

Rural Electrification Corp

Estimate change 

TP change 

Rating change 

Bloomberg	RECL IN
Equity Shares (m)	2633
M.Cap.(INRb)/(USD\$b)	989.6 / 10.5
52-Week Range (INR)	441 / 304
1, 6, 12 Rel. Per (%)	13/9/-12
12M Avg Val (INR M)	2967

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
NII	216	226	247
PPP	209	221	244
PAT	163	166	181
EPS (INR)	61.8	63.1	68.7
EPS Gr. (%)	4	2	9
BV/Shr (INR)	320	365	412
ABV/Shr (INR)	319	364	411
RoAA (%)	2.6	2.5	2.4
RoE (%)	20.1	18.4	17.7
Div. Payout (%)	30.0	34.1	34.2

Valuation

P/E (x)	6.1	6.0	5.5
P/BV (x)	1.2	1.0	0.9
Div. Yield (%)	4.9	5.7	6.3

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	52.6	52.6	52.6
DII	16.4	16.3	14.8
FII	15.8	16.5	20.5
Others	15.2	14.6	12.1

FII Includes depository receipts

CMP: INR376

TP: INR440 (+17%)

Buy

PPoP in line; earnings miss driven by higher credit costs

Loan growth muted at 3% YoY; PCR on standard assets rises ~13bp QoQ

- Rural Electrification Corp's (RECL) 4QFY26 PAT declined ~21% YoY to INR33.6b (23% miss). PAT for FY26 grew ~3% YoY to ~INR163b. NII in 4QFY26 declined ~16% YoY to ~INR51.7b (in line). Other income was flat YoY at INR2.4b. This included fee and commission income of INR2.5b (PQ: INR3.9b and PY: INR2.2b).
- Opex grew ~84% YoY to ~INR4.4b, and cost-income ratio rose to ~6.7% (PQ: 3.2% and PY: 3.1%). PPoP declined ~19% YoY to INR49.7b (in line). PPoP for FY26 remained flat YoY at ~INR209b.
- Provisions rose to INR5.7b (vs. est. provision writebacks of INR3.8b). This translated into annualized credit costs of 10bp (PY: 14bp and PQ: 2bp).
- RECL declared a final dividend of ~INR1.55/share. Including interim dividends, the total dividend for FY26 stood at INR18.55/share.

Pressure on yields, but spreads resilient

- Yields (calc.) declined ~30bp QoQ to ~9.6%, while CoB (calc.) declined ~30bp QoQ to ~7.1%, resulting in spreads (calc.) remaining stable at ~2.56%.
- Reported NIM for FY26 declined ~9bp to ~3.43% (9M: 3.52%). NIMs (calc.) declined ~10bp QoQ to 3.5% in 4QFY26. We expect RECL to maintain NIM of ~3.7% over FY27-28E, supported by the declining CoF.

Loan growth muted; renewable portfolio drives momentum

- Loan book stood at INR5.84t, growing 3% YoY and remaining flat QoQ. Repayments during the quarter declined sequentially to ~30% (PQ: 34.6% and PY: 31%). Renewable loan book grew 30% YoY to INR753b.
- Disbursements in 4QFY26 were weak and remained flat YoY at INR457b. FY26 disbursements (excluding RBPF) grew 28% YoY to INR1.46t.
- We expect RECL to deliver an AUM CAGR of ~11% over FY26-28.

Asset quality improves; RECL increases PCR on standard assets

- GS3 and NS3 declined ~70bp/~10bp QoQ to ~0.24% and 0.12%, respectively. PCR on Stage 3 stood at ~51% (PQ: 77%). Standard asset (Stage 1 and 2) provisions rose ~13bp QoQ to 1.06% (PQ: 0.93%).
- RECL wrote off ~INR12.9b related to Sinner Thermal Power after adjusting cash recoveries of INR10.4b and reversed ECL provisions of INR5.7b. The company has also fully recovered INR138m from Bhavnagar Biomass Power Projects Private Ltd, along with a reversal of ECL provisions of INR27.5m. Moreover, the company took technical write-offs on five loan accounts, with total exposure of ~INR14b. These loan assets were earlier classified as Stage 3 with 100% provision cover.
- We model RECL's credit costs to remain benign at ~20bp over FY27-FY28E.

