

14 May 2025

## Re-rating triggers spent

Rural Electrification Company's (RECL IN) Q4 earnings were underwhelming. A high base and higher repayments dented growth but one-off recoveries lifted NII. Benefits from recoveries in two accounts were neutralized by increased Stage 2 provisions on certain accounts. While growth guidance has been lowered to 12% annual, select renewables, sizeable generation project pipeline and RDSS-led distribution disbursements should continue to aid traction. Nimble liability management continues to support earnings profile. RECL now is a steady compounder. While we maintain BUY on modest valuation, we prefer HUDCO (Buy; TP: INR 361), which offers high growth with high RoE potential.

**Q4 earnings underwhelming; EPS estimates cut slightly on lower growth:** Cost savings offset elevated provisions, thus boosting PAT to INR 42.36bn (up 5% each QoQ/YoY). The rise in PAT was also an outcome of higher NII (up 21.1% QoQ /37.6% YoY) led by one-off element (KSK Mahanadi recoveries at INR 9.76bn). Excluding this, NII would have been flat. NIM crossed 3.63% (up 6bps YoY) in FY25 and RECL is confident that healthy margins will be maintained at 3.6-3.75% in FY26, primarily led by low cost from ECBs (33-34% of borrowings). But loan growth trends have decelerated below 15%. So, we pare FY26E-27E EPS 0.8-2%.

**High base, high repayments dent growth:** Loan book stood at INR 5.6tn, up 11.3% YoY but flat QoQ due to elevated prepayments, including INR 370bn from Maha DISCOM, Adani and RBPF-linked loans. STL/MTL and Renewables grew 14% and 11% QoQ, respectively, shifting the mix toward Renewables (10.2% versus 9.3% QoQ). Disbursements were INR 455.4bn, down 16.7% QoQ but up 15.7% YoY. Renewable disbursements grew 36% QoQ, while Transmission rose 221% QoQ on a low base. YoY growth was led by Generation (+79%), Distribution (+65%), and STL/MTL (+40%). Sanctions were strong, with no RBPF exposure, supporting future growth. Growth outlook is buoyed by ramp-up in thermal disbursement, large RE sanction conversions, and RDSS-related capex. AUM growth of 12% will be supported by initiatives that promote early project completion and refinancing.

**Robust recoveries – Trend sustained:** GNPA fell to 1.35% (2.71% last year) and NNPA to 0.38% (from 0.9%), led by INR 34bn in stressed asset recoveries and resolution of five projects worth INR 60bn in FY25. Of 16 NPAs, five were resolved (~71% recovery) and 12 remain (11 in NCLT: INR 60bn, 77% provisioned; one outside NCLT: INR 15bn, 50% provisioned). PCR is ~72%. Stage I and II provisioning rose from 60bps to 132bps. Outlook is stable with no material new stress. RECL is targeting net zero NPA by FY26 (expect INR 8-10bn recovery from resolution pipeline).

**Reiterate BUY on downward NPA cycle:** We pare ESP estimates by 0.8%/1.9% for FY26E/27E, on lower growth. We introduce FY28. Growth run-rate has slowed on a high asset base and recoveries. Healthy NIMs continue to aid earnings. RECL is now a steady compounder with long-term growth of 12% and RoE of 18%. While we maintain BUY on underlying sectoral trends and NPA downcycle, we do not see a major re-rating trigger. So, we maintain BUY, valuing RECL at 1.5x FY27E P/ABV for an unchanged TP of INR 650. Prefer HUDCO over RECL.

YE March	FY24	FY25	FY26E	FY27E	FY28E
NII (INR mn)	164,608	198,914	221,367	252,988	281,401
YoY (%)	9.0	20.8	11.3	14.3	11.2
PPoP (INR mn)	164,223	208,792	236,962	267,161	293,911
YoY (%)	18.5	27.1	13.5	12.7	10.0
PAT (INR mn)	140,192	157,132	175,829	193,001	211,425
YoY (%)	26.8	12.1	11.9	9.8	9.5
EPS (INR)	53.2	59.7	66.8	73.3	80.3
Core RoE (%)	22.2	21.5	20.3	18.4	16.9
RoA (%)	3.0	2.9	2.9	2.9	2.8
P/E (x)	7.3	6.5	5.8	5.3	4.9
P/ABV (x)	1.6	1.4	1.1	0.9	0.8

Note: Pricing as on 14 May 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 650**

Upside: **66%**

CMP: **INR 390**

As on 14 May 2025

### Key data

Bloomberg	RECL IN
Reuters Code	RECM.NS
Shares outstanding (mn)	2,633.2
Market cap (INR bn/USD mn)	1,058/12,396
EV (INR bn/USD mn)	6,014/70,470
ADTV 3M (INR mn/USD mn)	3727/43
52 week high/low	654/357
Free float (%)	47

Note: as on 14 May 2025; Source: Bloomberg

### Price chart



Source: Bloomberg

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Shareholding (%)				
Promoter	52.6	52.6	52.6	52.6
% Pledge	0.0	0.0	0.0	0.0
FII	20.4	21.2	21.7	20.4
DII	14.8	14.4	14.1	15.0
Others	12.2	11.8	11.6	12.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	6.7	4.3	11.2
REC	(1.9)	(21.0)	(22.5)
NSE Mid-cap	8.1	3.0	10.3
NSE Small-cap	5.5	(5.1)	5.1

