



REC Limited | आर ई सी लिमिटेड

(भारत सरकार का महारत्न उद्यम) (A Maharatna Government of India Enterprise)

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लिस्टिंग विभाग, नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड एक्सचेंज प्लाजा, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051	कॉर्पोरेट संबंध विभाग, बीएसई लिमिटेड पहली मंजिल, फिरोज जीजीभोय टॉवर्स, दलाल स्ट्रीट, फोर्ट, मुंबई - 400 001
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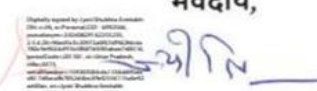
विषय: 29 अक्टूबर, 2025 को आयोजित निवेशक सम्मेलन कॉल की प्रतिलेख।

महोदय / महोदया ,

हमारे दिनांकित 24 अक्टूबर, 2025 और 29 अक्टूबर, 2025 के पूर्व पत्रों के अनुक्रम में और सेबी (सूचीबद्धता दायित्व और प्रकटीकरण आवश्यकताएं) विनियम, 2015 की अनुसूची III के साथ पठित विनियम 30 के अनुसरण में, कृपया 29 अक्टूबर, 2025 को आयोजित आरईसी लिमिटेड के निवेशक सम्मेलन कॉल (समूह बैठक) की प्रतिलिपि संलग्न प्राप्त करें।

यह आपकी जानकारी के लिए है।

धन्यवाद ,

भवदीय,

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

संलग्न : उपरोक्त अनुसार

क्षेत्रीय कार्यालय: बेंगलुरु, भोपाल, भुवनेश्वर, चेन्नई, देहरादून, गुवाहाटी, हैदराबाद, जयपुर, जम्मू, कोलकाता, लखनऊ, मुंबई, पंचकूला, पटना, रायपुर, रांची, शिलांग, शिमला, तिरुवनंतपुरम और विजयवाड़ा

राज्य कार्यालय: वडोदरा, वाराणसी

प्रशिक्षण केंद्र: आरईसी इंस्टीट्यूट ऑफ पावर मैनेजमेंट एंड ट्रेनिंग (आरईसीआईपीएमटी), हैदराबाद



“REC Limited Q2 FY '26 Earnings Conference Call”

October 29, 2025



MANAGEMENT: **MR. JITENDRA SRIVASTAVA – IAS – CHAIRMAN AND
MANAGING DIRECTOR – REC LIMITED
MR. HARSH BAWEJA – DIRECTOR FINANCE – REC
LIMITED
MR. T.S.C. BOSH – DIRECTOR PROJECTS – REC
LIMITED
MR. MOHAN LAL KUMAWAT – EXECUTIVE DIRECTOR
FINANCE – REC LIMITED
MR. PANKAJ VERMA- HOD FINANCE- REC LIMITED
MR. SUPREET PANDYA – DEPUTY GENERAL MANAGER
(FINANCE), REC LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to REC Limited Q2 FY '26 Earnings Conference Call hosted by Elara Securities India Private Limited.

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 an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shweta Daptardar. Thank you, and over to you, ma'am.

Shweta Daptardar: Thank you, Shravani. Good morning, everyone. On behalf of Elara Securities, we welcome you all to Q2 FY '26 Earnings Conference Call of REC Limited.

From the Esteemed Management, we have with us today, Mr. Jitendra Srivastava – IAS, Chairman and Managing Director, Mr. Harsh Baweja – Director Finance, Mr. T.S.C. Bosh – Director Projects, and Mr. Mohan Lal Kumawat – Executive Director Finance. We express our gratitude towards the esteemed team of REC Limited to provide us the opportunity to host this Conference Call.

Without further ado, I now hand over the call to the REC team for Investor Presentation, followed by opening remarks by Mr. Jitendra Srivastava – Chairman and Managing Director, post which we can open the floor for Q&A. Thank you, and over to you, team.

Supreet Pandya: Thank you so much, and good morning, everyone. I shall now take you through to the Investor Presentation for the first Half of FY '25-'26.

Just to inform you all, this presentation is also uploaded on the website of REC and is made available on the Stock Exchanges in compliance of the SEBI norms.

The presentation is broadly covered into six areas, of which the first is "REC overview". As you know, REC began its journey in 1969 to develop power infrastructure in rural areas. From thereon, it has graduated many folds. And in 2022, we were accorded the "Maharatna" status, which is the highest status for any public sector entity. And thereafter, we also forayed into the infrastructure, and logistics sector in India, apart from the entire value chain of the power sector.

We have the highest domestic credit ratings of AAA, international ratings of "Baa3" & "BBB-", at par with the Sovereign Ratings of India. We are a nodal agency to flagship Government of India power sector programs. In fact, we are the first Indian public sector NBFC which is compliant with ISO 31000 Risk Management Framework. We are a major player in the renewable energy segment and creation of India's Green Energy Corridor. We are also one of the strategic players in India's power sector, infrastructure, and logistics sector.

We are a trusted Government of India's arm, where we are supporting Government of India in various flagship schemes, such as RDSS, SAUBHAGYA, late payment surcharge scheme, Consumer Services Ratings of Discoms, and Integrated Ratings of Discoms, Deen Dayal Upadhyaya Gram Jyoti Yojana, NEF, and most recently, the rooftop solar scheme.

We have a diversified asset portfolio across power sector value chain, that is conventional generation, transmission, distribution, renewable energy. And we have also diversified our portfolio into infrastructure and logistics sector as well.

We have won various awards and accolades, and the most recent being we have been awarded the "Best Financial Services Company" by the Dun & Bradstreet. We have also been awarded the "Sustainability Icons Award for Excellence" in ESG initiatives.

