25 July 2026

1QFY27 Results Update | Sector: Financials

Rural Electrification Corp

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	RECL IN
Equity Shares (m)	2633
M.Cap.(INRb)/(USDb)	952.2 / 9.9
52-Week Range (INR)	409 / 304
1, 6, 12 Rel. Per (%)	0/5/-6
12M Avg Val (INR M)	2610

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
NII	216	222	241
PPP	209	206	234
PAT	163	167	174
EPS (INR)	61.8	63.2	65.9
EPS Gr. (%)	4	2	4
BV/Shr (INR)	320	365	409
ABV/Shr (INR)	319	364	409
RoAA (%)	2.6	2.5	2.4
RoE (%)	20.1	18.5	17.0
Div. Payout (%)	30.0	34.0	35.7
Valuation			
P/E (x)	5.9	5.7	5.5
P/BV (x)	1.1	1.0	0.9
Div. Yield (%)	5.1	5.9	6.5

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	52.6	52.6	52.6
DII	17.0	16.4	15.6
FII	15.8	15.8	19.2
Others	14.6	15.2	12.7

FII Includes depository receipts

CMP: INR362 TP: INR435 (+20%) Buy

Weak quarter; PPoP miss from elevated exchange losses

Loan book broadly flat YoY; earnings in line due to provision writeback

- Rural Electrification Corp's (REC) 1QFY27 PAT declined ~7% YoY to INR41.5b (inline). NII in 1QFY27 declined ~2% YoY to ~INR54.4b (inline).
- Other income stood at -INR1.5b due to a net loss on investments of INR3b (PQ: -INR634m and PY: -INR5.8b). This included fee and commission income of INR1.1b (PQ: INR2.5b and PY: INR1.4b). Exchange loss during the quarter stood at INR9.1b (PQ: INR942m and PY: INR515m).
- Opex declined 11% YoY to ~INR1.2b (~54% below est). The cost-to-income ratio stood at ~2.3% (PQ: 6.7% and PY: 2.5%). PPoP declined ~16% YoY to INR42.5b (~20% miss). Provisions writebacks for the quarter stood at INR9.6b (vs. est. provision writebacks of INR1b). This translated into annualized credit costs of -16bp (PY: -11bp and PQ: 10bp).
- REC declared its first interim dividend of INR4.25/share.

NIM dips ~40bp YoY; CoB declines ~20bp QoQ

- Yields (calc.) declined ~5bp QoQ to ~9.55% while CoB (calc.) declined ~20bp QoQ to ~6.9%, resulting in spreads (calc.) rising ~15bp QoQ to ~2.63%.
- Reported NIM for 1Q contracted declined ~40bp YoY to ~3.34% (FY26: 3.43%). We expect REC to maintain a NIM of ~3.7% over FY27-28E. (FY26: 3.8%).

Loan growth muted, driven by weak disbursements

- The loan book stood at INR5.9t and rose ~1% YoY/QoQ. Repayments declined sequentially to ~18.8% (PQ: 30.2% and PY: 29.5%). The renewable loan book grew 23% YoY to INR786b and forms ~13% of the overall loan mix.
- Disbursements in 1QFY27 were weak and declined 43% YoY to INR337b. We now estimate REC to deliver an AUM CAGR of ~9% over FY26-28.

Asset quality stable; PCR on standard assets declines sequentially

- GS3 and NS3 were broadly stable QoQ at ~0.23% and 0.11%, respectively. S3 PCR was stable at ~51.2% (PQ: ~51%). Standard assets (Stage 1 and 2) PCR declined ~20bp QoQ to 0.85% (PQ: 1.06%) and led to a provision write-back.
- We model REC's credit costs to remain benign at ~20bp over FY27-FY28E.
- CRAR stood at ~23.1% as of Jun'26.

Valuation and view

- REC reported a subdued quarter, with the loan book growing modestly by ~1% YoY and remaining broadly flat QoQ. Disbursements continued to remain weak, although repayments moderated sequentially in 1QFY27. Reported NIM declined YoY and QoQ amid pressure on yields, while asset quality remained broadly stable during the quarter.
- REC trades at an attractive valuation of 1x FY27E P/ABV. However, weak loan growth and pressure on margins remain the key monitorables. We raise our FY27 EPS by ~3% to factor in higher provision writebacks and cut our FY28 EPS by 3% to factor in lower loan growth. We model a CAGR of 9%/3% in loans/PAT over FY26-28E. We expect REC to deliver a RoA/RoE of 2.4%/17% in FY28E. **Reiterate BUY with a TP of INR435 (premised on 1.1x FY28E BVPS).** **Key risks**: 1) sustained weak loan growth; 2) compression in spreads/margins amid high competition.

