-impaired assets have come down to 0.22%, and net credit-impaired assets have come down to 0.11%, which is significantly low compared with the asset size on which we are operating right now. We continue to maintain a provision coverage ratio of roughly 51% on the NPA assets that we currently have.

Let me tell you that all the NPAs currently on the books are in the state sector, and there have been no new NPAs in the last 19 quarters of REC's operations.

For Stage 1 assets, we maintain a provision of 0.85%, and these Stage 1 assets constitute about 99.26% of our total loan portfolio. Stage 2 assets have come down by almost four times, from 12,350 crores as of June 30 to 3,235 crores. We are maintaining a provision of 4.5% on these Stage 2 assets as well.

All this provisioning provides us comfort on the balance sheet. In addition to these provisions, we continue to maintain statutory reserves under Section 45-IC of the RBI Act and as required under the Income Tax Act, which are about 18,736 crores and 1,200 crores, respectively.

Coming to the shareholders' outlook, we have continuously rewarded our shareholders with dividends. Last year, we paid a dividend of 13.55 rupees over the face value of 10 rupees. [trails off]

Management: 13.55 rupees over the face value of 10 rupees. In the current year also, we have declared a total dividend of 7.75 rupees, which includes a dividend of 3.5 rupees declared for Q2.

Now, let me tell you that this dividend is in addition to the various bonus shares that we have issued in the past, and we continuously maintain the 30% dividend payout ratio as mandated by the Government of India.

The shareholding pattern of REC is also provided in the presentation. I wish to inform you that the shareholding of Foreign Institutional Investors in REC has gone up from 15.76% as of June 30 to 16.78%, which indicates that we remain one of the few companies in India where FIIs have continuously increased their shareholding.

Earnings per share for the half-year have improved to 57.27, and book value per share is currently 358.21. As per the current market price of REC, we are currently at a discount to the book value of 358.

I will quickly take you through the ESG initiatives of REC. We are making continuous efforts towards our ESG goals. Most recently, REC has started incentivizing its ESG-compliant renewable borrowers. In fact, I am happy to inform you that we have been ranked first among 505 Indian

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financial-sector companies in the NSE ESG ratings.

REC's renewable energy portfolio has continuously grown by more than 3 times in the last 5 years and has reached 86,660 crores as of September 30, 2024. This renewable energy portfolio is spread across all the diversified areas, with solar constituting 35%, pumped storage projects constituting 14%, hybrid projects constituting 18%, and hydro constituting 13%.

The ESG rating has also been displayed on the REC website. If you need to ask any questions beyond this call, we have provided our Investor Relations email IDs and social media networks, through which you can reach the Investor Cell of REC at any point in time.

This is what the presentation is all about. I would request the Chairman to give his opening remarks, after which we can open the floor for the Q&A. Sir.

Jitendra Srivastava – Chairman and Managing Director: Thank you, Supreet. Very good morning to all of you and to my wonderful directors on the board. We stand here today talking to all the investors and shareholders of REC. I would like to say that this quarter has been very good for REC.

Q2 and the first half of the year have shown remarkable improvements over last year. Today, I am very happy to say that we have very high disbursements of close to 90,000 crores, out of which almost 80,000 crores are in the power sector alone. This is the highest disbursement among all our peers for the first half of this year.

While making these huge disbursements, we have maintained our asset quality. As I said, asset quality continues to be a very high-priority area for us. We have brought down our overall net NPA by almost 50%. Last year, it was close to 0.24%. As of the end of this quarter, it is at 0.11%. That is almost a 50% drop in our net NPAs. Even if you look at our Stage 2 assets, they have come down by a factor of 80%. They were close to 12,500 crores and have come down to roughly 3,300 crores.

I am sure all of you will appreciate that REC continues, and will continue, to pay a lot of attention to the asset quality of all our investments and all our borrowers.

Apart from this, I am very happy to say that our renewable-sector growth has shown tremendous improvement. Our renewable energy portfolio loan book stands at close to 86,000 crores, which is a 27% increase over last year. Our infrastructure loan book has also increased to almost 62,000 crores, and infrastructure currently accounts for almost 10% of our loan book.