To take you through to the financial highlights for the half year:

This half year, we have recorded our highest ever half yearly profits of Rs. 8,877 crores, which is a growth of 19% from the corresponding period of last year. Our total income has increased to Rs. 29,828 crores, that is a growth of 12%. The net interest income increasing to Rs. 10,608 crores, a growth of 15%.

The loan book has reached Rs. 5.82 lakh crores, a growth of 7% YoY. The net credit impaired assets have reduced to 0.24%. And our net worth has reached its highest ever level of Rs. 82,739 crores. The capital adequacy ratio is sitting comfortably at 23.74%, as against the RBI requirement of 15%.

On the Profit and Loss side:

Our half-year profits were at Rs. 8,877 crores, in which the interest income on loan assets was Rs. 28,686 crores, and the net interest income of Rs. 10,608 crores. The total comprehensive income was Rs. 7,081 crores.

The key ratios:

The yield on loan assets for the half year was 10.06%. The cost of funds at 7.17%. The consequent interest spread was 2.89%, and the NIMs at 3.64%. The return on net worth has increased to 22.14%, and the interest coverage ratio is comfortable, 1.62x. The debt-equity ratio or the gearing ratio of the company has improved to 6.07x.

On the operational performance of REC:

We recorded our highest ever half-yearly disbursements of Rs. 1,15,470 crores in this half year, which is a growth of 27% from the corresponding half year of the last financial year. In the Q2 itself, we have disbursed close to almost Rs. 56,000 crores, which is a growth of 18% from the

corresponding quarter of the last financial year. The distribution segment has constituted the largest area of disbursement at 69%, followed by conventional generation at 11%, and renewables also of 11%.

Consequent to such high disbursements, the outstanding loan assets have increased to Rs. 5,82,167 crores as of 30th September 2025, of which the state sector constitutes 86% of the portfolio and the private sector 14% of the portfolio.

On the segment-wise reporting, 27% of our total AUM is in conventional generation, 12% in renewable energy, 8% is into transmission, and distribution constitutes 40% of our total loan book, while the infrastructure and logistics sector constitutes almost 10%.

The borrowings of REC Limited have reached to almost Rs. 5,07,000 crores as of 30th September 2025, which is diversified across all the areas of financing.

To take you through to the asset quality:

Continuously improving the asset quality of REC, the gross NPA have reduced to 1.06%, and the net NPA have reduced to 0.24% as of 30th September 2025. On the NPAs, we have been maintaining a provision coverage ratio of 77%, and on the Stage-1 assets itself, the provision stands at 0.86%, and these Stage-1 assets are roughly 96% of our total asset book.

The Stage-2 assets are about 2.77% of the total loan book, wherein we have created a provision of 2.10%.

The Stage-3 assets or the NPA assets are currently at 1.06%, where the provision of 77% has been created.

We are happy to inform you that as continuous improvement of our asset quality, the Stage-2 assets have been reduced by 52% in this current quarter itself from the last June quarter, where we have recovered a prepayment of Rs. 11,400 crores from Kaleshwaram Irrigation Project, which was a Stage-2 asset till 30th of June 2025.

These remaining NPAs or the credit impaired assets are in advanced stages of resolution. We have total 11 assets, of which 10 are under NCLT, where a provision of 77% is there, and one project worth Rs. 12 crores is also being pursued outside NCLT with a provision of 20%.

Now, to take you through the shareholder outlook:

We have been consistently paying the highest dividend, and in fact, the Board of Directors have approved the second interim dividend for the quarter of Rs. 4.60 per share, which is in addition to the Rs. 4.60 per share which was declared for the Q1 as well, thereby meaning a total dividend of Rs. 9.20 per share for the half year ended 30th September '25.

The earning per share has improved to Rs. 33.71 per share, and the book value at Rs. 314.21 per share.

The shareholding pattern of REC has been given in the presentation, where you can see the PFC holds 52.60% of REC shares, while the FII holds almost 18% of the total equity of REC.

I will quickly take you through the ESG initiatives of REC:

We formalized our ESG policy which was adopted by the Board in January 2023, and most recently in August 2025, we have published our second ESG report, which is referenced to GRI format submitted to CDP responses.

We have taken various ratings from ESG, and in fact, our renewable loan book has grown by more than 3x in 5 years, which gives our commitment of to ESG framework.

In the last few years, we have sanctioned almost 61 Gigawatt plus of renewable energy projects, which have an emission avoidance potential of 71.2 million tons, equivalent to 2.85 billion trees. The ESG and its highlights have also been given in the presentation.

With this, now I will request CMD sir to kindly give his opening remarks.

Jitendra Srivastava:

Thank you so much, Supreet. A warm welcome to my colleagues on the Board, and a very warm welcome to all the investors who have tuned in to listen to our conference call. A very good morning to all of you.

As all of you know, Supreet has just given you the basic statistics with regard to the performance of REC, and I am very happy to declare that the first half of '25-'26 has been very good for REC and for its shareholders. A few notable highlights I would just like to reiterate. They have already been spelled out.

Highest ever half-yearly sanctions of Rs. 2.5 lakh crores, that is almost \$28 billion were sanctioned in comparison to roughly Rs. 3.37 lakh crores in entire last year. So, we are looking at a growth in sanctions of almost 34%, which is fairly large in any terms. Even if you look at actual disbursements, REC recorded its highest ever half-yearly disbursements of Rs. 1.15 lakh crores, which is almost US\$13 billion, which is an increase of 27% over last year's same time.

Our loan book has increased by 7%. We have received pre-payments of almost Rs. 49,000 crores. That is \$6 billion. Had this pre-payment not been received, the growth in the loan book would have been almost around 16% on a year-on-year basis.