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Quarterly Performance

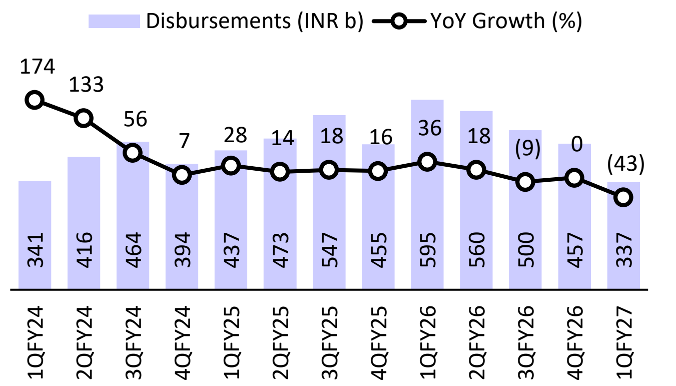
INR m

Y/E March	FY26				FY27E				FY26	FY27E	1QFY27E	v/s Est.
	1Q	2Q	3Q	4Q	1QA	2QE	3QE	4QE				
Interest Income	1,45,022	1,45,771	1,45,184	1,41,016	1,41,867	1,43,961	1,47,576	1,51,069	5,78,118	5,84,473	1,43,089	-1
Interest Expenses	89,351	91,316	92,429	89,317	87,484	88,796	91,727	94,697	3,62,413	3,62,704	90,924	-4
Net Interest Income	**55,671**	**54,455**	**52,755**	**51,699**	**54,383**	**55,164**	**55,849**	**56,372**	**2,15,705**	**2,21,769**	**52,165**	**4**
YoY Gr (%)	19.2	9.6	2.8	-16.1	-2.3	1.3	5.9	9.0	3	3	-6.3	
Other Operational Income	1,442	4,738	3,925	2,545	1,091	1,200	1,320	1,448	3,657	5,060	2,596	
Net Operational Income	**57,113**	**59,192**	**56,680**	**54,244**	**55,474**	**56,365**	**57,169**	**57,820**	**2,16,636**	**2,26,828**	**54,761**	**1**
YoY Gr (%)	21.1	18.0	8.8	-15.1	-2.9	-4.8	0.9	6.6	0	5	-4.1	
Other Income	-5,406	-943	-2,698	-1,074	-11,753	-1,950	750	973	473	(11,980)	1,000	-
Total Net Income	**51,707**	**58,249**	**53,982**	**53,171**	**43,721**	**54,415**	**57,919**	**58,793**	**2,17,109**	**2,14,848**	**55,761**	**-22**
YoY Gr (%)	3.1	14.5	1.2	-17.0	-15.4	-6.6	7.3	10.6	0	(1)	6.8	
Operating Expenses	**1,404**	**1,374**	**1,708**	**3,479**	**1,253**	**1,786**	**1,964**	**3,774**	**7,965**	**8,778**	**2,707**	**-54**
YoY Gr (%)	-35.4	-29.0	-45.7	45.2	-10.8	30.0	15.0	8.5	7	10	41.0	
% to Income	2.7	2.4	3.2	6.5	2.9	3.3	3.4	6.4	4	4	4.9	
Operating Profit	**50,303**	**56,875**	**52,274**	**49,692**	**42,468**	**52,628**	**55,956**	**55,018**	**2,09,144**	**2,06,071**	**53,054**	**-20**
YoY Gr %	4.8	16.2	4.1	-19.4	-15.6	-7.5	7.0	10.7	0	(1)	5.5	
Provisions	-6,166	1,347	1,110	5,721	-9,625	1,000	1,750	2,688	2,012	(4,188)	-1,000	-
PBT	**56,469**	**55,528**	**51,164**	**43,971**	**52,093**	**51,628**	**54,206**	**52,331**	**2,07,132**	**2,10,258**	**54,054**	**-4**
YoY Gr (%)	30.5	10.2	0.1	-18.3	-7.7	-7.0	5.9	19.0	4	2	-4.3	
Tax	**11,959**	**11,269**	**10,733**	**10,348**	**10,599**	**10,584**	**11,654**	**10,897**	**44,309**	**43,734**	**10,811**	**-2**
Tax Rate (%)	21.2	20.3	21.0	23.5	20.3	20.5	21.5	20.8	21	21	20.0	
PAT	**44,510**	**44,259**	**40,431**	**33,623**	**41,495**	**41,045**	**42,551**	**41,434**	**1,62,823**	**1,66,524**	**43,243**	**-4**
YoY Gr (%)	29.3	10.5	0.3	-20.6	-6.8	-7.3	5.2	23.2	3.5	2.3	-2.8	
Key Parameters (Calc., %)												
Yield on loans	9.99	9.95	9.91	9.59	9.54	9.51	9.49	9.50				
Cost of funds	7.17	7.19	7.35	7.11	6.91	6.91	6.93	6.96				
Spread	2.82	2.8	2.6	2.5	2.63	2.6	2.6	2.5				
NIM	3.8	3.7	3.6	3.48	3.09	3.67	3.63	3.58				
C/I ratio	2.5	2.5	3.2	6.7	2.3	3.2	3.5	6.7				
Credit cost	-0.11	0.02	0.02	0.10	-0.16	0.02	0.03	0.04				
Balance Sheet Parameters												
Disbursements (INR b)	**595**	**560**	**500**	**457**	**337**	**476**	**550**	**496**				
Growth (%)	36.3	18.3	-8.6	0.4	-43.3	-15.0	10.0	8.4				
AUM (INR b)	**5,846**	**5,822**	**5,818**	**5,837**	**5,900**	**6,036**	**6,224**	**6,323**				
Growth (%)	10.4	6.6	2.9	3.0	0.9	3.7	7.0	8.3				
Asset Quality Parameters												
GS 3 (INR B)	61.5	61.5	51.2	13.9	13.8							
GS 3 (%)	1.05	1.06	0.88	0.24	0.23							
NS 3 (INR B)	14.11	14.1	11.8	6.8	6.75							
NS 3 (%)	0.24	0.24	0.20	0.12	0.11							
PCR (%)	77.05	77.1	77.0	51.0	51.19							