Source: Bloomberg

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## Financials

Income statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
NII	164,608	198,914	221,367	252,988	281,401
Other income	679	685	603	628	653
<b>Gross Income</b>	<b>172,649</b>	<b>218,446</b>	<b>247,560</b>	<b>280,295</b>	<b>309,817</b>
Operating expenses	8,426	9,655	10,598	13,134	15,906
<b>PPOP</b>	<b>164,223</b>	<b>208,792</b>	<b>236,962</b>	<b>267,161</b>	<b>293,911</b>
Provisions	(13,584)	10,194	2,084	9,345	11,484
<b>PBT</b>	<b>177,806</b>	<b>198,598</b>	<b>234,878</b>	<b>257,816</b>	<b>282,427</b>
Tax	37,614	41,466	59,048	64,815	71,002
<b>PAT</b>	<b>140,192</b>	<b>157,132</b>	<b>175,829</b>	<b>193,001</b>	<b>211,425</b>

Balance Sheet (INR bn)	FY24	FY25	FY26E	FY27E	FY28E
Capital	26,332	26,332	26,332	26,332	26,332
Reserves and Surplus	655,915	744,464	920,293	1,113,294	1,324,719
<b>Net worth</b>	<b>687,832</b>	<b>776,380</b>	<b>952,209</b>	<b>1,145,210</b>	<b>1,356,635</b>
Borrowings	4,456,142	4,962,893	5,467,081	5,947,106	6,475,451
Other liabilities	330,431	396,283	341,559	418,238	532,035
<b>Total Liabilities</b>	<b>5,474,404</b>	<b>6,135,555</b>	<b>6,760,850</b>	<b>7,510,555</b>	<b>8,364,121</b>

Fixed assets	6,302	6,264	14,208	19,779	25,693
Loans	4,991,921	5,590,881	5,825,833	6,416,581	7,069,904
Net Current Assets	369,065	420,379	641,296	694,499	752,843
Other assets	107,116	118,032	279,513	379,695	515,682
<b>Total Assets</b>	<b>5,474,404</b>	<b>6,135,555</b>	<b>6,760,850</b>	<b>7,510,555</b>	<b>8,364,121</b>

Per Share data & Valuation Ratios	FY24	FY25	FY26E	FY27E	FY28E
EPS- (INR)	53.2	59.7	66.8	73.3	80.3
BV (INR)	261.2	294.8	361.6	434.9	515.2
ABV- (INR)	248.1	288.4	346.4	420.4	499.6
P/E- (x)	7.3	6.5	5.8	5.3	4.9
P/ABV-(x)	1.6	1.4	1.1	0.9	0.8

**Yield and Cost (%)**

Yield on advances	3.3	3.6	3.8	3.9	4.0
Interest Income/ Avg. assets	3.0	3.2	3.3	3.4	3.4
Net Interest Margin (%)	3.5	3.7	3.7	3.7	3.7

**Asset Quality (%)**

Gross NPA	2.5	1.9	1.8	1.7	1.7
Net NPA	0.9	0.4	0.9	0.9	0.9
% coverage of NPA (RHS)	68.3	71.9	59.5	57.5	57.5
credit cost (calc)	(0.3)	0.2	0.0	0.1	0.2

**Capital Adequacy**

Tier 1	19.7	19.8	21.3	23.0	24.5
CAR	22.6	22.8	24.2	26.0	27.4

**Growth Rates**

Loan growth	17.1	11.3	12.4	12.4	12.4
Earnings growth (RHS)	26.8	12.1	11.9	9.8	9.5

**Business Ratios**

RoAA (%)	3.0	2.9	2.9	2.9	2.8
Core RoE (%) RHS	22.2	21.5	20.3	18.4	16.9
Leverage (x)	8.0	7.9	7.5	6.8	6.3