Now, let me clarify one thing. These pre-payments that have been received are those pre-payments which have primarily come from our borrowers returning the payment due to internal accruals, and Rs. 11,000 crores have come from the Kaleshwaram Irrigation Project, which has

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ensured that our Stage-2 assets have reduced by almost 52%. So, this we consider as a major achievement,

We are very happy that as at today REC has a committed order book of nearly Rs. 2.5 lakh crores, which will support future growth. We estimate that even if we continue our disbursement at around 9% to 10%, we are confident of getting 11% to 12% loan growth in the coming years.

As all of you know, we have very categorically said that by 2030, our loan book will touch Rs. 10 lakh crores, out of which the renewable sector, we are anticipating it to contribute to 30% of our loan book, which is Rs. 3 lakh crores.

I would like to inform all our investors and our shareholders that we are well on track to achieving this. We are maintaining our steady pace. We are moving up to our target, and we are very, very confident that come 2030, REC will be Rs. 10 lakh crores loan book company.

Continuing this point, REC has recorded its highest ever half-yearly profit of almost Rs. 9,000 crores, which is a growth of almost 19% on a year-on-year basis, and our net worth has grown by almost 14% over last year. Continuing our stakeholder engagement, we are very happy that we have declared the second interim dividend also of Rs. 4.60 per share. This works out to almost Rs. 9.20 per share on a face value of Rs. 10 per share, in first six months of the FY 2025-26.

We are very, very bullish on the power sector. We estimate that almost Rs. 46 lakh crores will be required over the next four or five years towards the entire power sector.

For example, we are looking at the renewable energy capacity going up to 500 Gigawatts, where we are anticipating a market business of roughly Rs. 21 lakh crores. We are looking at additional thermal capacity of 80 Gigawatts, looking at roughly Rs. 5 lakh crores. We are looking at additional hydro capacity of 21 Gigawatts, which is around Rs. 1.16 lakh crores. We are looking at new nuclear capabilities of almost 22 Gigawatts, roughly Rs. 2 lakh crores. New pump storage projects with a capacity of 50 Gigawatts, with an approximate market potential of Rs. 1.85 lakh crores. Battery storage plants of roughly 74 Gigawatts, which is expected to touch around Rs. 1 lakh crores, and corresponding investments in the transmission and distribution, which should roughly aggregate around Rs. 13 lakh crores.

So, even assuming, as we very fondly say, that out of every four bulbs glowing in India, one is financed by REC, which is an indicator of a roughly 20% to 25% market share. Even if we maintain it, we are looking at roughly Rs. 10 lakh crores over the next five years. With our current loan book of around Rs. 6 lakh crores, we feel very confident that we should be able to touch Rs. 10 lakh crores by 2030.

As you know, we are anticipating a huge power demand from data centers. We are anticipating that tariff reforms will keep on happening. We are very confident that payment security mechanisms to ensure that DISCOMs are able to pay power generators on time will only

strengthen over the years to come. The clean energy integration is going to improve further. The battery storage systems, the pump hydro, all of these are going to increase exponentially over the next few years, and these will further reinforce our clean energy integration and in compliance with the net zero achievement goal of 2070.

We are very, very happy that we are partners with the Government of India, Ministry of Power, and we are the national implementing agency for two very, very prestigious schemes: the Revamped Distribution Sector Scheme and the Rooftop Solar scheme, the PM Surya Ghar Bijli Yojana. In PM Surya Ghar Bijli Yojana, we are the single implementing agency for the entire, for the very ambitious program, and this ambitious program seeks to target 1 crores households by 2028. We are very, very happy that so far roughly 17 lakh households have been covered under the rooftop solar scheme. And if you look at the progress in the last six months, that alone accounts for almost 7 lakh households being added to this. So, our progress has been very encouraging in the rooftop solar scheme.

Similarly, in the revamped distribution sector scheme, where we handle 19 states and UTs, we are very happy with the progress of our states, and we are very confident that with the power regulators coming on board, with the state governments paying their subsidies and showing their commitment and renewing their political will from time to time, we are very, very confident that India's power sector is not just growing, it is transforming. At REC, we are proud to be financing this evolution. We realize that we are not just financing projects, we are enabling national priorities.

Our portfolio, which spans generation, transmission, renewables, distribution, aligned itself with energy transition and smart grid initiatives, we are very confident that we will continue to play a significant role in the government's overall objectives.

I would also like to mention that our foray into infrastructure will keep on continuing. We are actively looking at new avenues of growth. Very recently, we have, even as we speak today, we will be signing an MoU with the Ministry of Shipping for investment in the shipping and maritime sector of our country. Similarly, the metros, the ports, the road transport schemes, and the road transport projects, any good infrastructure project which has steady revenue streams is going to be our priority, and we are working very hard with the state governments and with the private sector partners to ensure that we are going from strength-to-strength.

As I conclude, I extend my heartfelt gratitude to the Honorable Minister of Power, the Honorable Minister of New and Renewable Energy, the Honorable Minister of State for Power and Renewable Energy, the Secretary of Power, and all esteemed officials of the Ministry of Power for their steadfast support and visionary guidance. Last but not least, I would like to thank my colleagues on the Board and the wonderful employees of REC who are working very, very hard to ensure that REC meets our expectations and we achieve all our commitments. Thank you so much. Over to you.