E: MOSL Estimates

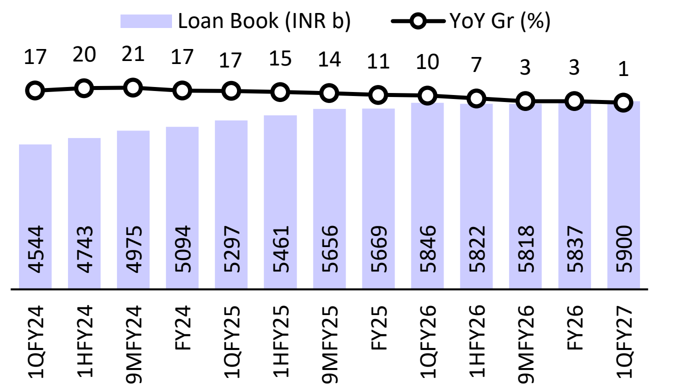
Key exhibits

Exhibit 1: Disbursements declined ~43% YoY



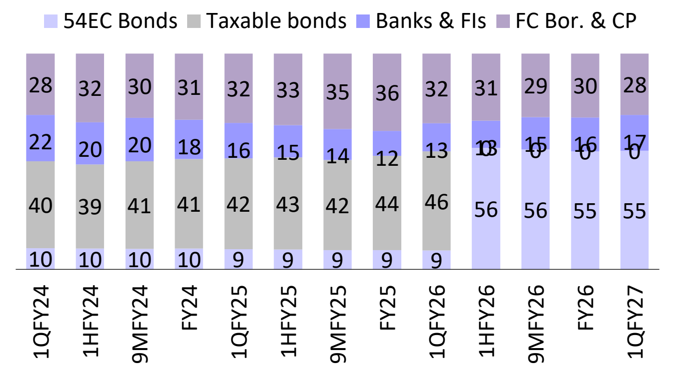
Source: MOFSL, Company

Exhibit 2: Loan book grew ~1% YoY



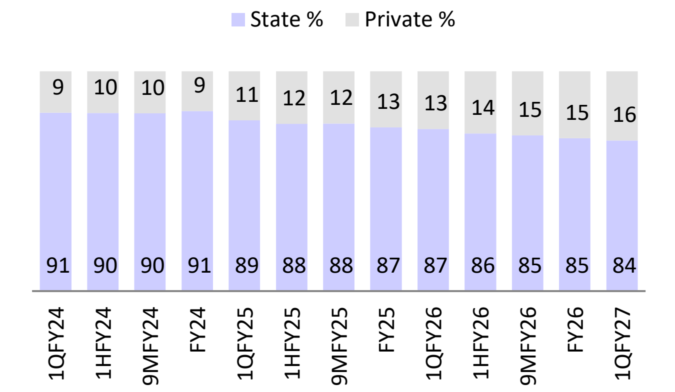
Source: MOFSL, Company

Exhibit 3: Borrowing mix (%)



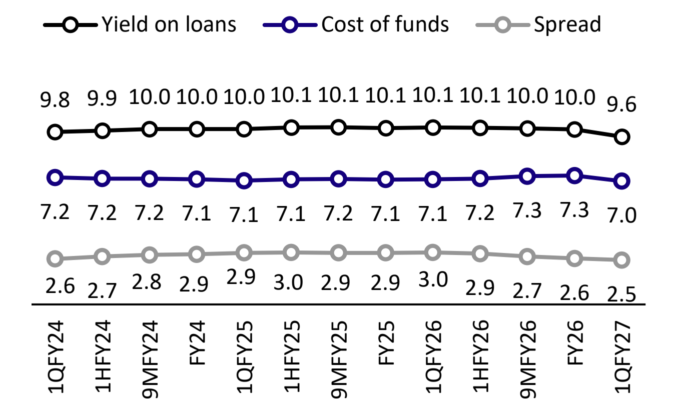
Source: MOFSL, Company