Note: Pricing as on 14 May 2025; Source: Company, Elara Securities Estimate

**Exhibit 1: RECL – Q4FY25 earnings**

INR mn	Q4FY25	Q4FY24	YoY (% / bps)	Q3FY25	QoQ (% / bps)	Comments
Interest income	146,471	121,685	20.4	136,920	7.0	
Interest expenses	87,699	78,961	11.1	88,373	(0.8)	
<b>Net interest income</b>	<b>58,772</b>	<b>42,724</b>	<b>37.6</b>	<b>48,547</b>	<b>21.1</b>	NII surged to INR 58.8bn, up 21.1% QoQ/37.6% YoY, beating estimates of INR 52.8bn largely led by one-off element of INR 9.76bn (from KSK Mahanadi recovery)
Other income	5,270	4,748	11.0	4,807	9.6	
<b>Total income</b>	<b>64,042</b>	<b>47,473</b>	<b>34.9</b>	<b>53,354</b>	<b>20.0</b>	
Total operating expenses	2,396	3,114	(23.1)	3,147	(23.9)	Opex at INR 2.4bn declined by 23.9% QoQ/23.1% YoY, below our estimates of INR 3.3bn
<b>Operating profit (PPOP)</b>	<b>61,646</b>	<b>44,359</b>	<b>39.0</b>	<b>50,206</b>	<b>22.8</b>	PPoP for the quarter stood at INR 61.6bn, below estimates of INR 56.6bn, up by 22.8%QoQ/39% YoY.
Provisions & write offs	7,800	(7,119)	(209.6)	(890)	NM	
<b>PBT</b>	<b>53,847</b>	<b>51,478</b>	<b>4.6</b>	<b>51,097</b>	<b>5.4</b>	
Tax	11,485	11,315	1.5	10,806	6.3	
<b>Reported profit</b>	<b>42,362</b>	<b>40,163</b>	<b>5.5</b>	<b>40,291</b>	<b>5.1</b>	PAT stood at INR 42.36bn, rising 5.1% QoQ/5.5% YoY and missing estimates of INR 41.32 bn, as higher provisions proved to be a drag nullifying gains from NII growth and lower opex.
<b>Balance sheet</b>						
Disbursement	455,380	393,740	15.7	546,920	(16.7)	Disbursements at INR 455.4bn, a sharp QoQ decline of 16.7% but up 15.7% YoY. While most segments saw a sequential decline in terms of disbursements, renewables held steady, growing by 36% QoQ.
Loans	5,668,830	5,093,710	11.3	5,656,210	0.2	Business traction slowed down with loan book (INR 5,568.8bn) registering lower order growth of 11.3%YoY (flat sequentially).
<b>Key ratios</b>						
Gross NPA (%)	1.35	2.71	-136 bps	1.95	-60 bps	GNPA improved significantly to 1.35% (estimates of 2.4%), declining by 60bps QoQ/136 bps YoY.
Net NPA (%)	0.38	0.86	-48 bps	0.74	-36 bps	

Source: Company, Elara Securities Research

## Conference call – Takeaways

### Business updates

- ▶ Loan book was INR 5.67tn, up 11% YoY and would have been ~18% YoY without prepayments.
- ▶ Prepayments received were at INR 150bn in Q4 and INR 200bn in 9MFY25.
- ▶ Disbursements rose 18% YoY to INR 1.9tn.
- ▶ Sanctions stood at >INR 3.37tn.
- ▶ Documentation increased to INR 2.07tn.
- ▶ RE disbursements were up 63% YoY to INR 260bn. RECL is targeting INR 3tn disbursement in RE by 2030 (from current loan book of INR 580bn).
- ▶ RECL is engaged in non-power critical infra funding in the past 2-3 years.
- ▶ RECL is aiming for a loan book of INR 10tn by 2030 and 12% annual growth in loan book.
- ▶ RECL is continuing its role as the nodal agency for RDSS, covering 32 Discoms across 19 states and union territories.
- ▶ RECL has been appointed as National Program Implementation Agency for PM Surya Ghar Muft Bijli Yojana (rooftop solar). The target is 10mn households, financial outlay INR 750bn (5.1mn applications; 1.25mn installations completed; subsidy released to ~70% of beneficiaries).
- ▶ **Improved sectoral fundamentals:** Legacy dues were down from INR 1.35tn to INR 250bn in three years.
- ▶ Regulatory environment is stable, with timely tariff orders in most states.
- ▶ RECL forayed into infrastructure financing in 2022: Sectors include metro, ports, roads, oil refineries, telecom infra, healthcare, etc. RECL holds a strategic position in India's green energy transition, with rising exposure to renewables and green infra.
- ▶ The promoter (POWF) holds 52.63% and FIIs 20.48%. Mutual funds hold 9.24%. FII/SPI holding has been consistently above 20% since the IPO in 2008.
- ▶ Stakeholder ESG assessments were initiated in January 2025 for private borrowers/suppliers. RECL is financing ~52,700MW of clean energy capacity. The lending strategy is aligned with India's green energy goals.
- ▶ Prepayments are expected to remain elevated (~INR 1tn of repayments typically due annually). Prepayments in FY25 totaled INR 340bn, of which INR 240bn was from RBPF-related loans (repayable upon surplus availability).
- ▶ Net loan book growth guidance is as follows: ~12% YoY for FY26 ( $\pm 1-2\%$ ), aligned with long-term 12% CAGR target to reach INR 10tn loan book by 2030.
- ▶ Received prepayments for various assets including Adani which was worth INR 18bn to rebalance exposure while ACME prepaid via proceeds from a public issue-per prospectus mandate. MSDCL prepaid INR 30bn due to alternate funding arrangements. Prepayments form normal financial practice and are not a concern.
- ▶ RECL funds only projects with signed PPAs. Hence, PPA delays are not a direct credit risk. About 40-50GW of bids from agencies (NTPC, NHPC, SJVN, SECI) are awaiting discom PPA signings. Delays have been attributed to Discom timelines, but obligations under RPOs (Renewable Purchase Obligations) are expected to drive eventual execution. RECL maintains cautious underwriting to avoid exposure to unsigned projects.
- ▶ Three-pronged approach to retain borrowers: RECL is incentivizing early project completion, offering refinancing post-scheduled COD and liberalizing internal guidelines to improve the ease of doing business.
- ▶ The intention is to shift borrower focus from interest rate to execution ease and sector expertise.