Valuation and view

- RECL reported a subdued quarter, with the loan book exhibiting a modest growth of ~3% YoY. Disbursements continued to remain weak (flat YoY), and repayments moderated sequentially in 4QFY26. A decline in yields was offset by lower funding costs, which helped keep spreads stable. Asset quality improved further, with GNPA declining to ~0.2% as of Mar'26.
- RECL trades at 1x FY27E P/ABV, which is attractive. However, weak loan growth and pressure on margins remain key monitorables. We cut our PAT estimates by ~9%/~11% for FY27/ FY28 to account for lower margins and higher credit costs, and model a CAGR of 12%/11%/5% in disbursement/loans/PAT over FY26-28E. We expect RECL to deliver a RoA/RoE of 2.4%/18% in FY28E. **Reiterate BUY with a TP of INR440 (premised on 1.1x FY28E BVPS).**
- Key risks:** 1) continued weak loan growth; 2) contraction in spreads/margins amid high competition.

Quarterly Performance

Y/E March	INR m											
	FY25				FY26				FY25	FY26	4QFY26E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	1,26,904	1,34,744	1,39,704	1,49,350	1,45,022	1,45,771	1,45,184	1,41,016	5,50,701	5,78,118	1,42,152	-1
Interest Expenses	80,212	85,065	88,373	87,699	89,351	91,316	92,429	89,317	3,41,350	3,62,413	88,677	1
Net Interest Income	46,692	49,678	51,331	61,651	55,671	54,455	52,755	51,699	2,09,351	2,15,705	53,475	-3
YoY Gr (%)	28.3	22.9	19.6	37.4	19.2	9.6	2.8	-16.1	27	3	-13.3	
Other Operational Income	469	483	757	2,228	1,442	4,738	3,925	2,545	8,410	3,657	0	
Net Operational Income	47,161	50,161	52,088	63,879	57,113	59,192	56,680	54,244	2,15,680	2,16,636	53,475	1
YoY Gr (%)	28.9	22.4	19.9	39.5	21.1	18.0	8.8	-15.1	27	0	-16.3	
Other Income	2,998	731	1,266	163	-4,891	-149	-2,223	-132	685	473	-814	-
Total Net Income	50,159	50,892	53,354	64,042	52,222	59,043	54,457	54,113	2,16,365	2,17,109	52,661	3
YoY Gr (%)	28.1	20.0	22.7	34.9	4.1	16.0	2.1	-15.5	27	0	-17.8	
Operating Expenses	2,175	1,936	3,147	2,396	1,919	2,169	2,183	4,420	7,436	7,965	2,971	49
YoY Gr (%)	50.6	-0.1	78.2	-23.1	-11.8	12.0	-30.7	84.5	13	7	24.0	
% to Income	4.3	3.8	5.9	3.7	3.7	3.7	4.0	8.2	3	4	5.6	
Operating Profit	47,984	48,955	50,206	61,646	50,303	56,875	52,274	49,692	2,08,929	2,09,144	49,690	0
YoY Gr %	27.3	21.0	20.4	39.0	4.8	16.2	4.1	-19.4	27	0	-19.4	
Provisions	4,726	-1,441	-890	7,800	-6,166	1,347	1,110	5,721	10,194	2,012	-3,782	-
PBT	43,258	50,396	51,097	53,847	56,469	55,528	51,164	43,971	1,98,734	2,07,132	53,472	-18
YoY Gr (%)	16.5	4.8	24.2	4.6	30.5	10.2	0.1	-18.3	12	4	-0.7	
Tax	8,834	10,342	10,806	11,485	11,959	11,269	10,733	10,348	41,466	44,309	9,616	8
Tax Rate (%)	20.4	20.5	21.1	21.3	21.2	20.3	21.0	23.5	21	21	18.0	
PAT	34,425	40,055	40,291	42,362	44,510	44,259	40,431	33,623	1,57,269	1,62,823	43,856	-23
YoY Gr (%)	16.3	6.2	23.2	5.5	29.3	10.5	0.3	-20.6	12.2	3.5	3.5	