Exhibit 4: ~16% of loans are given to private players



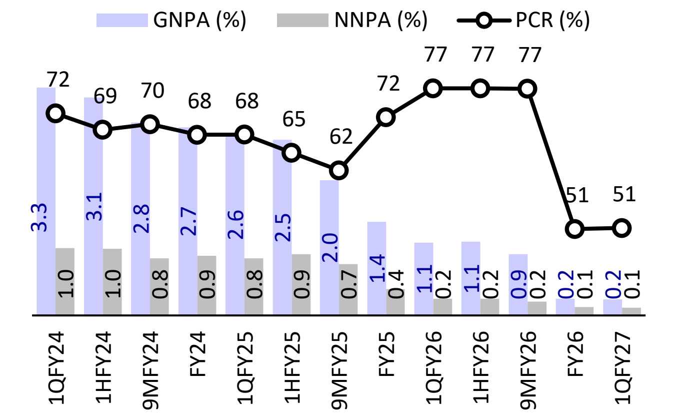
Source: MOFSL, Company

Exhibit 5: Spreads declined ~10bp QoQ (%)



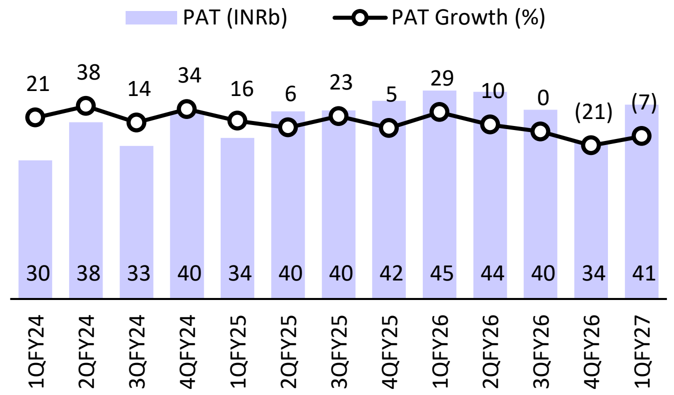
Source: MOFSL, Company

Exhibit 6: GS3 and NS3 were stable QoQ



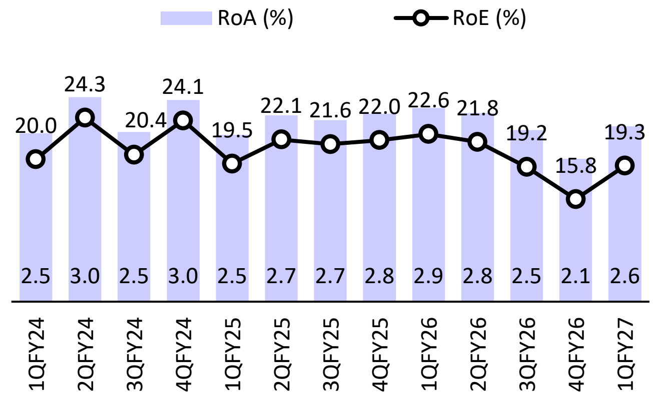
Source: MOFSL, Company

Exhibit 7: PAT declined ~7% YoY



Source: MOFSL, Company

Exhibit 8: RoA/RoE trends (%)