- ▶ Rates in the RE segment are already highly competitive and include post-construction discounts. No significant refinancing by banks has been observed yet in the RE portfolio, but RECL is vigilant.
- ▶ RECL enjoys an advantage versus banks due to sectoral lending caps at banks versus RECL's specialization in the power sector. Deep borrower relationships and nation-wide presence have contributed to consistent business growth in sanctions and disbursements in the past 4-5 years.
- ▶ Distribution-led AUM grew only 2-4% YoY. State support (e.g., INR 20bn from Chhattisgarh) led to unexpected prepayments in FY24. RDSS remains key and repayments under RBPF are flexible by design.
- ▶ Thermal AUM grew 8% in FY24 despite some resolution-linked impact (~3%). Growth outlook is improving under NEP 2032 targets.
- ▶ State-sector thermal pipeline is gaining traction due to 95GW target under NEP 2032 (35-40GW from states). Sanctions are already in place for thermal projects in Haryana (two projects), Rajasthan (two), Madhya Pradesh (two, including a 3,200MW project), Maharashtra (one) and Bihar (2,400MW).
- ▶ Adani's acquisition of Lanco, Mahan and JLW expansion, S.R. Power (600MW). Transmission pipeline means ~INR 1.1tn in the private thermal segment in the next 2-3 years.
- ▶ REC-PFC JV sanctioned 45 transmission projects worth INR 550bn in FY24.
- ▶ Smart meter roll-out (~110mn meters) under agencies entails an INR 450-500bn opportunity.
- ▶ Multiple state-sector thermal projects have already been sanctioned in the past 12-18 months. Disbursements are expected to scale up in FY25, as PPC contracts are now being finalized.
- ▶ Joint sector (state + central JVs) is expected to provide additional large-ticket opportunities. Funding will begin once project structures mature.
- ▶ Significant growth in capex disbursement from thermal is anticipated in FY26.
- ▶ Strict underwriting criteria as projects are considered only if PPAs exist. Past NPAs in RE limited to two small legacy projects (one of them 1 MW and the other 5-7 MW) which were sanctioned over a decade ago. Credit ratings of RE assets are improving, helped by LPS ensuring timely receivables.
- ▶ RBPF sanctions are valid for five years. The recent dip in Q4 sanctioning is not a concern. FY26 target for RBPF disbursement is INR 800-900bn.
- ▶ RDSS disbursements may accelerate in FY26 as grant components taper and counterpart funding begins. Expect disbursements from Q1FY26 (more visibly in Q2). Post-FY26/27, distribution disbursements may taper as RDSS and LPS reach their sunset period.
- ▶ Growth may be driven by ramp-up in thermal disbursements (FY26 onwards). Large RE sanctions are converting to disbursements along with capex funding in RDSS. RECL is confident of sustaining 12-13% AUM growth trajectory with these levers in place.

#### **Financial performance**

- ▶ Annual profit was INR 157.1bn, up 12% YoY, the highest ever.
- ▶ Net worth increased 13% YoY to ~INR 780bn.
- ▶ Total income rose 20% YoY to ~INR 560bn.
- ▶ Net interest income rose 27% YoY to ~INR 200bn.
- ▶ Total dividend in FY25 was INR 18/share (INR 16/share in FY24). Payout was ~INR 47.4bn, up from INR 40bn YoY.
- ▶ No large-scale balance transfers (e.g., refinancing to PSU banks) were seen in Q4. Q1 has no visible prepayments or balance transfers as of now.

### Margin analysis

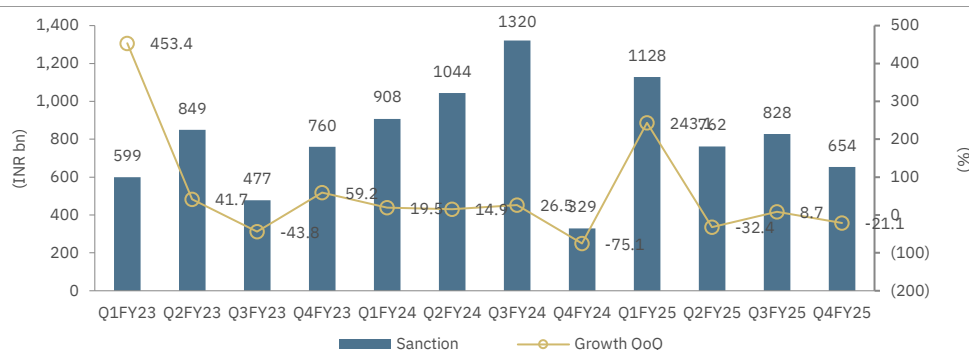
- ▶ Asset yield improved to 10.05% (versus 9.99% YoY).
- ▶ Cost of funds was at 7.11% and spread at 2.94%.
- ▶ NIM was at 3.63%, up 6bps YoY.
- ▶ Spread guidance is at 2.75-3% and NIM guidance at 3.5-3.75%.
- ▶ Capital adequacy ratio was 26% (tier-I at 24%), well above RBI norms.
- ▶ RECL raised USD 500mn via 144A bonds in the US at 127.5bps over US treasury. It raised INR 50bn via domestic zero-coupon bonds at 6.25% and issued maiden JPY bonds worth JPY 61.1bn.
- ▶ Total borrowings were at INR 4.88tn (33% from foreign currency; 99.8% hedged).
- ▶ RECL is eligible to issue tax-exempt capital gains bonds (one among five companies in India).
- ▶ Interest coverage ratio was at 1.58x and debt-equity ratio at 6.29x.
- ▶ The credit ratings for RECL are:
  - ▶ Domestic - AAA (CRISIL, ICRA, CARE, India Ratings)
  - ▶ International - Baa3 (Moody's), BBB- (Fitch), BBB (Japan Credit Rating Agency).
- ▶ RECL recently raised institutional bonds at 6.86%, the lowest in the domestic market and lower than peers such as POWF. The focus is on low-cost fund raising to stay competitive as interest rates decline.
- ▶ The guided range remains at 3.5-3.75% for NIM. Spread has been guided at 2.5-3%. Borrowing costs have been optimized via institutional bonds. The board is authorized to price competitively, so as to maintain margins.
- ▶ Generation projects' yield is 10-11.5% and is expected to sustain margin.
- ▶ Infrastructure lending is also expected to contribute to NIM and spread, going forward.
- ▶ Total borrowing for FY26 is expected to be INR 1.7tn. Of the total borrowing, INR 1.63tn (~33-34%) will be sourced from ECBs.
- ▶ RECL follows a flexible funding strategy, wherein it evaluates market conditions at the time of borrowing and chooses the cheapest source (domestic versus ECB). It uses innovative hedging techniques to reduce ECB funding costs when possible.