Key Parameters (Calc., %)

Yield on loans	9.81	9.99	10.01	10.49	9.99	9.95	9.91	9.59
Cost of funds	7.16	7.28	7.32	7.17	7.17	7.19	7.35	7.11
Spread	2.7	2.7	2.7	3.32	2.8	2.8	2.6	2.48
NIM	3.5	3.7	3.7	4.3	3.8	3.7	3.6	3.5
C/I ratio	3.4	3.1	5.0	3.1	2.5	2.5	3.2	6.7
Credit cost	0.09	-0.03	-0.02	0.14	-0.11	0.02	0.02	0.10

Balance Sheet Parameters

Disbursements (INR b)	437	473	547	455	595	560	500	457
Growth (%)	27.9	13.7	18.0	15.7	36.3	18.3	-8.6	0.4
AUM (INR b)	5,297	5,461	5,656	5,669	5,846	5,822	5,818	5,837
Growth (%)	16.6	15.1	13.7	11.3	10.4	6.6	2.9	3.0

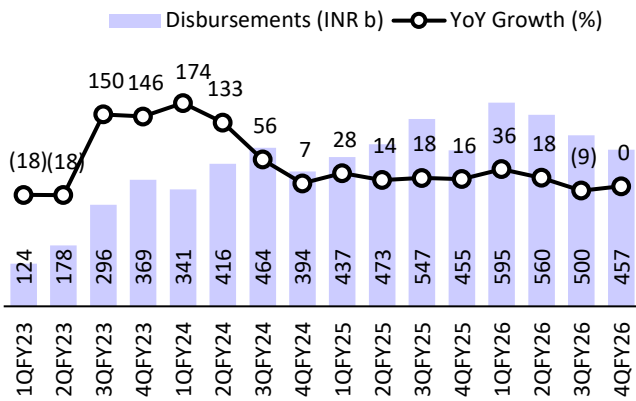
Asset Quality Parameters

GS 3 (INR B)	138.1	138.2	110.5	76.5	61.5	61.5	51.2
GS 3 (%)	2.61	2.53	1.95	1.35	1.05	1.06	0.88
NS 3 (INR B)	43.5	48.2	42.1	21.63	14.1	14.1	11.8
NS 3 (%)	0.82	0.88	0.74	0.38	0.24	0.24	0.20
PCR (%)	68.5	65.1	61.9	71.73	77.1	77.1	77.0