Power continues to be, and will remain, our mainstay. I am very happy to say that the power sector itself is poised for manifold growth over the next 4 or 5 years. If we look at certain projections by NITI Aayog, it predicts that India will need close to $5 trillion, that is, roughly 500 lakh crores of investment in the next 15-20 years. Assuming that, as we fondly say, one out of every 4 light bulbs that glow in India is financed by REC, which is indicative of our roughly 25% market share, we are looking at funding opportunities close to 100 lakh crores over the next few years.

The Government of India continues to focus on the power sector. Recently, the Government of India announced a 185 lakh crore project for strengthening the country's transmission sector. The RDSS continues to progress. The Rooftop Solar Scheme is growing by leaps and bounds, and I am very happy to say that REC, being the nodal project implementation agency for the Rooftop Solar

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Scheme, has achieved almost 55 lakh applications and installations. Our applications have touched almost 95 lakhs against the target of 1 lakh 1 crore installations that we have targeted by the end of this year.

Our contribution to the RDSS continues to increase, and we work very closely with the states. We are very happy that the states that we are supporting under the Revamped Distribution Sector Scheme are showing tremendous improvements in AT&C losses and are becoming more profitable day by day.

I would also like to mention that while we are paying attention to business and government programs, we take a lot of pride in our ESG commitments and our ability to handle risks. I am very happy to say that our ESG ranking is first among all 505 financial institutions in the country as per NSE ratings. This year, we are committed to trying to become the first carbon-neutral organization. We are trying to ensure that our Scope 1 and Scope 2 emissions are brought down to zero, and we are very hopeful that in this financial year we will become the first carbon-neutral financial organization in the country.

Apart from this, in risk management, we have ISO 31000:2018 certification, which further underscores our commitment and the importance we give to risk management. We are very hopeful that our systems will keep evolving to serve our investors and borrowers better.

As far as further growth is concerned, I am sure that this is a question that is on everybody's mind. As of today, we have already disbursed close to 90,000 crores, and we have set a target of over 2 lakh crores for our disbursements. We have already shown a 6% increase. We are very confident of achieving double-digit growth, and we are hopeful that we should be able to show around 12% to 13% growth by the end of this year.

All of you will appreciate that the environment is currently full of competition. I am sure you are also aware that the power sector as such has been significantly de-risked. We are proud that we are passing on whatever de-risking is happening in the sector to our borrowers. Consequently, due to competition as well as the de-risking of the sector, our net interest margins have come down slightly. However, we still maintain one of the highest net interest margins in the sector. We are very confident that our NIMs will not go down much further.

Combined with high growth of over 10% to 12% and sustainable NIMs of over 3% to 3.2%, we are fairly confident that this year again we will deliver wonderful growth and continue to create value for our investors and shareholders.

With this, I would now like to throw the floor open to our callers. Our team stands ready to answer any queries that all of you may have. Thank you, one and all.

Operator: Thank you so much, sir, for the wonderful opening remarks. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

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Our first question comes from the line of Avinash Singh with Emkay Global Financial Service Limited. Please go ahead.

Avinash Singh – Emkay Global Financial Service Limited: Hi, good afternoon. Two questions. First, if you can help—not sure if you already explained—but if you can help us understand this NIM compression, what has led to this kind of sharp increase in borrowing cost? Is there an increased hedge cost being included in your cost of funds, and how will this NIM trajectory look going forward? That is one question.

Second, more on the medium to long term: the CEA and other planning bodies keep making certain projections, or rather, I would say, very optimistic scenarios regarding the coal-based thermal power plants that India needs by 2032 or 2035. In reality, even when the coal-capacity requirement is now projected to be higher, perhaps 120 GW, 125 GW, or something over the next 7-8 years, the states, particularly state utilities, which are typically your target borrowers, have not shown any significant progress, particularly with new thermal power plants.

Against that backdrop, how do you see your conventional thermal AUM and disbursements growing over the next 2-3 years? Planning is one part, but if any capacity has to come by 2032, considering a 5-6-year gestation period, things should already have been in motion, but that is not happening. So how do you see conventional thermal power AUM and loan growth over the next 3-4 years? Thank you.

Rajesh Gupta – Director Finance: Good morning. This is Rajesh Gupta, Director Finance, REC. As far as cost is concerned, before answering your question, I would like to say that we have a diversified source of borrowings. We borrow through ECBs, domestic bonds, and term loans. Of these 3 sources of borrowing, only term loans are floating borrowings. Other borrowings are fixed in nature. Either they were originally fixed or we converted them into fixed borrowings through swaps.