For Renewable Energy projects, RECL typically offers rates ranging within 8.5-9%. Public sector banks offer similar rates for comparable credit ratings, though there may be small variances (up to 30-40bps difference). Private sector rates start from 9.2%

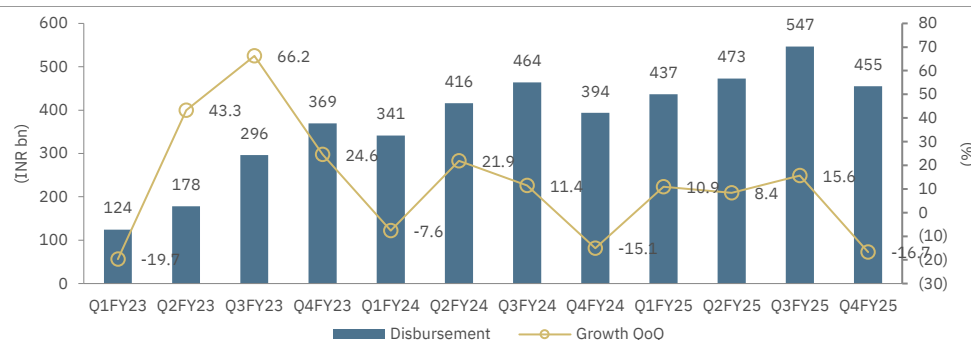
### Asset quality

- ▶ RECL resolved INR 34bn in stressed assets (KSK Mahanadi and Corporate Power).
- ▶ GNPA was down to 1.35% (from 2.71% YoY). NNPA was down to 0.38% (from 0.9% YoY).
- ▶ Five stressed projects worth INR 60bn have been resolved in FY25.
- ▶ Twelve NPA projects remain: 11 via NCLT (INR 60bn, 77% provision), one outside NCLT (INR 15bn, 50% provision).
- ▶ The state sector has no NPA. ECL provisioning is at 0.93% for state loans.
- ▶ Provision coverage ratio is at ~72%.
- ▶ RECL is targeting net zero NPA status by FY26.
- ▶ Stage I & II PCR increased from 60bps (Dec '24) to 132bps (Mar '25).

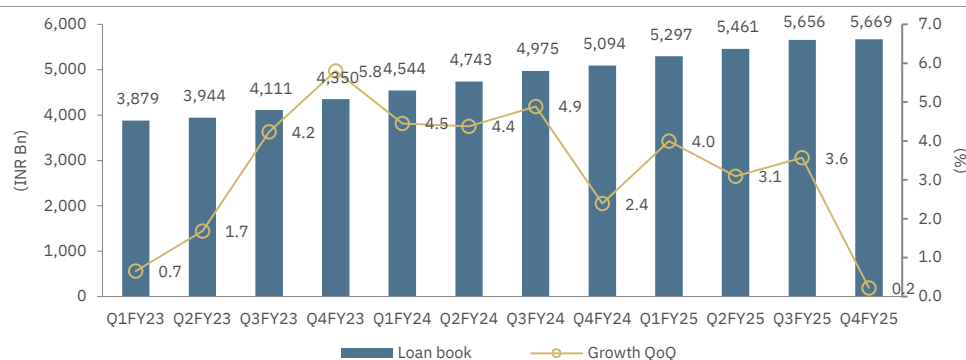
- ▶ There is no material new stress except the following: a) Bhavnagar project (NPA of INR 130mn; insignificant, under NCLT resolution), b) Alaknanda (rating downgrade of the promoter led to increased provisioning. Increase in overall provisioning is precautionary with no systemic stress in private RE portfolio, per management).
- ▶ At the beginning of FY25, there were 16 NPA projects. Five were resolved in FY24-25, with ~71% recovery. 12 NPA projects remain, including a newly added Bhavnagar project.
- ▶ Major projects in advanced stages of resolution are Sinnar, Hiranmayi, Bhadreswar and TRN Global. Six projects have IBC cases filed – One (TRN) is under restructuring and five have been technically written off with 100% provisioning. Expected recovery from IBC/resolution cases is at INR 8-10bn in FY25-26.
- ▶ No immediate signs of rising stress have been seen in the RE sector. Asset quality is being closely monitored.
- ▶ Some Andhra Pradesh Discoms are in Stage II due to administrative and budgetary delays. Penal interest is being charged on delayed payments. Payments are ongoing and no material recovery risk is foreseen.
- ▶ No restructuring or haircut is expected. Loans are secured by government guarantees.
- ▶ RECL has no plans to consolidate these exposures with other lenders.