- Supreet Pandya:** We can now open the floor for Q&A, please.
- Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Abhijit from MOFSL. Please go ahead.
- Abhijit:** Sir, I just wanted to ask you two questions. One is, I mean, this Kaleshwaram Project, right, very clearly, it is a good thing that we have received given that it was a Stage-2 asset. But when we guided for the 12% growth in FY '26, loan growth of 12% in FY '26, was this factored in? And now that task rate for the second half is much higher, are we confident that we will be able to deliver on the guidance, or is there a reason to believe that the growth will actually be lower than what we had guided at the beginning of the year?
- Jitendra Srivastava:** Yes, so you said you will be asking two points. I am assuming that is only one.
- Abhijit:** Yes, sir. So, I can maybe complete the second question as well. The other thing I wanted to understand is, I mean, on and off we keep hearing that both Hiranmaye Power as well as Sinnar Thermal are in advanced stages of resolution. So, is there a case that any of these two could get resolved in the current quarter? So, basically, what I am trying to understand is if you could briefly share what is the status of resolution in some of the stressed assets for us. Those two questions.
- Jitendra Srivastava:** So, I will answer them first. Yes, we are very happy that almost Rs. 11,400 crores from Kaleshwaram has come back to us, reducing our stressed assets in the Stage-2 category to almost Rs. 16,000 crores, which is a reduction of roughly 52% in our Stage-2 stressed assets.
- And to your second part, whether we are still confident of achieving a growth rate of 11% to 12%, absolutely. We have already done disbursement of Rs. 1.15 lakh crores. That is with a prepayment of almost Rs. 12,000 crores from Kaleshwaram. So, this growth that you see is with the prepayment, and we honestly don't foresee too many prepayments coming in the remaining two quarters. And if we continue to maintain our disbursements, and we are fairly confident of that, I don't see any reason why we should not touch 11% to 12% by the end of this financial year.
- With regard to the second question on Sinnar progress, I will request my Director of Finance to just update you on the Sinnar project.
- Harsh Baweja:** As you know that we are in the process of becoming a net zero company by the Financial Year '26, so we expect that these main assets, that is Sinnar and the Hiranmaye, these will be resolved by the year, by Q4. These are at the advanced stage of resolution. Hiranmaye, the outcome of the final hearing is to come in this quarter, Q3 only, Hiranmaye is now with the Supreme Court, judgment is to come from the Supreme Court, and that will take place. And we are confident that all assets, around 11 or 12 assets, are there, that all will be resolved in the Financial Year '26.

- Abhijit:** And sir, just one follow-up question. Sir, you said that you do not foresee too many repayments coming in in 2H, in the second half. What makes us think that? Because the first half, as you acknowledge, prepayments were particularly elevated. You shared in your opening remarks that they have prepaid almost Rs. 49,000 crores in 1H, including the Rs. 11,000 crores from Kaleshwaram, and predominantly out of their own internal accruals. So, don't you think this trend of higher prepayments could sustain in the coming quarters as well?
- Harsh Baweja:** You will appreciate that out of the Rs. 49,000 crores, the major have come from the Kaleshwaram. That is around Rs. 12,000 crores. And then Rs. 10,000 crores has come from the RBPF scheme of Andhra Pradesh and Telangana. What they have done, they have availed a long-term loan from us, and they have prepaid this extraordinary amount to REC. So, this is 12 plus 10,000. It is around Rs. 22,000 crores have received on these accounts. These are the one-time scenario. And rest is the Adani - they have made a pre-payment of around Rs. 3,000 crores. That is, again, since their headroom was not there for further sanctions, they have submitted some of the new schemes to us, and that is why they have prepaid us. It is around Rs. 20,000 crores, which has come from the RBPF scheme, where the scheme in itself says that any DISCOM having the surplus cash available may make pre-payment to us, and thereafter, they can avail the funds as and when required by them. And that activity will keep on going. So, other than RBPF and the balance payment of the Kaleshwaram, we don't expect much of the pre-payment coming up in the Quarter 3 and Quarter 4.
- Jitendra Srivastava:** I would just like to supplement this figure. We must, I must, you must realize that we have a committed order book of nearly Rs. 2.5 lakh crores. And if we look at previous year pending sanctions also, which have yet to translate, the actual kitty which we are looking at for disbursement is much more than that.
- So, we are very confident that, yes, our pre-payments will be controlled. We don't anticipate any major pre-payments apart from the ones which Director Finance has just mentioned. So, even after factoring those pre-payments, we are fairly confident that we should be able to achieve a growth of 11% to 12%.
- Abhijit:** This is very useful, and I wish you and your team the very best.
- Moderator:** The next question is from the line of Kushagra Goel from CLSA. Please go ahead.
- Kushagra Goel:** So, first question is that there was a draft amendment by RBI in which they were proposing to lower capital requirements for lending to high-quality infra projects. So, just wanted to know your thoughts on this. How can this benefit us, or can this lead to higher competition? That was one.
- Second is on your margins. So, just wanted to understand that as RE shares will increase in our books, can that lead to lower margins for us? How should we broadly think about that? Those are my two questions.

Harsh Baweja: First of all, as far as the RBI guidelines have come, these are at the draft stage, and these guidelines are good for us. We are also submitting our comments to the RBI. And we have seen in the past also that whenever the final guidelines are issued, they are generally issued much refined and if you see that these guidelines basically have come as a replacement of the earlier PPP guidelines which were in place. So, these guidelines are in a much better shape. And we expect feedback from many of the institutions, in that case, we can expect that these guidelines would be in a much better shape.

And as regards your second question was regarding the renewable portion, yes, we expect that renewable portion will increase. But similarly, we are expecting that the share of distribution and the generation will also keep on increasing. If you see that as of now, my renewable share is around 12% out of a loan book of Rs. 5,82,000 crores. For example, if it touches around Rs. 10 lakh crores and my renewable share gets increased to 25%, that is not going to affect since by that time, my net worth would be around, from as of now, it is around Rs. 82,000 crores, which may touch around Rs. 1,40,000 crores. So, we would be able to maintain our NIM between 3.5% to 3.75% and a spread between 2.75% to 3.5%. Since whatever the benefits passed on due to the competition in the renewable sector, some of that may compensate from the growth of the net worth, as well as from the new business, which is a higher billing business that is coming from the generation and the distribution sector.