Our term loans and some ECBs are floating in nature, accounting for approximately 24%. In the case of these floating borrowings, there would definitely be some pressure on cost as well. However, our loan book is also floating in nature. Almost 25% of our loan book is floating, through which the increased cost would be compensated. Therefore, as far as PAT is concerned, we do not see any pressure.

I would also like to share that we usually undertake new initiatives every year. Last year, we issued a zero-coupon bond through which we obtained a concession of about 100 basis points. That represented about 10% of our total bond borrowings and ultimately resulted in a positive concession of 10 basis points on the overall portfolio of our bond borrowings.

Similarly, this year also we are trying to undertake new initiatives. We are requesting the Ministry of Finance for withholding-tax exemption on our ECBs. We are also trying to obtain a green-bond mandate from the Ministry of Finance. If anything comes through, there would be some positive impact on our borrowing costs as well. Therefore, I do not think there would be any pressure on the cost of borrowing. As far as the other question is concerned, I request my Director Projects to answer.

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Management: In line with the National Electricity Plan, the minimum additional capacity planned under the National Electricity Plan by the CEA is around 80 GW. Actually, from a baseline of 217 GW, we are going up to 283 GW. At 8.34 crore per MW, the capital investment requirement by 2031-32 would be somewhere around 6.67 lakh crore. We have the potential to achieve a target of approximately 30% share of the 70% debt component. Therefore, we are targeting somewhere around 1.8 to 2.2 lakh crore by 2031-32. I think this is required to meet the minimum evening peak and morning peak that will occur going forward.

Operator: Thank you. Our next question comes from the line of Sanket Chheda with DAM Capital. Please go ahead.

Sanket Chheda – DAM Capital: Hi, sir. Just on your guidance for growth of, say, 10% to 12%: are you giving this guidance just for REC, or do you see this kind of growth continuing after the merger is consummated in FY28-FY29 as well?

Management: Right now, we are talking about REC. However, let me tell you that the merged entity will also have very significant synergies, and I do not think the merged entity will face too many issues either. I think the growth that we have set out for ourselves should hold for us, at least in the short term.

Let us talk about this. The financial and economic scenarios change from day to day, so it would not be prudent for me to prophesy too much into the future. I would like to restrict myself to this financial year and talk about REC right now. Having said that, we also do not foresee too many issues for the merged entity. We have very skilled manpower, synergies in borrowing, synergies in lending, and the synergies of having a huge capital base. These are undeniable.

Therefore, I do not think the merged entity will face too many issues either. However, I would not like to hazard a figure for the merged entity right now.

Sanket Chheda – DAM Capital: Okay, sir. Just for REC, what I wanted to understand is where this confidence comes from. Have the competitive forces moderated? Over the last couple of years, we have had some headwinds from unlisted entities such as NaBFID. Does the rate-hike cycle lower competitive intensity from banks as well? Do we benefit on that front, or are there some forces that you think will play out in our favor, which is the reason you are now comfortably saying that 10% to 12% should not be a problem?

Management: Last year, we had record disbursements of 2.11 lakh crores, which was almost 10% growth over the previous record of 1.9 lakh crores. However, in spite of record disbursements, we could not show more than 2% growth in the loan book. The main reason for that was prepayments. Prepayments last year totaled close to 1 lakh crores. Therefore, almost the entire advantage we had from our record disbursements was completely negated by our prepayment cycle.

However, if you notice this year, our prepayments in the first 2 quarters have come down to only 19,000 crores. Even though our disbursements are at 90,000 crores and prepayments are only 20,000 crores, I am differentiating this from repayments and prepayments. Repayments are a natural corollary and will not affect anything. Prepayments are what we have to worry about.

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I am confident that the prepayment situation has peaked, and now that we are entering an increasing interest-rate cycle, I do not think prepayments will be a major issue for us. My confidence stems from the fact that prepayments have peaked. It also stems from the fact that banks have sectoral limits. There are limits, and even though banks have excess liquidity right now, they have sectoral limits and will not be able to lend beyond a point.

The power sector is growing, so the appetite for growth and the appetite for funds in the power sector are increasing. The renewable energy sector is growing, and the transmission sector is going to receive a significant boost. You will have noticed that the Cabinet has also introduced a unique 23,000 crore biogas plan. This comes under the core infrastructure structure, and that is one area where we are keenly watching the business opportunities.