**Exhibit 2: Sanctions pipeline declined QoQ and now stands at INR 654bn**


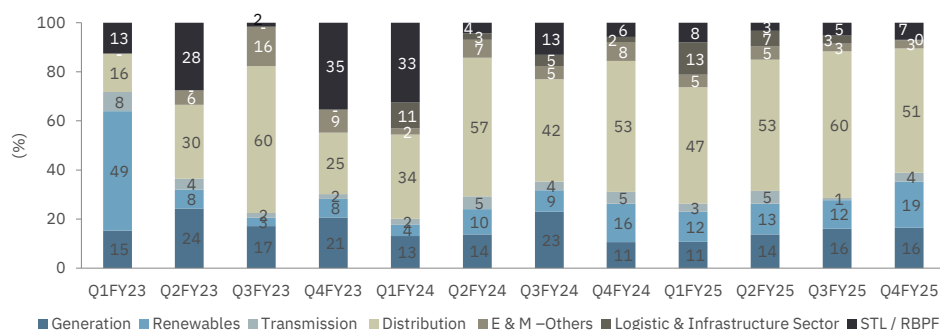
Source: Company, Elara Securities Research

**Exhibit 3: Disbursements declined 16.7% QoQ to INR 455bn**


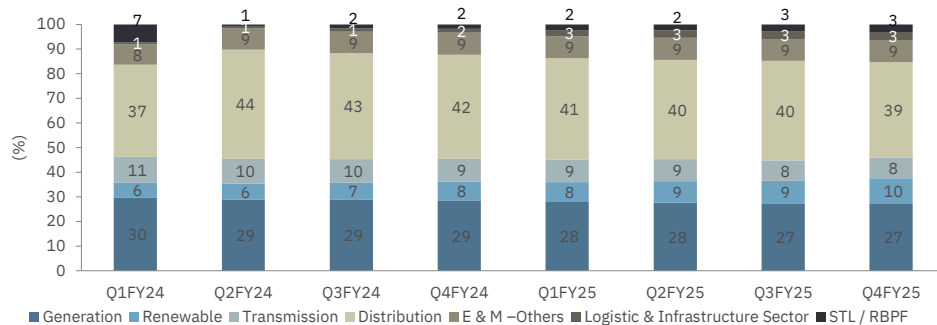
Source: Company, Elara Securities Research

**Exhibit 4: Loan book was flat QoQ, guidance revised to 12% CAGR**

Source: Company, Elara Securities Research

**Exhibit 5: Disbursements mix – Renewables regain share materially at the cost of distribution**

Source: Company, Elara Securities Research

**Exhibit 6: Renewables share continues to climb in AUM mix; I&L to keep rising**

Source: Company, Elara Securities Research

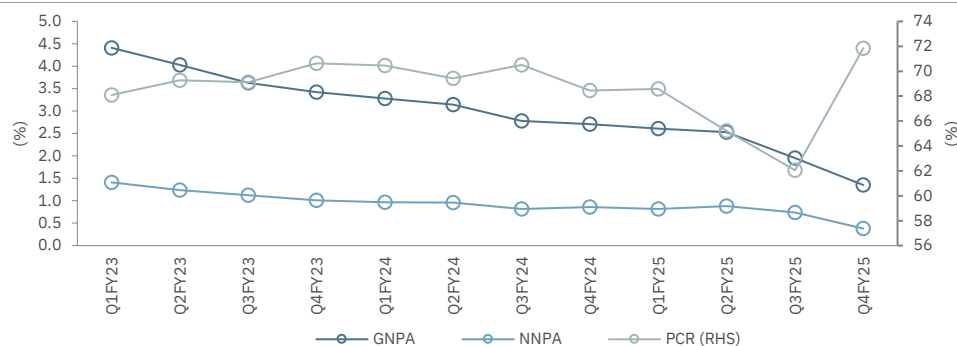
**Exhibit 7: Geography-wise diversification of state sector borrowers**

Particulars (%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Telangana	16.8	17.2	17.5	17.1	16.8	16.6	16.2	15.7	15.6	14.9	14.8
Tamil Nadu	14.6	14.5	14.3	14.1	13.7	14.5	14.3	14.6	14.9	16.0	16.7
Maharashtra	9.2	8.8	8.7	10.1	10.8	11.9	12.4	13.8	13.9	13.9	13.2
Rajasthan	11.9	11.9	12.0	12.0	12.1	12.4	12.9	13.0	12.7	12.7	13.3
Uttar Pradesh	13.7	12.8	12.1	11.9	11.3	10.8	10.3	10.2	10.1	9.7	9.5
Andhra Pradesh	9.5	10.0	10.5	10.4	10.7	10.5	10.6	10.3	9.8	9.9	9.8
Karnataka	4.7	4.4	4.6	4.6	5.3	5.1	5.3	5.1	5.2	5.4	5.8
Bihar	3.0	3.8	3.6	3.5	3.3	2.9	3.0	2.9	2.9	2.9	2.9
West Bengal	2.4	2.3	2.2	2.1	2.2	2.3	2.2	2.2	2.3	2.3	2.3
Jammu and Kashmir	1.2	1.8	2.4	2.5	2.5	2.3	2.2	2.2	2.2	2.2	2.4
Kerala	1.6	1.5	1.6	1.7	1.6	1.5	1.6	1.5	1.8	1.6	1.6
Jharkhand	1.5	1.6	1.6	1.5	1.5	1.6	1.6	1.6	1.7	1.8	2.1
Punjab	1.7	1.6	1.6	1.6	1.5	1.5	1.8	1.5	1.4	1.4	1.3
Haryana	1.5	1.6	1.5	1.7	1.6	1.3	1.2	1.2	1.4	1.4	1.4