E: MOFSL Estimates

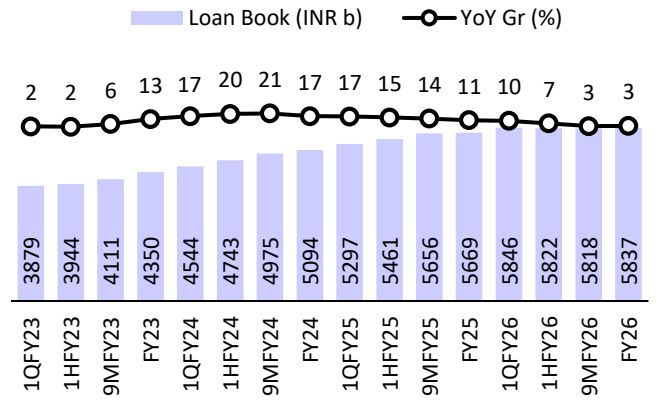
Key exhibits

Exhibit 1: Disbursements remained flat YoY



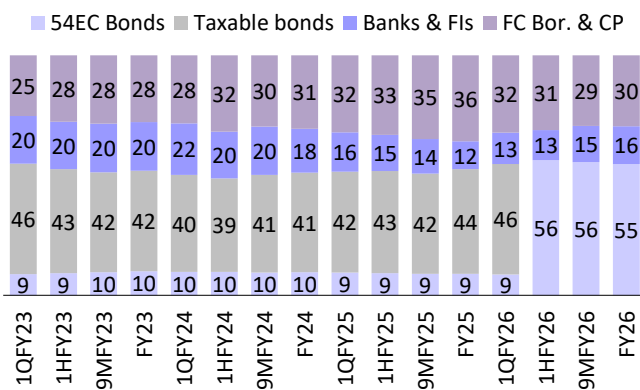
Source: MOFSL, Company

Exhibit 2: Loan book grew ~3% YoY



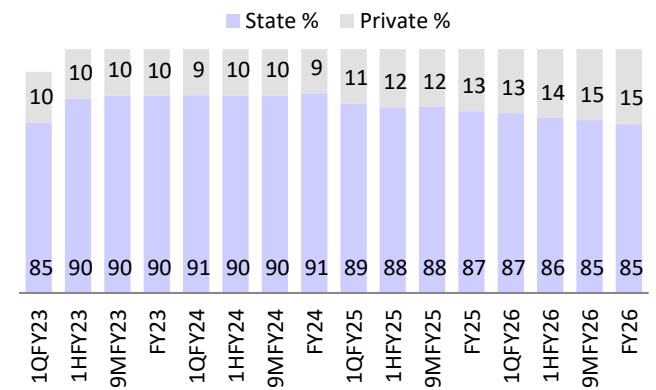
Source: MOFSL, Company

Exhibit 3: Borrowing mix (%)



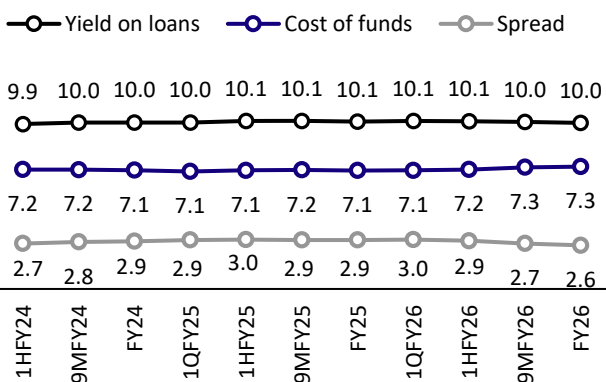
Source: MOFSL, Company

Exhibit 4: ~15% of loans are given to private players



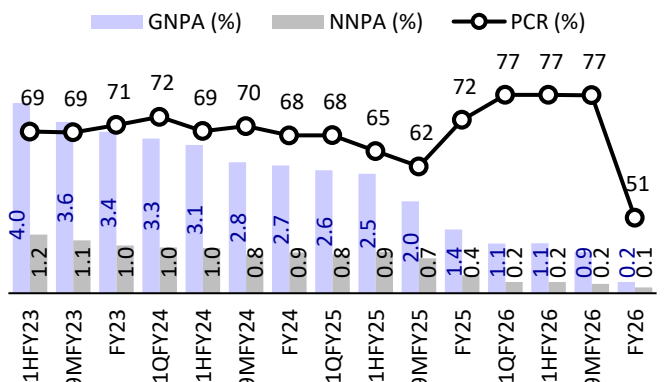
Source: MOFSL, Company

Exhibit 5: Cum. spreads declined ~10bp QoQ (%)