The transmission sector is a huge business opportunity. The biogas sector is a huge business opportunity. Distribution, generation, and conventional power continue to remain good opportunities. Infrastructure is booming, shipping is developing, and we are looking at certain new sectors.

All in all, I do not see growth dampening in any way, and we are confident that our strong financial credentials, deep pockets, and ability to lend over the long term will keep us as a preferred lender.

Sanket Chheda – DAM Capital: Sure, sir. Lastly, on margins, you said that you do not expect margins to come down further. On the cost of funds, I understand there is a limit to what we can do. But on the yield side, in the last quarter one of the South-based accounts, once the rating was available, was offered a lower rate. In that context, do you see any downside on the yield side for some of our lending in pursuit of retaining those accounts and preventing them from being transferred to other lenders? Our yield has fallen, but do you think these yields are now sustainable, or is there more downside or upside?

Management: Regarding yield, I would like to say that since the yield curve is already moving northward, the downside in our yield may not be significant. In the past, we faced not only competition, but we also passed on some benefits to the state sector, which has already been completed. Almost all proposals for rebates or concessions have now been settled. Therefore, we do not think there would be much downside in the yield.

We are also hopeful that our yield would improve slightly, given that the sector is facing interest-rate pressure. Moreover, our cost is primarily fixed in nature, while our loan book is primarily floating. Almost all our assets are floating, either resetting in 1 year or linked to a benchmark. In an increasing-rate scenario, we usually benefit in terms of the bottom line. Therefore, we do not think there would be any pressure on yield.

Sanket Chheda – DAM Capital: Sure, sir. Lastly, I wanted to understand whether, once the merger is completed and we have a balance sheet size of approximately 12 or 13 trillion, our pricing power among small and mid-sized power companies will improve compared with the current situation.

Management: As I said, with a loan book of 12 lakh crores and the dominance of being the single power financier, you must understand that power is a long-term game. Those who are in it for the short term—those who are fly-by-night operators, who are in it for 2 or 3 years and would simply

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like to make a quick profit while the sector is doing well before moving on—may be attracted to cheaper sources of finance because they are trying to make a quick profit while conditions are favorable.

However, those who are in it for the long term will come only to the merged entity because they realize that this entity will be there for the long term. You should also consider the advantage that the merged entity will have in terms of policy advocacy. Policy advocacy is a unique skill set that the merged entity will possess.

Any serious participant in the power market would not want to be separated from this unique USP that the entity will have. Therefore, I honestly do not think we will see too many problems in the merged entity. I will restrict myself to that for now.

Sanket Chheda – DAM Capital: Sure, sir. That was quite helpful, and thank you for your patient answers. I wish you all the best for the guidance. Thank you very much, sir.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Our next question comes from the line of Abhijit Tibrewal with Motilal Oswal Financial Services Limited. Please go ahead.

Abhijit Tibrewal – Motilal Oswal Financial Services Limited: Good afternoon, sir. Thank you for taking my question. From whatever we have heard till now, the sense I am getting is that we are not really too affected by the monsoon or drought situation in India. Given how the weather has been in some parts of the country, perhaps it is hotter than it typically is in October, and we are already reading that the El Niño impact could stretch into next year, which would mean that, as you also alluded to earlier, power demand will remain strong.

As you mentioned to the previous participant, last year you had record disbursements, but prepayments of almost 1 lakh crore pulled growth down. Looking at the trajectory approximately 7 months into the year, do you think this could also be another year in which, compared with last year, we could have another year of record-high disbursements?

Management: I am hopeful. We would love to see REC crossing 2.11 lakh crores.

Abhijit Tibrewal – Motilal Oswal Financial Services Limited: But this is what we are trying to understand. The first quarter was weak in terms of growth, while in the second quarter we saw disbursements and loan growth pick up. Is this more of a quarterly phenomenon? When I look at the last 2 years, typically the fourth quarter has tended to be weak for you. I am trying to understand whether this is strong quarterly growth that is seasonal in nature, or whether you think this momentum will be sustained in the third and fourth quarters as well.

Management: The first quarter cycle is not the main reason; there is no specific reason. The major loan documentation and major projects were not able to materialize in terms of documentation. With stiff competition and other factors, disbursements came down.