Chhattisgarh	1.0	1.2	1.2	1.0	1.1	1.1	0.8	0.8	0.9	1.1	0.8
Sikkim	1.1	1.1	1.0	0.9	0.8	0.8	0.7	0.7	0.7	0.7	-
Madhya Pradesh	1.1	1.1	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.6
Uttarakhand	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.5	0.5
Odisha	1.5	1.0	0.9	0.8	0.7	0.7	0.6	0.6	0.6	0.5	0.5
Himachal Pradesh	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Meghalaya	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Assam	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Gujarat	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-
Manipur	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nagaland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tripura	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mizoram	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arunachal Pradesh	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Puducherry	-	0.0	-	-	-	-	-	-	-	-	-

Source: Company, Elara Securities Research

**Exhibit 8: GNPA came down a significant 60bps QoQ with PCR buffed to ~72%**



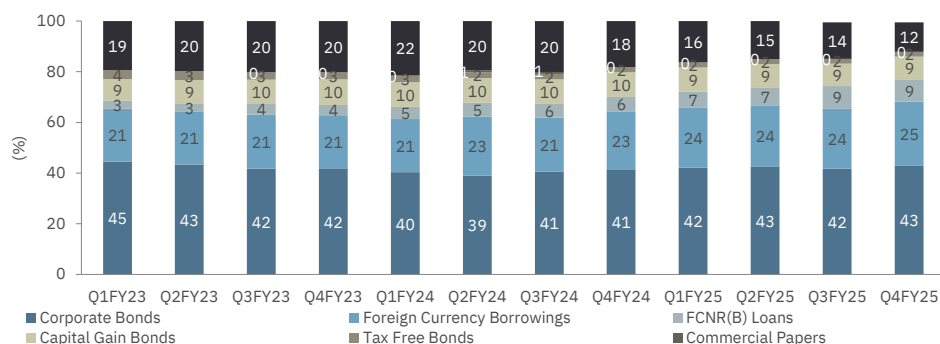
Source: Company, Elara Securities Research

**Exhibit 9: Heavy-weight resolutions undertaken with ~INR 34bn reduction in loans under NCLT**

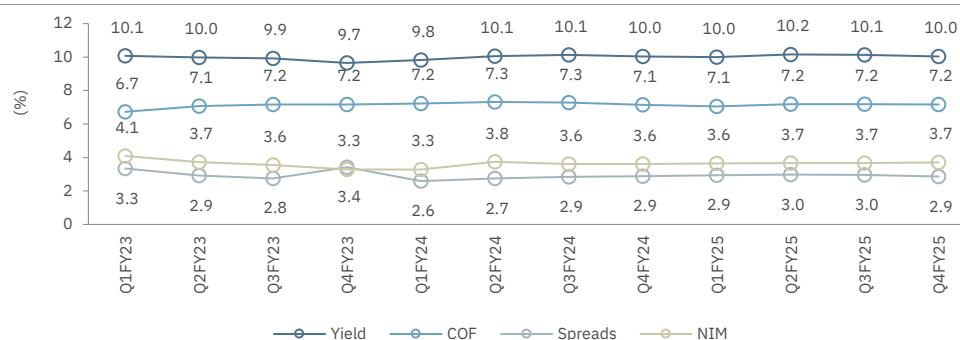
Particulars	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Under NCLT</b>											
Loan amount (INR bn)	108.69	116.46	116.27	130.08	130.08	122.97	122.62	122.92	122.96	95.43	61.49
Nos. of projects	11	12	12	14	14	13	12	12	13	13	11
PCR (%)	77	77	77	74	73	74	71	71	67	68	77
<b>Outside NCLT</b>											
Loan amount (INR bn)	50.1	32.77	32.65	18.84	18.84	15.14	15.48	15.48	15.28	15.03	15.04
Nos. of projects	12	9	7	5	5	3	4	4	4	1	1
PCR (%)	53	40	47	46	42	50	49	49	50	50	50

Source: Company, Elara Securities Research

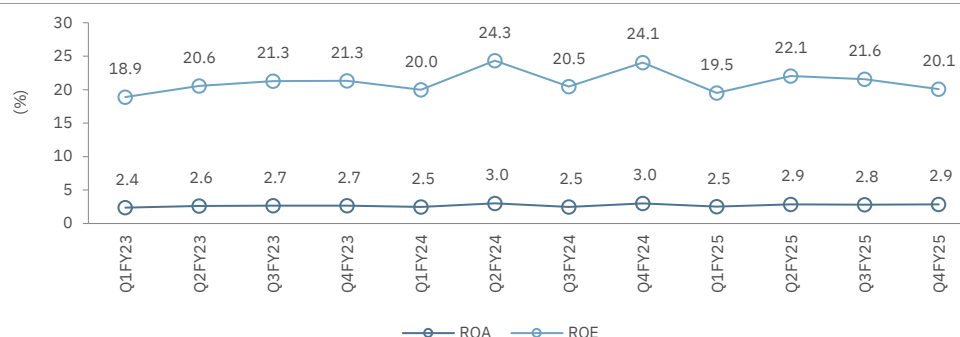
**Exhibit 10: Borrowing mix largely steady; FCNR (B) loans on the rise while loans from banks decline**



