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Values that bind

REC Limited

Q3FY26 Result Update | Sector: Financial Services

Febraury 03, 2026

REC Limited

Slight margin miss but still positive outlook maintained

Q3FY26 Result Update | Sector: Financial Services

BUY

Current Market Price	370
Target Price	460
Upside	24.3%
Nifty	25,767
Sensex	83,914

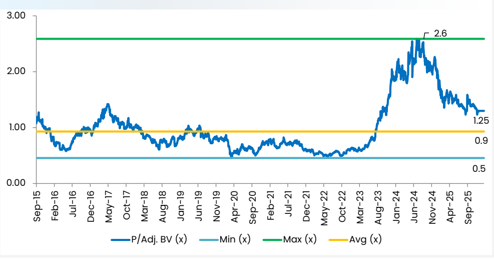
Key Stock Data

Company Name	REC Limited
BSE Code	532955
NSE Code	RECLTD
Bloomberg	RECL:IN
Shares O/S (Cr)	263.4
M.Cap (Rs.Cr)	97,469
3M Avg Vol	77,04,972
52 week H/L	636/357
FV (Rs)	10.0

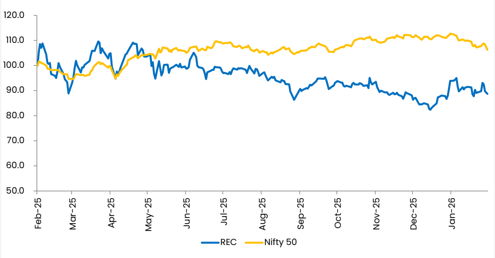
Shareholding Pattern

	Jun-25	Sep-25	Dec-25
Promoter	52.6	52.6	52.6
FII	19.2	18.0	16.5
DII	15.5	15.9	16.2
Public	12.7	13.5	14.6

1 Year Forward P/Adj. BV (x)



1 Year Relative Price Chart



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Profitability slightly below expectations: REC Limited posted a below expectations financial performance in Q3FY26 with total income rising 6.3% YoY to Rs. 15,059 crore and net interest income up 2.8% YoY to Rs. 5,068 crore, on the back slower than expected advance growth and contraction in NIMs. Profit after tax (PAT) stood at Rs. 4,415 crore, reflecting an almost flat annualized growth on the back of contraction in NIMs. Total expenses increased by 8.96% YoY to Rs. 39,355 crore, on the back of rising financing cost which grew by 4.6% YoY above expectations. Going ahead we see a gradual improvement in the advance growth as margins which will support profitability hence we expect 8% to 9% PAT growth for FY27.

Loan book growth led by distribution financing: REC's loan book expanded to Rs. 5.82 lakh crore as of December 31, 2025, up from Rs. 5.66 lakh crore a year earlier, reflecting steady balance sheet growth. Growth was powered by strong disbursement momentum, with 9M FY26 disbursements rising 14% YoY to Rs. 1.65 lakh crore, the highest ever for the company. The distribution segment dominated with 66% of total disbursements, underlining REC's central role in strengthening India's power distribution ecosystem, followed by renewable energy at 12% and conventional generation at 11% . On the outstanding portfolio side, distribution now accounts for 41% of loan assets, up from 32% last year, while renewables have grown to 12%, highlighting REC's increasing exposure to clean energy . Overall loan assets excluding RBPF and Stage-III loans grew at a robust 10% YoY, reflecting both balance sheet expansion and improving asset quality.

Margins remained resilient despite funding cost pressures, though below expectations: REC sustained a net interest margin (NIM) of 3.52% in 9M FY26, marginally lower than 3.64% in 9M FY25 and slightly below expectations, impacted by higher funding cost. This stability was achieved even as the cost of funds increased to 7.30% from 7.15%, partly due to higher foreign currency borrowings and associated hedging costs. Yield on loan assets remained steady at 10.03%, helping REC protect spreads at 2.73%. The company's balance sheet structure continues to support margin stability, with a large portion of borrowings being long-tenor and fixed-rate in nature and over 99% of foreign currency borrowings fully hedged, significantly limiting volatility from currency movements. Return on net worth stood at 21.02%, underscoring strong profitability despite temporary margin pressures.