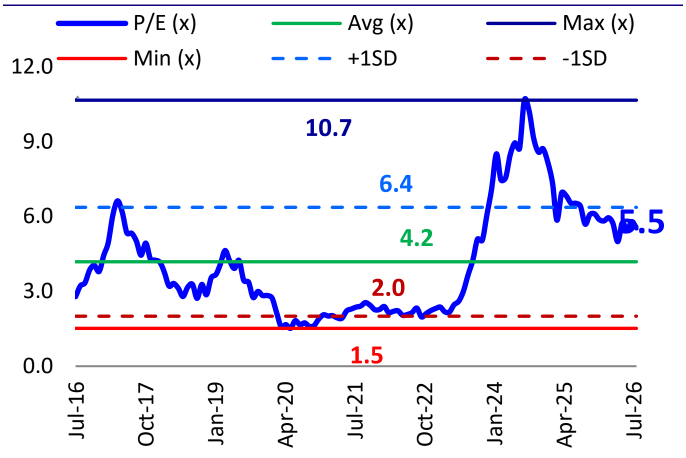
Source: MOFSL, Company

Exhibit 9: We raise our FY27 EPS by ~3% to factor in higher provision writebacks and cut our FY28 EPS by 3% to factor in lower loan growth

INR B	Old Est.		New Est.		% Change	
	FY27	FY28	FY27	FY28	FY27	FY28
NII	217.5	245.1	221.8	240.9	1.9	-1.7
Other Income	4.3	6.5	-6.9	2.9	-260.1	-55.1
Net Income	**221.9**	**251.6**	**214.8**	**243.8**	**-3.2**	**-3.1**
Operating Expenses	8.8	9.8	8.8	9.8	0.0	0.0
Operating Profits	**213.1**	**241.8**	**206.1**	**234.0**	**-3.3**	**-3.2**
Provisions	9.8	16.4	-4.2	14.9	-143	-10
PBT	**203.3**	**225.4**	**210.3**	**219.1**	**3.4**	**-2.8**
Tax	42.3	46.9	43.7	45.6	3.4	-2.8
PAT	**161.0**	**178.5**	**166.5**	**173.5**	**3.4**	**-2.8**
Loans	6,430	7,167	6,323	6,977		
Spreads (%)	**2.55**	**2.60**	**2.67**	**2.58**		
RoAA (%)	**2.4**	**2.4**	**2.5**	**2.4**		
RoAE (%)	**17.9**	**17.6**	**18.5**	**17.0**		