The health of the discoms has also improved, so disbursements under the government-supported RDSS have improved. At the same time, capex additions in the state distribution segment have faced some challenges. Overall, in the second half of the financial year, we are hoping to make up

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the shortfall because we have sufficient committed balances in our pipeline and sanctioned commitments.

Forty percent of our disbursements and loan assets are in distribution, so that is going to help us, and in H2 we will be able to make up the shortfall.

Management: I will give you one important statistic that will help you understand. Documented projects where disbursement is yet to start are close to 70,000 crores. That is an immediate area where we expect activity over the next 2 quarters. This is one immediate signal that I can give you.

Apart from this, we have a committed order book of close to 2.5 lakh crores. Therefore, I do not see Q3 and Q4 being lower than Q1 and Q2. I am saying this very conservatively.

Management: In addition to what our Chairman said, I would like to [cut off]

Management: say that our disbursement is higher than the cumulative disbursement of all other government NBFCs.

Management: REC is a large company. We are the largest financier in the power sector.

Management: I will give you a small statistic. We collected inputs from various state utilities. Of course, my data is restricted to state power utilities and does not include private power utilities. However, considering that state power utilities account for almost 90-95%, I would say it is a reasonably fair indicator of the market.

According to data collected by our regional offices, in the last 3 years, close to 10 lakh crores of debt financing has gone to state power utilities. Out of this, REC alone has lent 4.5 lakh crores to these state power utilities.

That represents a 45% share. If you look at the power market over the last 3 years, REC has funded 45% of the power market. I am leaving you with these statistics. You can draw your own conclusions.

Abhijit Tibrewal – Motilal Oswal Financial Services Limited: This is useful. Thank you for sharing all those statistics. The other thing I wanted to understand is that, a couple of times during the call, you said that yield should not fall too much and margins should not fall much further from here. If I heard you correctly, please correct me, you guided for margins of perhaps 3% to 3.2%, which I believe are historically low margins compared with what REC used to operate at. I also heard earlier in the call that whatever benefits we received on the borrowing side have been passed on to our projects.

Is there some additional pass-through remaining that we will see in the upcoming quarters? Basically, I am trying to understand whether, even if there is a better growth trajectory from here, with the 10% to 12% growth that you may have guided for, we will also see better earnings growth if margins continue to remain under pressure.

Management: Loan book growth is definite. I do not think we have too many concerns on that. However, let us also accept the fact that we are in a very different phase of competition, where banks are flush with liquidity and the entire power sector is looking for very low rates. Obviously, the

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kind of investment that is required, and the kind of investment that India would like to see in the power sector, envisages a lower interest-rate scenario.

When this is combined with our increasing borrowing-cost scenario, it would not be appropriate for me to mislead you by saying that my NIMs will increase. Let us be very clear: there will be pressure on my NIMs, but you should take comfort from the fact that we are trying to ensure that our NIMs remain as high as possible.

Even with a NIM of 3.22% as of today, if you look at our peers, you will find that we stand head and shoulders above them even in terms of NIMs. Please remember that we are maintaining these NIMs over a 6 lakh crore loan book. It is easy to maintain a NIM over a 20,000 crore loan book, a 1 lakh crore loan book, or a 2 lakh crore loan book. I am sure you will appreciate the difficulty of maintaining very high NIMs over a 6 lakh crore loan book.

Abhijit Tibrewal – Motilal Oswal Financial Services Limited: Yes, sir.

Management: Let us be realistic. Let us be realistic. We will be very happy if we can maintain our NIMs at 3.22%.

Abhijit Tibrewal – Motilal Oswal Financial Services Limited: Understood, sir. I think that point is well taken. Lastly, now that the swap ratio has already been announced, and one of the prerequisites for both boards approving the merger was that this remain a government company, have there been any updates in the last couple of months on how we are planning to retain this as a government company? Are there discussions around equity infusion, or would it be through preferential shares, as we keep hearing? Is there anything you have learned in the last couple of months?

Management: As you are aware, both boards have passed a merger resolution, REC will be absorbed into PFC, and this has received NOCs from the RBI and the stock exchanges. The draft merger scheme is currently pending Cabinet approval. Therefore, it would not be appropriate for me to say things that are directly linked to Cabinet approval. We will have to wait for Cabinet approval to see the final details.