Asset quality continued to strengthen: REC's asset quality improved with gross credit-impaired assets at 1.01% and net at 0.20% as of December 2025. Stage-III assets declined 54% YoY to Rs. 5,123 crore, aided by strong recoveries, including Rs. 15,407 crore from the Kaleshwaram project. With a provision coverage ratio of 76.96%, REC's balance sheet remains well protected, supporting low credit costs and earnings stability going forward.

Valuation: Despite Q3FY26 profitability slightly below expectations, REC's strong loan book growth, resilient margins, and improving asset quality position it well for steady earnings momentum. Distribution financing continues to drive growth, while increasing exposure to renewables enhances the company's strategic relevance in India's energy transition. Stable spreads, effective hedging of foreign currency borrowings, and robust recoveries support margin and balance sheet stability. We expect gradual improvement in advance growth and profitability, with 8–9% PAT growth in FY27. We maintain our **BUY** rating with a target price of **Rs. 460**, valuing the stock at approximately 1.18x FY27E adjusted book value, reflecting REC's solid fundamentals and long-term growth visibility.

Financial Summary - Consolidated

Particulars, INR Cr	FY24	FY25	FY26E	FY27E
Interest Income	46410	55070	58608	66656
Finance Cost	29949	34135	36857	40941
Net interest income	**16461**	**20935**	**21751**	**25715**
Pre-provisioning operating profit	**16422**	**20879**	**21783**	**24668**
Profit before Tax	17781	19860	21481	23247
Profit after Tax	14019	15713	17185	18597
EPS (Rs)	53.24	59.67	65.26	70.63
BVPS (Rs.)	261	295	337	383
P/B (x)	**1.42**	**1.25**	**1.10**	**0.97**
RoE (%)	22.2%	19.5%	20.6%	19.6%
ROA (%)	2.8%	2.7%	2.7%	2.7%

Source : RBL Research

Total income grew by 6.3% YoY, below expectations.

PAT grew by 1% YoY, below expectations

Quarterly Performance - Consolidated

Particulars, INR Cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Interest Income	14,527	13,970	4.0	14,590	(0.4)
Dividend Income	-	28	(100.0)	1	-
Fees and Commission Income	392	76	418.3	474	(17.2)
Other income	140	99	41.0	98	42.2
Total Income	**15,059**	**14,173**	**6.3**	**15,162**	**(0.7)**
Finance Cost	9,243	8,837	4.6	9,131	1.2
Fees and Commission Expenses	3	4	(29.2)	1	125.2
Employees Cost	71	49	42.8	67	5.9
Depreciation	6.8	6.2	9.1	6.7	2.1
Loss_Foreign_exchange	48	59	(19.6)	79	(40.2)
Misc Expenses	420	196	114.1	189	122.2
Pre-Provisioning Operating Profit (PPoP)	**5,268**	**5,021**	**4.9**	**5,689**	**(7.4)**
Impairment on Financial Instruments	113.7	(89.0)	(227.7)	139.7	(18.6)
Profit Before Tax (PBT)	**5,155**	**5,110**	**0.9**	**5,549**	**(7.1)**
Tax Expense	1,084	1,081	0.3	1,134	(4.4)
Profit After Tax (PAT)	**4,071**	**4,029**	**1.0**	**4,415**	**(7.8)**
Total	5,459	4,968	9.89%	5,567	(2)

Source : RBL Research

Private sector continues to be growth driver.