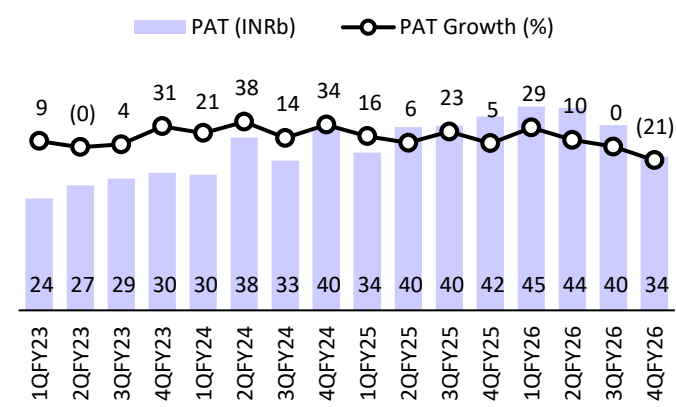


Source: MOFSL, Company

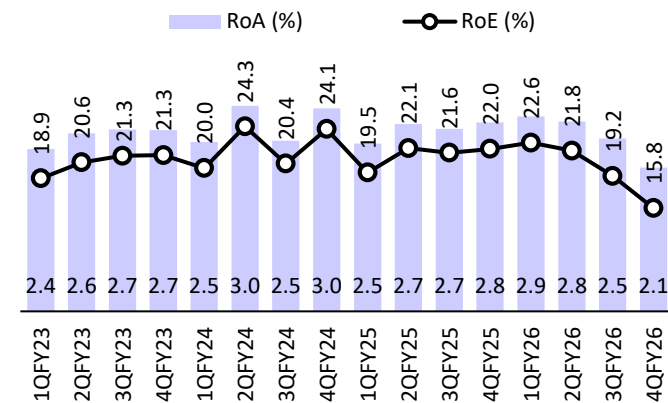
Exhibit 6: GS3 and NS3 declined ~70bp/~10bp QoQ



Source: MOFSL, Company

Exhibit 7: PAT declined ~21% YoY


Source: MOFSL, Company

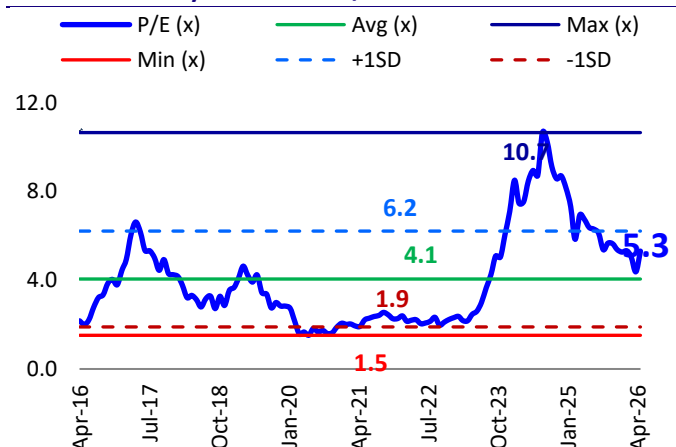
Exhibit 8: RoA/RoE trends (%)


Source: MOFSL, Company

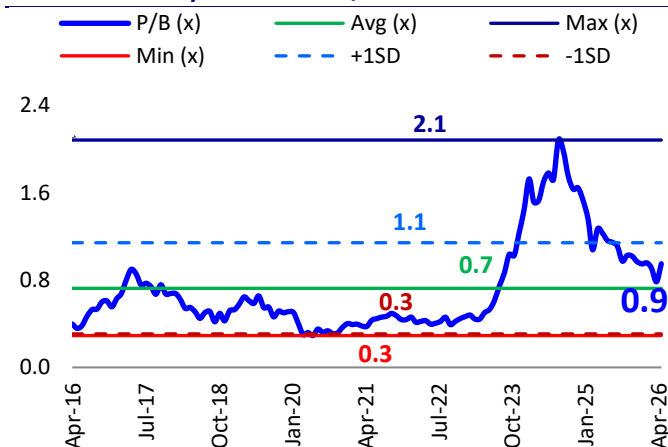
Exhibit 9: We cut our estimates by ~9%/~11% for FY27E/FY28E to account for lower margins and higher credit costs

INR B	Old Est.		New Est.		% Change	
	FY27	FY28	FY27	FY28	FY27	FY28
NII	227.6	252.0	225.6	247.2	-0.9	-1.9
Other Income	19.6	24.3	4.3	6.5	-78.0	-73.4
Net Income	247.2	276.3	229.9	253.7	-7.0	-8.2
Operating Expenses	7.8	9.0	8.8	9.8	12.6	8.4
Operating Profits	239.4	267.3	221.1	243.9	-7.6	-8.7
Provisions	7.6	10.1	11.2	15.6	47	54
PBT	231.8	257.2	209.9	228.3	-9.4	-11.2
Tax	48.2	53.5	43.7	47.5	-9.4	-11.2
PAT	183.6	203.7	166.2	180.8	-9.4	-11.2
Loans	6,310	7,032	6,393	7,164		
Spreads (%)	2.65	2.65	2.70	2.65		
RoAA (%)	2.8	2.8	2.5	2.4		
RoAE (%)	19.1	18.5	18.4	17.7		