However, the precondition for the entire merger is that the merged entity will remain a government company, and I think that will be maintained.

Abhijit Tibrewal – Motilal Oswal Financial Services Limited: Understood. When we say it will remain a government company, are we talking about the government maintaining more than 50% stake directly?

Management: We are talking about management control. We are talking about voting rights. We are talking about everything.

Abhijit Tibrewal – Motilal Oswal Financial Services Limited: Understood, sir. That is all I had. Thank you very much, and I wish you and Team REC the very best.

Management: Thank you. Thank you very much.

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Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Our next question comes from the line of Shreya Shivani with Nomura. Please go ahead.

Shreya Shivani – Nomura: Thank you for the opportunity. I wanted to understand the new government project that the Union Cabinet approved—the 1.85 lakh crore project for strengthening the transmission sector. Can you help us understand how much financing opportunity could come our way? Will it be split between PFC and REC in the way the smart-meter program was handled, where the states were split? Will there be long-tenor, long-term loan financing that you will offer, or will the project involve short-term, quick-liquidity financing, as we provided through RPBF to the distribution segment? Any insight into this new opportunity would be useful. Thank you.

Management: As of now, the Cabinet has approved this project. However, the detailed guidelines are still being prepared by the Ministry of New and Renewable Energy. Therefore, I would not be in a position to provide more clarification than what is already available in the public domain. You will have to wait for the guidelines to be issued.

Of course, we are engaging with the Ministry of New and Renewable Energy to see how we can contribute. I am sure PFC must also be engaging with the Ministry of New and Renewable Energy to see how it can contribute. You will have to wait for some more time to see how things develop.

Shreya Shivani – Nomura: And just a follow-up on distribution, specifically the earlier smart-meter program and the technology upgrades taking place there: how much is effectively stuck because smart meters are being rejected by people on the ground while the project is progressing? How much do you think we can optimistically complete over the next couple of years?

Management: The smart-meter program will take some time, as any new initiative does. In particular, anything that increases an electricity bill, or creates the impression that the electricity bill is increasing, will face some resistance. However, one must take into consideration that there are many reasons why bills are rising, most of which are genuine, and very few of which are related to smart meters being defective or anything similar.

We have a provision for installing check meters, and all states are being encouraged to increase the number of check meters they install. We have seen that wherever check meters are being installed, people are generally satisfied that the smart meters are showing the correct picture and that their earlier impressions were incorrect.

Having said that, there is still a long way to go. There is a perception battle that we are trying to address, and we will try to ensure that this perception battle is addressed in a more proactive manner.

Shreya Shivani – Nomura: Can you remind us how much of the smart-meter program was allocated to us in terms of the amount we were supposed to finance, and how much has already been completed for REC's states?

Management: You can send an email. I do not have that data with me right now. I will ensure that you receive the data.

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Shreya Shivani – Nomura: Sure. The other part of RDSS was the technology upgrades that we were undertaking for distribution. How is that progressing?

Management: Thank you for asking that question. Smart meters are not only meant to display consumption. The biggest advantage of smart meters is the data analytics that flow from the entire process. I am very happy to say that there has been a lot of progress on the data-analytics front.

Many discoms have started using the data coming from smart meters. On the one hand, consumers are improving their electricity-consumption habits. On the other hand, discoms are analyzing this data and reducing their AT&C losses very substantially. Theft has come down by a significant amount.

All these factors have helped ensure that the uptake of smart meters continues. Another matter I would like to discuss is the IES concept that REC is promoting—the India Energy Stack. It has already seen some use-case scenarios. I think the media has also seen the use-case scenarios of several initiatives that we rolled out. The positive outcomes of all these end-use cases are very encouraging.

However, we have yet to achieve scale. We are in the process of doing that. You must also appreciate that all this progress in IES has been made in a very short period of time. From being an abstract concept, it has actually been grounded in reality. We have seen actual demonstrations in 4 or 5 utilities, and all the utilities that have seen an actual proof of concept are very happy with the results.

I think we have come a long way in IES in a very short period of time. The entire team deserves a lot of credit for that: the discoms, the knowledge-support partners, my colleagues at REC who have worked very hard, and the developers working very closely with all these teams. We have seen a lot of improvement on the technological front.