Moderator: The next question is from Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: So, the question was particularly on margins for this quarter and in terms of the overall cost of funds. So, the borrowings have remained flat, or it has come off marginally on a quarter-on-quarter basis, but still, the finance cost is up quite a bit. So, not able to get in terms of the increase in the cost of funds during the quarter wherein we would have seen some benefit of repricing of the liabilities. So, if you can just highlight that, yes.

Harsh Baweja: As far as my borrowing cost is concerned, that has increased a little bit, since that is all because of some of the risk mitigation measures which we have taken in respect of the foreign borrowings. Because of the volatility, we had to take some of the measures that have added to the cost.

Further, as regards my borrowing cost, almost 80% to 85% is of the fixed cost nature. So, generally, out of that, only 20% redeemed in a year, and all the loan gets redeemed over a period of five years. So, that affects borrowing cost in the years to come, not immediately affects my borrowing cost. So, because of this, the extra measures which we have taken and the fixed nature of my borrowing, this has just increased from 7.12% to 7.17%.

Kunal Shah: So, for the quarter, it would still have been higher. It would have been like, say, 10, 12 bps increase. This is for the first half which you are indicating.

Harsh Baweja: Yes.

- Kunal Shah:** And in terms of this, so, this was largely maybe on this Rs. 1,55,000 crores of foreign currency borrowings. Was there some risk, maybe some cost which was incurred on the hedging? And now, when we look at it in terms of the overall hedge, out of this Rs. 1,55,000 crores, how much is hedged and how much is unhedged?
- Harsh Baweja:** As far as my hedging for this foreign borrowing portfolio is concerned, almost 99% is hedged, which is as per the RBI guidelines.
- Kunal Shah:** So, maybe what was the cost incurred towards what you mentioned, like maybe in terms of optimizing the foreign currency borrowing, which led to increase in the cost? So, what was that cost related to?
- Harsh Baweja:** I can say that in terms of the paisa, it is around Rs. 0.08 to Rs. 0.10, which has added to my cost of borrowing.
- Kunal Shah:** No, I was just checking in terms of the nature, yes.
- Harsh Baweja:** That's all because of the increase in the protection level which we have taken. We have taken a seagull based hedging. So, in that case, we have increased the EKI level so as to give us more protection against any of the volatility which is happening in the international market.
- Kunal Shah:** And secondly, if you can quantify based on, obviously, you are expecting a lot of resolutions coming through in the second half towards all the NCLT cases, even though the quantum is still like Rs. 6,000 crores. But eventually, when we look at it, what could be the repayment run rate which we can expect over the next couple of quarters and for the second half?
- Harsh Baweja:** Repayment or the pre-payments? You are asking about the repayment?
- Kunal Shah:** Pre-payments, yes. Both put together in terms of the expectations.
- Harsh Baweja:** Actually, every month we have a repayment of around Rs. 8,000 crores to Rs. 9,000 crores. That is a regular repayment. And other than that, we have the pre-payments on account of the RBPF, which I have just mentioned. The characteristic of the scheme itself permits that borrowers can always make a pre-payment whenever the cash surplus is available with them. And thereafter, they again seek further funding from us whenever they need the fund. So, that will continue to happen in our portfolio.
- But for the rest of the things, we are not expecting much of the pre-payment except what we have just said in the beginning of our conference. That is coming from the rest of the amount from Kaleshwaram i.e. around to the tune of Rs. 5,000 crores. And I don't think that other than that, that is anticipated, another Rs. 5,000 crores more per quarter may come.
- Moderator:** The next question is from the line of Shreepal Doshi from Equirus. Please go ahead.

- Shreepal Doshi:** Sir, firstly, just wanted to have some clarity on this Kaleshwaram Project total exposure. And with respect to incremental pre-payments, all of it would be received in Q3 itself, or that can get, let's say, split into two, three quarters sort of a time period?
- Harsh Baweja:** Kaleshwaram total outstanding was around Rs. 17,000 crores, of which Rs. 11,400 crores have already been received. Rest, since it is a space to assess, and we have always focused on the quality of the assets, so that is why we have recovered this much amount from the Kaleshwaram, and that has gone into some kind of litigations also. So, it is good in the interest of the company that we get the prepaid for that. That is why we decided to accept the prepayment for the Kaleshwaram loan. And we expect that the rest of the amount may come in Q3 and Q4. But it is good for the company that the Stage-2 assets get lowered.
- Shreepal Doshi:** And sir, how much of it, like from the provisioning point of view, this quarter we would have benefited because it was Stage-2 and we were carrying higher provisions? So, how much of the provision got reversed or released because of this prepayment during the quarter?
- Harsh Baweja:** That was not much of the amount, since the project was secured against the government guarantee. So, it was not a very significant amount which got reversed because of this prepayment.
- Shreepal Doshi:** The second question was pertaining to the cost of fund. So, the India sovereign rating has also improved in the last six months sort of a time period. So, have we seen any benefit to us for our foreign borrowing plans?
- And secondly, you said that 99% of our foreign borrowing is hedged. But to what level of rupee against the dollar is it hedged? So, let's say if rupee goes to 90, what is the kind of implication that we can have in the P&L? So, these were the two questions pertaining to the borrowing side.
- Harsh Baweja:** So, first you have said about the cost of borrowing.
- Shreepal Doshi:** Yes, because India's sovereign rating has improved. So, any benefit that we are seeing? And if yes, then how much are we seeing in terms of our foreign borrowing?
- Harsh Baweja:** For example, in case we go for the international borrowing or if we go for raising fund through the bond, then that gives us little benefit. Anyways, we are already at the highest level of the sovereign rating, so that is not going to give us any significant additional benefit out of it. And second question was regarding the hedging limit.
- Yes. For the different kind of loans, we have a different limit. And as of now, against the dollar, we are very well within the limit.
- Shreepal Doshi:** So, is it fair to assume that up to, let's say, Rs. 89, 90, we would be better? And if it breaches that level, there could be implications in the P&L?