Business Parameters - Consolidated

Particulars, INR Cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Loan Book	5,81,787	5,65,621	2.9	5,82,167	(0.07)
-State/Joint Sector	4,96,854	4,98,444	(0.3)	4,99,918	(0.61)
-Private Sector	84,933	67,177	26.4	82,249	3.26
Disbursements	52,188.0	54,692.0	(4.6)	55,962.0	(6.74)
Yield on Loan Assets (%)	10.0	10.1	-10bps	10.1	-3bps
Cost of Funds (%)	7.3	7.2	12bps	7.2	13bps
Interest Spread (%)	2.7	3.0	-22bps	2.9	-16bps
Net Interest Margin (%)	3.5	3.7	-14bps	3.6	-12bps
Return on Net Worth (%)	21.0	21.6	-56bps	22.1	-112bps
CRAR (%)	24.3	25.3	-107bps	23.7	52bps

Source : RBL Research

Asset quality remains stable and healthy.

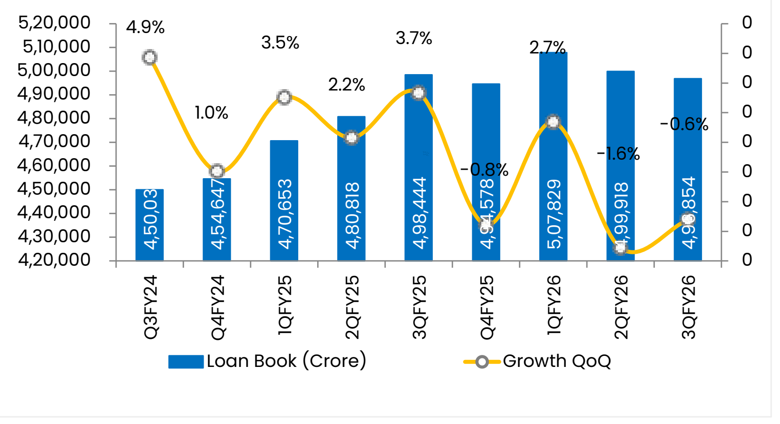
Asset Quality - Consolidated

Particulars (%)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Gross Credit Impaired Assets %	0.88	1.95	(54.9)	1.06	(17.0)
Net Credit Impaired Assets %	0.20	0.74	(73.0)	0.24	(16.7)
Provision Coverage Ratio	76.96	61.88	1508bps	77.06	-10bps