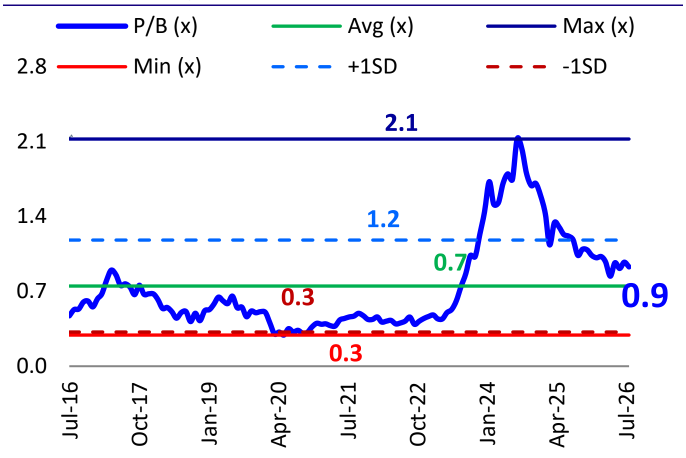
Source: MOFSL, Company

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	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Interest on Loans	346.8	381.9	388.4	464.1	550.7	578.1	584.5	635.6
Interest Exp and Other Charges	214.9	220.5	237.4	299.5	341.3	362.4	362.7	394.7
Net Interest Income	**131.9**	**161.3**	**151.0**	**164.6**	**209.4**	**215.7**	**221.8**	**240.9**
Change (%)	23.7	22.3	-6.4	9.0	27.2	3.0	2.8	8.6
Forex Gains/(Losses)	-3.3	-8.0	-11.1	-1.7	-2.1	-2.7	-10.0	-1.0
Net Interest Income (including forex gains/losses)	**128.6**	**153.3**	**139.8**	**162.9**	**207.3**	**213.0**	**211.8**	**239.9**
Other Operating Income	7.0	9.5	3.7	7.2	8.4	3.7	2.6	3.3
Other Income	0.2	1.0	0.4	0.7	0.7	0.5	0.5	0.6
Net Total Income	**135.9**	**163.8**	**144.0**	**170.8**	**216.4**	**217.1**	**214.8**	**243.8**
Change (%)	60.4	20.5	-12.1	18.6	26.7	0.3	-1.0	13.5
Employee Cost	1.4	1.6	1.8	2.1	2.4	2.4	2.7	2.9
Administrative Exp	2.6	3.0	3.4	4.2	4.7	5.3	5.8	6.5
Depreciation	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Total Operating Expenses	**4.2**	**4.8**	**5.5**	**6.6**	**7.4**	**8.0**	**8.8**	**9.8**
PPoP	**131.8**	**159.0**	**138.5**	**164.2**	**208.9**	**209.1**	**206.1**	**234.0**
Change (%)	67.4	20.7	-12.9	18.5	27.2	0.1	-1.5	13.6
Total Provisions	**24.2**	**34.7**	**1.1**	**-13.6**	**10.2**	**2.0**	**-4.2**	**14.9**
% to Operating Income	18.4	21.8	0.8	-8.3	4.9	1.0	-2.0	6.4
PBT	**107.6**	**124.2**	**137.4**	**177.8**	**198.7**	**207.1**	**210.3**	**219.1**
Tax (Incl Deferred tax)	23.9	23.8	26.8	37.6	41.5	44.3	43.7	45.6
Tax Rate (%)	22.3	19.1	19.5	21.2	20.9	21.4	20.8	20.8
PAT	**83.6**	**100.5**	**110.5**	**140.2**	**157.3**	**162.8**	**166.5**	**173.5**
Change (%)	71.1	20.1	10.0	26.8	12.2	3.5	2.3	4.2

Balance Sheet								(INR b)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Capital	20	20	26	26	26	26	26	26
Reserves & Surplus	418	493	550	661	750	817	934	1,051
Net Worth	**438**	**513**	**577**	**688**	**776**	**843**	**961**	**1,078**
Borrowings	**3,228**	**3,263**	**3,808**	**4,456**	**4,963**	**5,148**	**5,489**	**6,036**
Change (%)	14.7	1.1	16.7	17.0	11.4	3.7	6.6	10.0
Total Liabilities	**3,666**	**3,776**	**4,385**	**5,144**	**5,739**	**5,991**	**6,449**	**7,114**
Investments	19	22	31	53	66	98	113	130
Change (%)	-17.4	13.0	45.4	69.5	24.8	47.5	15.0	15.0
Loans	**3,653**	**3,719**	**4,221**	**4,992**	**5,591**	**5,792**	**6,265**	**6,909**
Change (%)	17.0	1.8	13.5	18.3	12.0	3.6	8.2	10.3
Net Fixed Assets	6	6	6	7	7	7	7	8
Net current assets	0	0	0	0	0	0	0	0
Total Assets	**3,678**	**3,747**	**4,259**	**5,052**	**5,664**	**5,897**	**6,384**	**7,046**

E: MOSL Estimates

Loans and Disbursements	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Gross Loans (INR b)	3,774	3,854	4,350	5,094	5,669	5,837	6,323	6,977
YoY Growth (%)	17	2	13	17	11	3	8	10
Disbursements (INR b)	930	642	968	1,615	1,912	2,112	1,858	2,044
YoY Growth (%)	23	-31	51	67	18	10	-12	10