Shreya Shivani – Nomura: That is useful, sir. Thank you very much, and all the best.

Operator: Thank you. Our next question comes from the line of Parag Trivedi with India Capital. Please go ahead.

Parag Trivedi – India Capital: Thank you. My question is: I see disbursements on the thermal side. Should we expect this to drive an improvement in lending yields and overall margins? Second, given the longer tenure of these thermal projects compared with renewables, should we expect lower prepayment rates in that segment?

Management: As you said, under the National Electricity Plan, the targeted capacity addition under the thermal-generation capacity plan is 274 GW from a baseline of 215 GW. A minimum capacity addition of 80 GW is included in the plan. Approximately 22-24 GW is under various stages of construction. At the rate of 8.34 crore per MW, the funding requirement for REC would be 1.8 to 2.2 lakh crore.

These thermal projects have a gestation period of 5-7 years. Therefore, the moratorium would be approximately 5 or more years, followed by a long repayment period. The economic life of thermal projects is 25 years. These are therefore long-term projects.

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Basically, state-sector and private-sector entities that have committed FSAs would come to us, and we would be in a position to take them up.

Management: In addition to what our Director Projects said, I would like to add that our major book is in thermal generation, which accounts for approximately 25%. You have rightly pointed out that yields on generation assets are slightly higher, which ultimately contributes to our bottom line and top line.

Recently, we also won another NTPC project, Meja, for which we will disburse about 27,000 crore, probably with Power Finance Corporation. If we join with Power Finance Corporation, half of this amount would be from our side. We continue to try to obtain generation projects, which ultimately contribute significantly to our top and bottom lines. Thank you.

Management: Of the 6.16 lakh crore, 24.7% is in generation, which is around 1.52 lakh crore. We are planning to increase it to approximately 2.5 lakh crore by 2032. We will therefore be looking at [trails off]

Management: the various emerging projects.

Parag Trivedi – India Capital: Thank you, sir.

Operator: Thank you. Our next question comes from the line of Shripal Doshi with Equirus Securities. Please go ahead.

Shripal Doshi – Equirus Securities: Hi, sir. Thank you for the opportunity. My question was on the yield differential between thermal power projects and renewable power projects, and also on the yield in the infrastructure segment. I wanted to understand the yield for these 3 segments.

Management: As we have discussed, the yield on thermal power is definitely slightly higher. However, because of their long gestation period and other uncertainties, there is also higher risk. In the case of renewable-energy projects, the projects are delivered within 1 year, and their returns are more visible and can be forecast more accurately. Therefore, their rates are slightly lower.

In the case of infrastructure and logistics projects, the rates are much higher than those of renewable-energy projects. The rates of infrastructure and logistics projects are definitely lower than those of thermal projects, but much higher than those of renewable-energy projects. Ultimately, the average yield will be a mix of the averages of all 3 segments, which will contribute to our top line.

Shripal Doshi – Equirus Securities: But, sir, what would be the differential, if you could provide a number? For example, if thermal is 10%, would renewable be 8.5% or 9%? I am only looking for the differential, if you can provide some indication.

Management: Sharing specific figures may not be possible because it depends on the promoters, the type of PPAs in place, whether EPC arrangements are in place, and various other factors. Therefore, we cannot say that the rate for renewable energy in a particular segment would be a specific figure. It depends on multiple factors.

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Shripal Doshi – Equirus Securities: Understood. The second question was on the cumulative sanction pool that we have. If we are targeting disbursements of approximately 2 lakh crore to 2.1 lakh crore, I wanted to understand the cumulative sanction pool we have as of today.

Management: Last year, we sanctioned 4.09 lakh crore. We have a committed scope of 2.56 lakh crore. As of now, during the current financial year, we have completed 1.12 lakh crore. We now plan to sanction another 1.7 to 2 lakh crore at least. This is the highest performance among our peers in terms of loan sanctions.

The committed scope is 2.56 lakh crore, of which approximately 65,000 crores are yet to be documented and will be pursued with the borrowers.

As of today, our H1 disbursements are 90,000 crores. We are targeting an additional 1.2 lakh crores to 1.3 lakh crores. This will have to come through renewable energy, emerging infrastructure and logistics, and the Green Energy Corridor, for which the guidelines are currently being prepared.