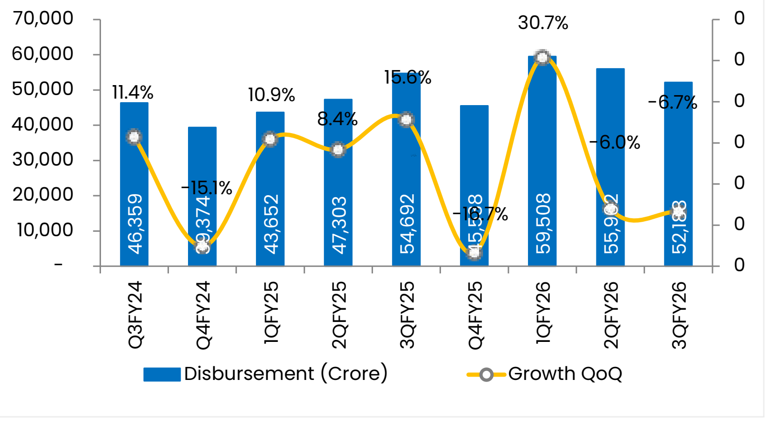
Source : RBL Research

Story in Charts

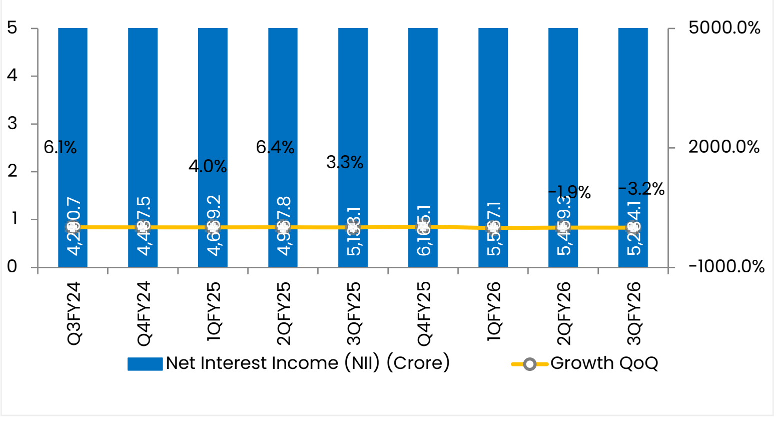
Loan book growth was below expectation



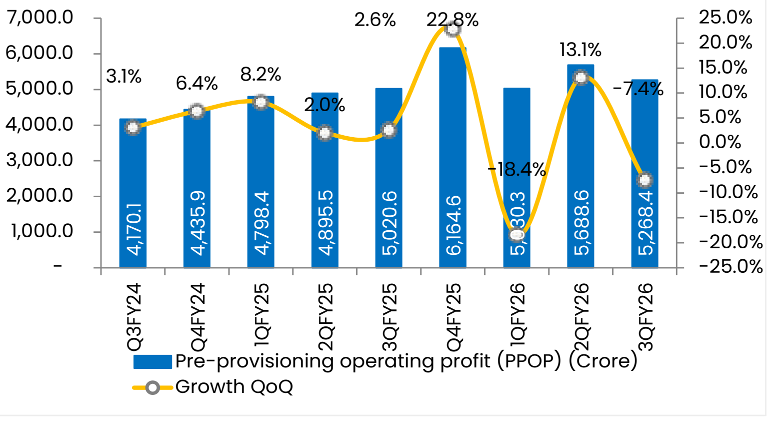
Disbursements were down sequentially



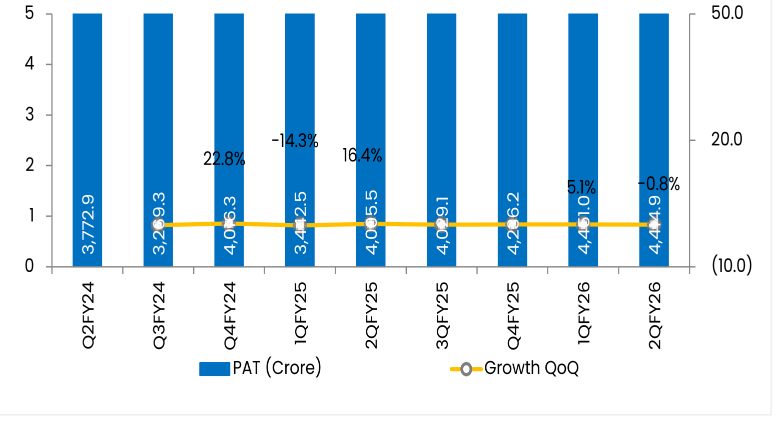
NII were also below expectations



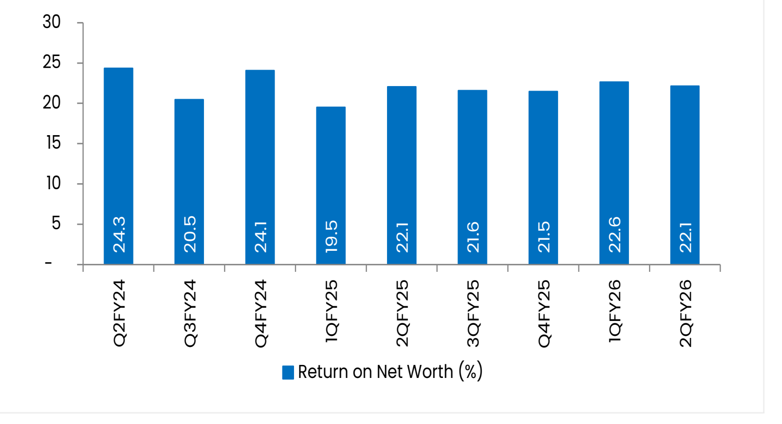
PPoP continue to grew at healthy pace



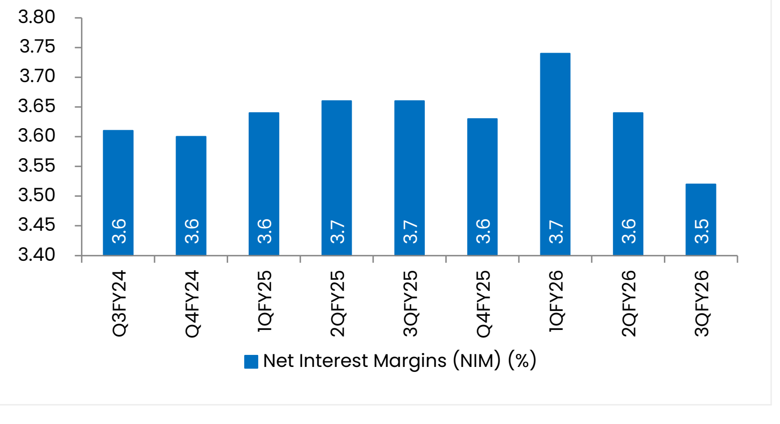
PAT for Q3FY26 were flat annualy



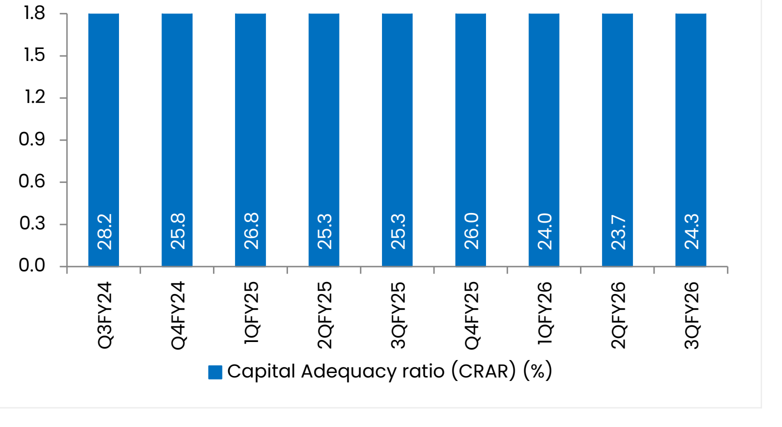
Healthy profitability supported ROE



NIMs for Q3FY26 were at 3.5%



Company remains well capitalised



Source: RBL Research

Profit and Loss Account - Consolidated

Particulars, INR Cr	FY24	FY25	FY26E	FY27E
Interest Income	46410	55070	58608	66656
Dividend Income	26	99	60	135
Fees and Commision Income	236	394	1571	474
Other Income	542	417	597	297
Total Income	**47214**	**55980**	**60836**	**67562**
Finance Cost	29949	34135	36857	40941
Fees and Commission Expenses	24	14	30	34
Employees Cost	214	226	272	271
Depreciation	24	24	30	34
Misc Expenses	414	493	1631	1353
Loss_Foreign_exchange	167	208	233	261
Pre-Provisioning Operating Profit (PPoP)	16422	20879	21783	24668
Impairment on Financial Instruments	-1358	1019	302	1421
Profit Before Tax (PBT)	**17781**	**19860**	**21481**	**23247**
Tax Expense	3761	4147	4296	4649
Profit After Tax (PAT)	**14019**	**15713**	**17185**	**18597**