Financials and valuations

Ratios								
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Spreads Analysis (%)								
Avg. Yield - on Financing Portfolio	10.1	10.3	9.7	9.9	10.2	10.0	9.5	9.4
Avg Cost of Funds	7.1	6.8	6.7	7.2	7.2	7.2	6.8	6.9
Interest Spread	3.0	3.5	2.9	2.7	3.0	2.8	2.7	2.6
Net Interest Margin	3.9	4.4	3.8	3.6	4.0	3.8	3.7	3.7
Profitability Ratios (%)								
RoE	21.2	21.1	20.3	22.2	21.5	20.1	18.5	17.0
RoA	2.2	2.5	2.5	2.8	2.7	2.6	2.5	2.4
Efficiency Ratios (%)								
Int. Expended/Int.Earned	62.0	57.8	61.1	64.5	62.0	62.7	62.1	62.1
Other operating Inc./Net Income	5.2	5.8	2.6	4.2	3.9	1.7	1.2	1.4
Other Income/Net Income	0.2	0.6	0.3	0.4	0.3	0.2	0.2	0.2
Op. Exps./Net Income	3.1	2.9	3.8	3.9	3.4	3.7	4.1	4.0
Empl. Cost/Op. Exps.	34.9	33.1	33.2	32.4	32.9	30.5	30.2	29.9
Asset-Liability Profile (%)								
Loans/Borrowings Ratio	113.1	114.0	110.8	112.0	112.7	112.5	114.1	114.5
Assets/Networth	8.4	7.3	7.4	7.3	7.3	7.0	6.6	6.5
Debt/Equity Ratio	7.4	6.4	6.6	6.5	6.4	6.1	5.7	5.6
Asset Quality (%)								
Gross Stage 3	4.8	4.5	3.4	2.7	1.3	0.2	0.1	0.2
Net Stage 3	1.7	1.5	1.0	0.9	0.4	0.1	0.1	0.1
PCR	64.6	67.4	70.6	68.5	71.7	51.1	50.0	50.0
Credit costs	0.7	0.9	0.0	-0.3	0.2	0.0	-0.07	0.23
Valuations								
Book Value (INR)	222	260	219	261	295	320	365	409
BV Growth (%)	24.8	17.3	-15.7	19.3	12.9	8.6	14.0	12.2
Price-BV (x)	**1.6**	**1.4**	**1.7**	**1.4**	**1.2**	**1.1**	**1.0**	**0.9**
Adjusted Book Value (INR)	213	253	215	257	293	319	364	409
ABV Growth (%)	30.1	18.4	-15.0	19.6	13.9	9.1	14.1	12.1
Price-ABV (x)	**1.7**	**1.4**	**1.7**	**1.4**	**1.2**	**1.1**	**1.0**	**0.9**
EPS (INR)	42.3	50.9	42.0	53.2	59.7	61.8	63.2	65.9
EPS Growth (%)	71.1	20.1	-17.5	26.8	12.2	3.5	2.3	4.2
Price-Earnings (x)	**8.5**	**7.1**	**8.6**	**6.8**	**6.1**	**5.9**	**5.7**	**5.5**
Dividend	12.7	15.3	12.6	16.0	18.0	18.6	21.5	23.5
Dividend Yield (%)	**3.5**	**4.2**	**3.5**	**4.4**	**5.0**	**5.1**	**5.9**	**6.5**

E: MOSL Estimates

Du Pont Analysis %	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest income	9.3	9.4	8.9	9.2	9.5	9.2	8.8	8.8
Interest expenses	5.8	5.4	5.4	5.9	5.9	5.8	5.5	5.4
Net Interest Income	**3.5**	**4.0**	**3.4**	**3.3**	**3.6**	**3.4**	**3.3**	**3.3**
Other Operating Income	0.1	0.0	-0.2	0.1	0.1	0.0	-0.1	0.0
Other Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Income	**3.6**	**4.0**	**3.3**	**3.4**	**3.7**	**3.5**	**3.2**	**3.4**
Operating expenses	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating profits	**3.5**	**3.9**	**3.2**	**3.2**	**3.6**	**3.3**	**3.1**	**3.2**
Provisions	0.6	0.9	0.0	-0.3	0.2	0.0	-0.1	0.2
PBT	**2.9**	**3.1**	**3.1**	**3.5**	**3.4**	**3.3**	**3.2**	**3.0**
Taxation	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.6
RoA	**2.2**	**2.5**	**2.5**	**2.8**	**2.7**	**2.6**	**2.5**	**2.4**
Leverage (x)	9.5	8.5	8.0	8.0	7.9	7.7	7.4	7.1
RoE	**21.2**	**21.1**	**20.3**	**22.2**	**21.5**	**20.1**	**18.5**	**17.0**

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

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