Our transmission portfolio is currently just over 7%, at 45,000 crores, and we are targeting a major share there as well.

In H2 of this year, across distribution, transmission, renewable energy, and the highly competitive infrastructure and logistics segment, we plan to sanction 1.8 lakh crore, while the balance 1.2 lakh crore is already sanctioned. Overall, we are in a comfortable position to achieve disbursements of 2.1 lakh crore.

Shripal Doshi – Equirus Securities: Understood. I had one confusion regarding the loan-growth guidance for FY27. While we are confident about disbursements, how should that reflect in loan-book growth for the year?

Management: We are looking for double-digit loan-book growth in FY27. We would like to see ourselves achieving somewhere between 10% and 12%. We have already achieved 6%.

Shripal Doshi – Equirus Securities: Right. Lastly, on credit cost: over the last 2 years, we have seen negative credit costs because of NPA resolutions that resulted in provision reversals. However, now that there are no major projects due for resolution, how do you see credit costs moving from here? Our Stage 1 requirement is almost 90-95 basis points, and Stage 2 is also close to 1.4-1.5%. Incrementally, what internal number are you working with, and is there any guidance you would like to provide?

Management: Under the new Ind AS accounting standards mandated for us, we are required to have a scientific ECL, or expected credit loss, policy for the company. We have hired a professional consultant for this work.

As of now, we are providing approximately 1% ECL on our incremental loan book. During this quarter, we disbursed more than—I think—our loan-book growth was about 26,000 crore. Therefore, almost 300 crore of additional ECL was provided.

I would like to say that our loan book is primarily toward the state sector. Therefore, whatever we provide as ECL is practically a reserve-type provision. Over the last 50 years, we have not seen any

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significant mishap or encountered bad assets in the state sector. Therefore, almost 80% of our ECL is a reserve.

Although we have to provide ECL as per the norms, because government norms do not distinguish between government and private assets, you can ultimately appreciate that our ECL relating to government assets is practically a reserve. Therefore, we do not see anything abnormal in ECL or credit cost. As far as provisioning is concerned, straight-line 1% provisioning would continue in the future as well.

Shripal Doshi – Equirus Securities: Understood. Thank you very much, sir, for answering all my questions, and good luck for the next quarter.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Saket Yadav with India Capital. Please go ahead.

Saket Yadav – India Capital: Hi. Sir, am I audible?

Management: Yes, we can hear you.

Saket Yadav – India Capital: Thanks for taking my question. I also want to thank the management for the clear guidance and focus on growth, which is great to see. In terms of the new areas we are exploring, are we actively looking at and funding opportunities, particularly in the battery-storage space, including pumped hydro? Are we also exploring opportunities in areas such as data centers?

Management: Yes, to all of the above.

Saket Yadav – India Capital: Great. One more follow-up question on forex expenses. In the first half of the year, forex expenses were somewhat high given the currency volatility. If the currency stabilizes somewhat, should we expect forex charges to decline significantly in the second half?

Management: As far as forex losses are concerned, we have already taken hits for forex liabilities due for redemption during the year. Therefore, we do not see any new major hit on the forex side. However, currency movements are uncertain, and if something becomes highly abnormal, that cannot be foreseen as of now.

Ultimately, we have already increased our forex exposure hedging to more than $96 per dollar—96% per dollar.

Saket Yadav – India Capital: Understood, sir. That is very helpful. Thank you.

Management: Additionally, Saket, you may be aware that the Government of India and the RBI have taken many steps to stem the depreciation of the currency. According to the latest reports from many prominent institutions as well as international institutions, they do not see any major issues with the currency as of now.

Obviously, many geopolitical issues need to be resolved first. However, currency depreciation is also a source of pain for the country as a whole. The Government of India and the RBI have taken

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many positive steps and continue to monitor the situation. We are therefore quite hopeful that the pain that existed has, to a large extent, already been addressed.

Saket Yadav – India Capital: That makes sense, sir. Thank you very much.

Operator: Thank you.

Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you.

Management: Thank you very much to all the participants who participated in this call and asked very relevant questions to the REC management team. We hope that we answered to the best of our capabilities and to your satisfaction. We look forward to your continued support for REC going forward as well. Thank you to the Equirus team for arranging this call. Thank you very much.

Operator: Thank you very much, sir. Ladies and gentlemen, on behalf of Equirus Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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