Source: MOFSL, Company

Exhibit 10: One-year forward P/E


Source: MOFSL, Company

Exhibit 11: One-year forward P/B


Source: MOFSL, Company

Financials and valuations

Income Statement									(INR b)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest on Loans	296.6	346.8	381.9	388.4	464.1	550.7	578.1	603.1	657.6
Interest Exp and Other Charges	190.0	214.9	220.5	237.4	299.5	341.3	362.4	377.5	410.4
Net Interest Income	106.7	131.9	161.3	151.0	164.6	209.4	215.7	225.6	247.2
Change (%)	14.3	23.7	22.3	-6.4	9.0	27.2	3.0	4.6	9.6
Forex Gains/(Losses)	-23.6	-3.3	-8.0	-11.1	-1.7	-2.1	-2.7	-1.5	-1.0
Net Interest Income (including forex gains/losses)	83.1	128.6	153.3	139.8	162.9	207.3	213.0	224.1	246.2
Other Operating Income	1.0	7.0	9.5	3.7	7.2	8.4	3.7	5.3	6.9
Other Income	0.6	0.2	1.0	0.4	0.7	0.7	0.5	0.5	0.6
Net Total Income	84.7	135.9	163.8	144.0	170.8	216.4	217.1	229.9	253.7
Change (%)	-4.0	60.4	20.5	-12.1	18.6	26.7	0.3	5.9	10.4
Employee Cost	1.8	1.4	1.6	1.8	2.1	2.4	2.4	2.7	2.9
Administrative Exp	4.2	2.6	3.0	3.4	4.2	4.7	5.3	5.8	6.5
Depreciation	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Total Operating Expenses	6.0	4.2	4.8	5.5	6.6	7.4	8.0	8.8	9.8
PPoP	78.7	131.8	159.0	138.5	164.2	208.9	209.1	221.1	243.9
Change (%)	-5.6	67.4	20.7	-12.9	18.5	27.2	0.1	5.7	10.3
Total Provisions	8.9	24.2	34.7	1.1	-13.6	10.2	2.0	11.2	15.6
% to Operating Income	11.3	18.4	21.8	0.8	-8.3	4.9	1.0	5.1	6.4
PBT	69.8	107.6	124.2	137.4	177.8	198.7	207.1	209.9	228.3
Tax (Incl Deferred tax)	21.0	23.9	23.8	26.8	37.6	41.5	44.3	43.7	47.5
Tax Rate (%)	30.0	22.3	19.1	19.5	21.2	20.9	21.4	20.8	20.8
PAT	48.9	83.6	100.5	110.5	140.2	157.3	162.8	166.2	180.8
Change (%)	-15.2	71.1	20.1	10.0	26.8	12.2	3.5	2.1	8.8

Balance Sheet									(INR b)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Capital	20	20	20	26	26	26	26	26	26
Reserves & Surplus	331	418	493	550	661	750	817	934	1,058
Net Worth	351	438	513	577	688	776	843	960	1,085
Borrowings	2,815	3,228	3,263	3,808	4,456	4,963	5,148	5,562	6,247
Change (%)	17.5	14.7	1.1	16.7	17.0	11.4	3.7	8.0	12.3
Total Liabilities	3,166	3,666	3,776	4,385	5,144	5,739	5,991	6,522	7,332
Investments	23	19	22	31	53	66	98	113	130
Change (%)	-3.5	-17.4	13.0	45.4	69.5	24.8	47.5	15.0	15.0
Loans	3,121	3,653	3,719	4,221	4,992	5,591	5,792	6,318	7,081
Change (%)	15.4	17.0	1.8	13.5	18.3	12.0	3.6	9.1	12.1
Net Fixed Assets	5	6	6	6	7	7	7	7	8
Net current assets	0	0	0	0	0	0	0	0	0
Total Assets	3,148	3,678	3,747	4,259	5,052	5,664	5,897	6,438	7,218