Source: Company, Elara Securities Research

**Exhibit 11: Spreads dip slightly QoQ; NIMs to be in the same range**

Source: Company, Elara Securities Research

**Exhibit 12: ROA/ROE declined sequentially as PAT growth remained flat**

Source: Company, Elara Securities Research

**Exhibit 13:****(INR)**

Fair price - EVA (Enterprise value method) (INR)	524
Fair price - P/ABV (2-satge Gordon growth model) (INR)	775
<b>Average of the above two (INR)</b>	<b>650</b>
Target P/ABV (X)	1.5
Target P/E (X)	8.9
CMP (INR)	390
Upside (%)	67%

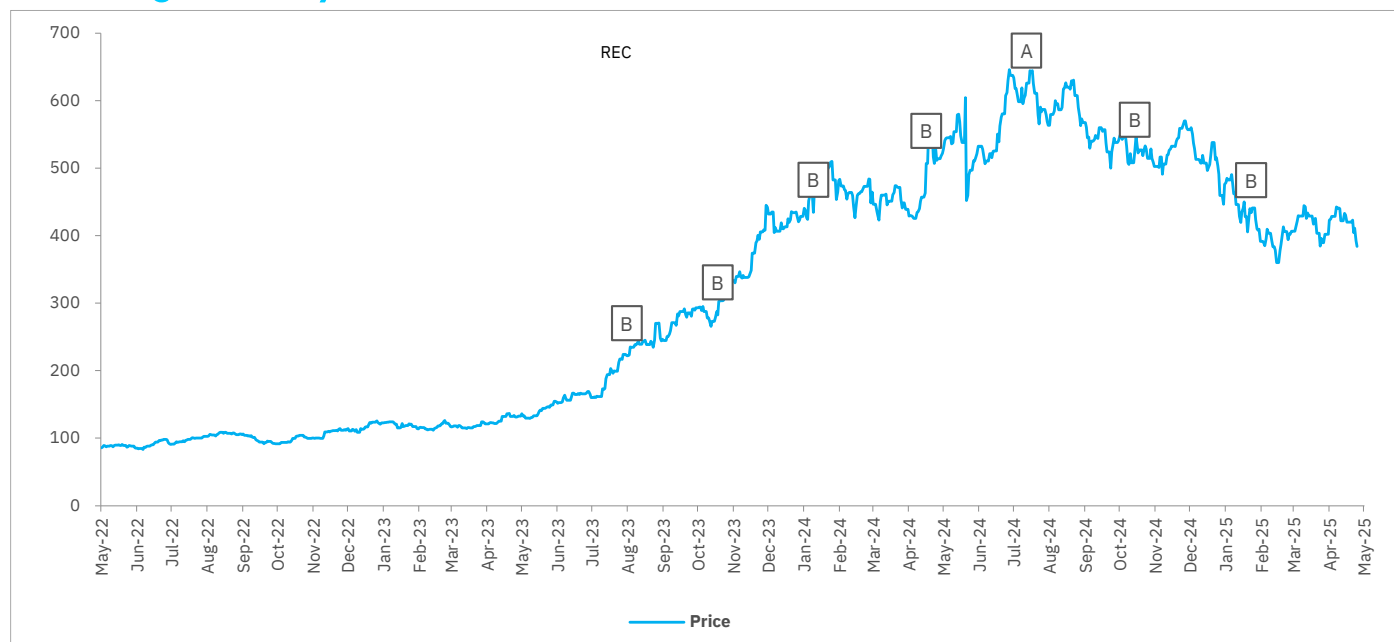
Note: pricing as on 14 May 2025; Source: Elara Securities Estimate

**Exhibit 14: Change in estimates**

INR mn	Old		Revised		Change in estimates		New
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY28E
Net interest income	234,567	267,019	221,367	252,988	(5.6)	(5.3)	281,401
Operating profit	240,100	269,605	236,962	267,161	(1.3)	(0.9)	293,911
PAT	177,114	196,725	175,829	193,001	(0.7)	(1.9)	211,425
EPS (INR)	67.3	74.7	67.0	73.0	(0.8)	(1.9)	80.0

Source: Elara Securities Estimate

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
14-Aug-2023	Buy	314	222
01-Nov-2023	Buy	420	283
23-Jan-2024	Buy	582	435
30-Apr-2024	Buy	604	507
26-Jul-2024	Accumulate	695	626
28-Oct-2024	Buy	695	524
06-Feb-2025	Buy	650	434

## Guide to Research Rating

<b>BUY (B)</b>	Absolute Return >+20%
<b>ACCUMULATE (A)</b>	Absolute Return +5% to +20%
<b>REDUCE (R)</b>	Absolute Return -5% to +5%
<b>SELL (S)</b>	Absolute Return < -5%

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