- Harsh Baweja:** Up to Rs. 90, there should not be any issue. We are hedged much beyond that. We are hedged to beyond Rs. 100.
- Shreepal Doshi:** That would be for the fresh borrowing that we would have done in the last three months sort of a time period. Is it fair to assume that way?
- Harsh Baweja:** The fresh borrowing which we have taken, if it is for one year, then that is coming at around 95 or 96. And if it is for five years, that is much beyond the 100. So, that is not a question. The ECBs, which are maturing in Q3 and Q4, I was talking about that. So, as far as against dollar is concerned, as on date, there is no question. Let's see. We are always a proactive treasury management system. So, we always take advanced action in case if any problems we anticipate that is going to come.
- Moderator:** The next question is from the line of Chintan Shah from ICICI Securities. Please go ahead.
- Chintan Shah:** Firstly, again, on the growth front, so basically in terms of competition, given that we have a 20%-25% market share and the potential market size is quite huge, but after the repo rate cuts, are we seeing the competition increasing, particularly from PSU banks or from government institutions like NaBFID or any other type of institution and that could potentially lead to some pressure on the yields going ahead? And have you revised any card rates in the last six months or so? That is the first question.
- Harsh Baweja:** We had reduced card rate in the month of May. And somewhere you will have to understand that we are also in the business. And what is evident is that our disbursement has grown substantially during the Q1 and Q2. So, that is an evidence that we are very much proactive in the market, and we are very much competitive in the market. So, on that front, you need not to worry. And we expect that the competition will come as far as the renewable sector is concerned from the market and there, our rates are the lowest in the market.
- As far as the other sectors are concerned, REC and the PFC majorly will lead. And we already have the share of around 20% to 25%. We will continue to maintain that share. 20% to 25% share of REC and PFC each.
- Chintan Shah:** That is helpful. And sir, just one thing again on the borrowing cost front. So, if, for example, there is a 3%, 4% depreciation in the USD/INR in a particular quarter or so, then potentially will that result in some rise in our hedging costs again? So, like from 90 to 93, if it goes in the next two, three quarters or so, so that would again lead to some rise in our hedging costs. Is that a fair assumption?
- Harsh Baweja:** Actually, in that case, suppose if we have taken funds in the past, we don't have a protection level up to 90. There may be a protection level of 92, 93, or 95 also. So, ultimately, as each transaction is maturing on the day, we have to decide what kind of action we have to take. So, our action starts even one month prior to that. So we see the trend, and on that basis, we decide

whether we have to increase our EKI limit or not to increase our EKI limit. This all depends on merit.

Chintan Shah: But just if there is some random movement of 3% or 4% in a particular month or so, that could lead to some rise in the hedging costs. So, that is right.

Jitendra Srivastava: I think that would be a random movement. The kind of random movement you are talking about will need an apocalypse. So, you cannot plan for an apocalypse.

Chintan Shah: Fair enough. That's it from my side.

Moderator: The next question is from the line of Avinash Singh from Emkay Global Financial Services Limited. Please go ahead.

Avinash Singh: Questions around growth, I mean, the guidance broadly for the next five years looks kind of very, very clear. But if we were to see the growth trend, particularly in the segment like conventional generation, your large part of, I mean, if I see your borrower category here in the state utilities, but there, despite whatever NEP targets and all, the momentum as far as the new thermal power in the state sector is concerned, the state utilities, it is very, very slow. Now, there if you see this trend continues, do you see your conventional generation, disbursement or AUM growth reviving? Because that is right now very, very anemic.

And the second, if you can help, the transmission, that's a kind of a small portion of your book, but that has also declined. I can understand the infra and logistic part is largely due to Kaleshwaram, but yet transmission has also declined. So, what is going on there?

Lastly, your state and private mix has now gone to 86/14 because the private part, particularly led by renewables, is going faster, which is kind of lagging. To what level you will be comfortable in this kind of AUM mix between state and private?

Jitendra Srivastava: I will take your last question first. We don't plan exactly when we look at what would be a comfortable government or private. We don't go by the nature of the borrower. We go by the nature of the project and its potential to deliver well. So, we fund irrespective of whether it is a government project or a private sector project. So, I hope that answers your question. As long as it's a good project, it gives you a good revenue stream, we will fund it. We will keep on funding it irrespective of whether it is a government project or a private sector project. That's the first part. What was your second part? I am sorry, I don't recollect your question. Could you just repeat it shortly?

Avinash Singh: Second part is that what is happening there in the transmission, your transmission part of your book, because that is also seeing decline. Because Kaleshwaram would be sitting under infra and logistics, if I am correct. So, what is leading to this decline in transmission? That's my second question.

And third, of course, how do you see a state utility level commerce project, conventional generation project picking up? Because they are quite slow and running much behind whatever we are envisaging in NEP 2032.