E: MOFSL Estimates

Loans and Disbursements	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Gross Loans (INR b)	3,224	3,774	3,854	4,350	5,094	5,669	5,837	6,393	7,164
YoY Growth (%)	15	17	2	13	17	11	3	10	12
Disbursements (INR b)	757	930	642	968	1,615	1,912	2,112	2,365	2,626
YoY Growth (%)	5	23	-31	51	67	18	10	12	11

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Spreads Analysis (%)									
Avg. Yield - on Financing Portfolio	10.1	10.1	10.3	9.7	9.9	10.2	10.0	9.8	9.6
Avg Cost of Funds	7.3	7.1	6.8	6.7	7.2	7.2	7.2	7.1	7.0
Interest Spread	2.8	3.0	3.5	2.9	2.7	3.0	2.8	2.7	2.7
Net Interest Margin	3.7	3.9	4.4	3.8	3.6	4.0	3.8	3.7	3.7

Profitability Ratios (%)

RoE	14.1	21.2	21.1	20.3	22.2	21.5	20.1	18.4	17.7
RoA	1.5	2.2	2.5	2.5	2.8	2.7	2.6	2.5	2.4

Efficiency Ratios (%)

Int. Expended/Int.Earned	64.0	62.0	57.8	61.1	64.5	62.0	62.7	62.6	62.4
Other operating Inc./Net Income	1.2	5.2	5.8	2.6	4.2	3.9	1.7	2.3	2.7
Other Income/Net Income	0.8	0.2	0.6	0.3	0.4	0.3	0.2	0.2	0.2
Op. Exps./Net Income	7.1	3.1	2.9	3.8	3.9	3.4	3.7	3.8	3.8
Empl. Cost/Op. Exps.	29.2	34.9	33.1	33.2	32.4	32.9	30.5	30.2	29.9

Asset-Liability Profile (%)

Loans/Borrowings Ratio	110.9	113.1	114.0	110.8	112.0	112.7	112.5	113.6	113.3
Assets/Networth	9.0	8.4	7.3	7.4	7.3	7.3	7.0	6.7	6.7
Debt/Equity Ratio	8.0	7.4	6.4	6.6	6.5	6.4	6.1	5.8	5.8

Asset Quality (%)

Gross Stage 3	6.6	4.8	4.5	3.4	2.7	1.3	0.2	0.2	0.2
Net Stage 3	3.3	1.7	1.5	1.0	0.9	0.4	0.1	0.1	0.1
PCR	49.6	64.6	67.4	70.6	68.5	71.7	51.1	55.0	60.0
Credit costs	0.3	0.7	0.9	0.0	-0.3	0.2	0.0	0.19	0.23

Valuations

Book Value (INR)	178	222	260	219	261	295	320	365	412
BV Growth (%)	2.3	24.8	17.3	-15.7	19.3	12.9	8.6	13.9	12.9
Price-BV (x)	2.1	1.7	1.4	1.7	1.4	1.3	1.2	1.0	0.9
Adjusted Book Value (INR)	164	213	253	215	257	293	319	364	411
ABV Growth (%)	2.4	30.1	18.4	-15.0	19.6	13.9	9.1	14.0	12.9
Price-ABV (x)	2.3	1.8	1.5	1.7	1.5	1.3	1.2	1.0	0.9
EPS (INR)	24.7	42.3	50.9	42.0	53.2	59.7	61.8	63.1	68.7
EPS Growth (%)	-15.2	71.1	20.1	-17.5	26.8	12.2	3.5	2.1	8.8
Price-Earnings (x)	15.2	8.9	7.4	9.0	7.1	6.3	6.1	6.0	5.5
Dividend	11.0	12.7	15.3	12.6	16.0	18.0	18.6	21.5	23.5
Dividend Yield (%)	2.9	3.4	4.1	3.4	4.3	4.8	4.9	5.7	6.3

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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