Harsh Baweja: If you see my entire data, the generation sanctions have increased which was Rs. 53,000 crores in H1 '25, it has increased to Rs. 1,13,000 crores. Similarly, transmission has increased from Rs. 13,000 crores to Rs. 14,000 crores. Renewable, this time we have sanctioned around Rs. 45,000 crores. Distribution has increased from Rs. 36,000 crores to Rs. 71,000 crores. This is an evidence that the regular business is flowing and we are not seeing any kind of challenge in taking up these projects by the state sector since these projects have come with the DPR and these have been duly appraised. And the projects which have come up for sanctions will be definitely implemented by the states or the private sector, wherever it is.

Avinash Singh: And sir, what explains this decline in transmission AUM?

Harsh Baweja: It is not a decline. Last year, H1, we had sanctioned Rs. 13,000 crores. This time, we have already sanctioned H1 Rs. 14,000 crores. So, it is not a decline. As far as the disbursements are concerned, sometimes what happens that some of the disbursement in distribution schemes takes place at the early phase, whereas in transmission, it takes at a later phase. So, that might be the reason for that, but it is business as usual.

Avinash Singh: No, I was talking of loan book. I mean, loan book has been nearly Rs. 49,000 crores last year. This year, right now, it's Rs. 44,000 crores, yes. So, nearly a 19% decline there, loan book. That is what I was talking about.

Harsh Baweja: Oh, it is just because, see, those are seasonal fluctuations. You should be worried if there are sanctions or not. That is a matter of worry. And if you look at our sanctions, in H1 FY '24-25, it was 53,879 crores, let's say roughly 54,000 crores. It has gone up in H1. It has gone up to Rs. 1,13,000 crores. So, you are looking at almost a 45% growth in sanctions in generation.

Moderator: The next question is from the line of Nikhil Nigania from Bernstein. Please go ahead.

Nikhil Nigania: My first question is on the DISCOM debt side. There have been murmors that the DISCOM debt has become quite large. So, any chance of restructuring or any discussions on debt restructuring for DISCOMs that are happening? And if it does, what are the consequences you see for that debt being transferred to the state government or any risk of a rate cut which we might have to take? If you could please answer that.

Jitendra Srivastava: So, I will just come in from the first part. As far as debt is concerned of DISCOMs, primarily six states account for a huge amount of the debt. I think it is UP, Karnataka, Tamil Nadu. I am forgetting the names of the states, but primarily it is concentrated in six states. And Government of India is working for a debt restructuring package that is in the process of development. And I think consultations are at an advanced stage.

So, it would not be proper for me to comment on this until something more concrete has come out. But let me assure you that whatever is finally taken, I think a better balance sheet on the distribution sector will only yield better results for us because then CapEx can really take off. Once the debts are cleared, the CapEx of DISCOMs will really take off. And that is when I think other indices like electric supply, reliability of supply, hours of supply, quality of supply, all these things will go up. So, I think it is a win-win situation we are looking at here. The specifics are still not very clear. It is under at a higher level of discussion. So, I hope that answers your question.

Nikhil Nigania: Appreciate that response. Just one follow-up to that. Do you see any risk of our spreads being asked to be compressed on the DISCOM debt side due to this?

Jitendra Srivastava: I think that is a matter for the future. Let us take that call as and when it comes. It would not be proper for me to speculate on this.

Nikhil Nigania: Appreciate that, sir. The second question I had was on the project financing norms. Now that they have come into play, was that the impact we saw in the provisioning this time, or is that something we will see in subsequent quarters?

Harsh Baweja: Actually, that is coming into effect from the 1st of October. It is not going to have much of the effect on the balance sheet for the Financial Year FY '26. That will be applicable on the new project sanction and to be documented post 1/10/2025. So, that is not going to make much of the effect on my balance sheet for the Financial Year '25-'26.

Jitendra Srivastava: And also I would like to mention that these provisioning norms are applicable for everybody. So, it will affect everybody equally. So, I don't think that should bother us too much.

Moderator: The next question is from the line of Saket Jadav, India Capital. Please go ahead.

Jitendra Srivastava: I think we can take the next person.

Saket Jadav: Sorry about that, sir. Thank you for the clear updates, and thank you, CMD, sir, for laying out the long-term vision so clearly. My question was primarily on asset quality. Apart from the one account, Kaleshwaram account, where we have received the repayment, the other Stage-2 assets, do you foresee, does the company foresee any risks over there, or are they largely contained?

Harsh Baweja: No, we don't see any kind of risk associated with them. In some of the cases, that is Teesta Urja and the O2 Power, these two cases are concerned, they have been regularly making the payment. In the case of O2, their rating was not available, that is why we have placed it in the Stage-2. And as far as Teesta Urja is concerned, that is a restructured asset. TRN is again a restructured asset. So, as per the RBI provisions, we have to keep it in the Stage-2.

And for the rest of the assets, these are the government projects where we are regularly getting the repayments. Sometimes what happens, it goes beyond 30 days, so that is why we have to place it in Stage-2. But we are not seeing any kind of challenge or any kind of difficulty in recovering these amounts.

Moderator: The next question is from the participant, Harshit Toshniwal from Premji Invest. Please go ahead.

Harshit Toshniwal: Sir, the question was regarding the privatization of DISCOMs. So, we have in UP government, specifically, for example, the first stages there were probably it's on the tender and two out of the six DISCOMs will be privatized. Now, sir, if I look at the trend, as you said, that if DISCOM balance sheet improves by government help and it remains a government entity, till then it is beneficial for us.

For example, if it gets privatized, then the private player will not seek debt from us. He will want to seek debt at a much better rate from the other financial institutions. Now, in that case, what is the risk you envisage that still 40% of your AUM is through distribution companies? If the trend of privatization happens at a much faster pace in the next five to six years, is it a risk that you foresee to your Rs. 10 lakh crores AUM target? How should we look at that?

Jitendra Srivastava: What makes you think a private DISCOM will not come to REC for funding? And what makes you think we will not be in a position to give them competitive rates? And if you are scared that we will lower our interest rates too much, let me assure you that while our rates will remain competitive, it is not just rates that come into factor when you are deciding a loan portfolio.

There are 'n' number of other conditions, pre-disbursement conditions, post-disbursement conditions, which also come into play. So, all these are taken into account by the borrower before he takes the final call on his borrowing. It is not just a single variable of interest rate. So, I would urge you not to pay too much importance to just interest rate. Yes, it is an important determinant. But like I said, there are other conditions which are equally important. So, I honestly don't think even with private DISCOMs coming in, we will have too much of a problem.

Harshit Toshniwal: But sir, the point was that, for example, if it's a Tata and if they are running a particular DISCOM, then will their propensity to take debt, so obviously rates being one of the factors because of the fundamental balance sheet of that DISCOM being much better and it being a private player, do you think the competition in that segment increases and that creates some pressure for us? I am seeing more economically, say, if it is a Tata Group on the other end, how will they decide on the selection of the lender?

Jitendra Srivastava: That is a question which you will have to ask Tata Group, not REC.

Harshit Toshniwal: Right. But if I can ask you, sir, that in your assessment.

- Jitendra Srivastava:** My request is let us not enter into a debate on this. I have said what I wanted to say. I hope you will appreciate that I have been more than candid, and I would request you not to speculate on this too much.
- Harshit Toshniwal:** Okay, sir.
- Jitendra Srivastava:** Privatization is a thing which is going to happen or may happen, may not happen. What are the pitfalls? We are presuming privatization will be good. There could be pitfalls there. A lot of issues are there. Let things unfold. Let us not put the cart before the horse.
- Moderator:** The next question is from the line of Piran Engineer from CLSA. Please go ahead.
- Piran Engineer:** If you could tell us what is your Stage-2 number as of September 30th?
- Harsh Baweja:** Total are of Rs. 16,112 crores, of which AP Rayalseema is Rs. 740 crores, TSWRIDC is Rs. 9,700 crores, Teesta Urja is Rs. 3,300 crores, TRN Energy Rs. 1,000 crores, and XL Xergi - O2 Power is Rs. 1,200 crores. So, total is around Rs. 16,000 crores, and we are getting regular repayments from them.
- Piran Engineer:** And the last quarter, it would be Rs. 28,000 crores because Kaleshwaram.
- Harsh Baweja:** Last quarter, it was Rs. 33,000 crores.
- Piran Engineer:** 33?
- Harsh Baweja:** Yes.
- Piran Engineer:** And sir, just on this Kaleshwaram thing, how did they resolve the project? Was it moved to the state government? Like who took over the debt?
- Harsh Baweja:** Actually, we are concerned with our repayments, and the state government is making repayment to us. That is good for us. How they are making the payment, how they are making the things good for them, it is up to their business. We are getting regular payments for that, and that is good for us since the project is subject to many litigations as of now.
- Piran Engineer:** Yes, that was it from my end.
- Moderator:** The next question is from the line of Shreepal Doshi from Equirus. Please go ahead.
- Shreepal Doshi:** My question was pertaining to the pricing. So, when we say that we are focusing on projects where there is government.
- Sir, my question was on pricing. So, when you say that we are focusing on projects where there is steady cash flow and also where there is state government involvement, are we not facing any

competition there from banks? And what sort of pricing or spreads that we believe can play out in such projects?

Jitendra Srivastava: So, let me put it this way. I mentioned this to a previous person. I am forgetting his name who had asked this question. See, when a person takes a decision to fund a project, we look at the IRR of the project, number one. We look at the credentials of the promoter or the state government or the entity, as the case may be, whether it is a private or a state government entity. We look at the government guarantee or lack of it. We take that into consideration.

But having said this, the borrower also, apart from the interest rate, looks at ease of delivery, ability to decide fast, ability to take decisions based on peculiar conditions which they are facing, ability to relax conditions to suit their interest. I think REC scores very high on all these other parameters. That is not to say that we don't compete on the interest rates. We compete on that also. I think overall we are a good package.

Shreepal Doshi: That answers my question.

Moderator: The next question is from the line of Uma Menon from Bernstein. Please go ahead.

Uma Menon: One thing that I wanted to get clarity on was the increase in the provision expense during this quarter. If you could just break down or break it down on what were the factors for that expense and how much was the reversal from Kaleshwaram.

Harsh Baweja: As far as the regular disbursements are concerned, we have made a provision of Rs. 371 crores in the half year, that is for the half year. And some reversals have taken place because of the re-ratings of the borrowing agencies of Rs. 561 crores. Then LGD change is minus Rs. 101 crores. Then delay in COD, we have made an extra provision of Rs. 106 crores. Then reversal on account of TRN Energy, that was Rs. 272 crores. So, overall, for H1, it is minus Rs. 490 crores.

Moderator: Thank you. Due to time concerns, we have to come to an end of the question-and-answer session. I now would like to hand the conference over to the management for the closing comments.

Jitendra Srivastava: I would like to thank all of you. We feel proud that we are able to deliver, and we are happy that your questions came. We are very impressed by the quality of the questions also. And we look towards your questions also as possible indicators or as correction strategies. And I think we could not take four people who were in the queue. So, we will appreciate it if you could just email us your questions, and we will get back to you. And feel free to reach out to us for any other queries you might have. And thank you one and all for taking part in this Con Call. We are happy to be of service, and we hope to continue performing like this over the next two quarters also. Thank you so much.

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