Source: RBL Research

Balance Sheet - Consolidated

Particulars, INR Cr	FY24	FY25	FY26E	FY27E
Financial Assets				
Cash and Cash Equivalents	46	55	60	68
Bank Balance other than Cash and Cash Equivalents	2452	1695	1899	2126
Derivative Financial Instruments - Assets	12485	17434	20919	23429
Loans	499192	559088	598224	670011
Investments	5320	6642	6708	7848
Other Financial Assets	24422	24604	23984	28729
Total Financial Assets	**543918**	**609517**	**651794**	**732211**
Non Financial Assets				
Current tax assets (net)	294	399	379	436
Deferred Tax Assets (Net)	2485	2853	3167	3800
Property, Plant and Equipment_Gross	630	578	636	712
Other Non-Financial Assets	113	208	210	235
Total Non-Financial Assets	3523	4038	4392	5183
Total Assets	**547440**	**613555**	**656185**	**737395**
LIABILTIES & EQUITY				
Financial Liabilities				
Derivative Financial Instruments - Liabilities	778.61	1704.66	1870.47	2094.92
Debt Securities	266110	292475	316224	354171
Borrowings (Other than Debt Securities)	172092	194300	221347	247908
Subordinated Liabilities	7412	9514	10751	12041
Other Financial Liabilities	31822	37525	44279	49593
Total Borrowings	**477436**	**533814**	**592601**	**663713**
Total Financial Liabilities	**478215**	**535519**	**594471**	**665808**
Non-Financial Liabilities				
Current Tax Liabilities (Net)	67	0	0	0
Provisions	137	137	190	212
Other Non-Financial Liabilities	240	262	317	355
Total Non-Financial Liabilities	**443**	**399**	**507**	**568**
Total Liabilities	478657	535918	594978	666376
EQUITY				
Share Capital	2633	2633	2633	2633
Other Equity	66150	75005	86175	98263
Total Equity	**68783**	**77638**	**88808**	**100896**
Total Equity and Liabilities	**547440**	**613555**	**683786**	**767272**

Source: RBL Research

Key Parameters - Consolidated

Particulars, INR Cr	FY24	FY25	FY26E	FY27E
Loan Book O/S	509371	566883	604206	676711
Growth YoY	*17.1%*	*11.3%*	*6.6%*	*12.0%*
Disbursement	161462	191185	214127.2	239822.464
Growth YoY	*66.7%*	*18.4%*	*12.0%*	*12.0%*
Net worth	68783	77638	88808	100896
Growth YoY	*19.25%*	*12.87%*	*14.39%*	*13.61%*
Net Interest Income	16461	20935	21751	25715
Growth YoY	*9.0%*	*27.2%*	*3.9%*	*18.2%*

Source: RBL Research

Key Ratios - Consolidated

Particulars	FY24	FY25	FY26E	FY27E
Yield on Advances (%)	9.99%	10.05%	10.01%	10.41%
Yield on Borrowings (%)	*7.13%*	*7.11%*	*6.9%*	*6.8%*
Gross Spread (%)	2.86%	2.94%	3.15%	3.61%
Net Interest Margin (%)	*3.6%*	*3.6%*	*3.7%*	*4.0%*
RoA (%)	2.8%	2.7%	2.7%	2.7%
RoE (%)	*22.2%*	*19.5%*	*20.6%*	*19.6%*
Cost to Income Ratio (%)	5.1%	4.6%	9.9%	7.6%

Source: RBL Research

Valuation - Consolidated

Particulars	FY24	FY25	FY26E	FY27E
BVPS (Rs.)	**261**	**295**	**337**	**383**
EPS (Rs.)	53.2	59.7	65.3	70.6
P/E (x)	6.9	6.2	5.7	5.2
P/B (x)	1.42	1.25	1.10	0.97
P/Adj. BV (x)	**1.42**	**1.25**	**1.10**	**0.97**

Source: RBL Research

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Ratings Methodology

Ratings	Upside
Buy	More than 15%
Accumulate	5% - 15%
Hold	0% - 5%
Sell	Below 0%

Note: RBL Investment ratings (All ratings based on absolute return; All ratings and target price refers to 12 month performance horizon, unless mentioned otherwise).

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S No.	Statement	Answer	
		Tick Appropriate	
		Yes	No
1.	I/we or any of my/our relative has any financial interest in the subject company? (If answer is yes, nature of interest is given below this table)		**No**
2.	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of the research report or date of the public appearance?		**No**
3.	I/we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of the public appearance?		
4.	I/we have received any compensation from the subject company in the past twelve months?		**No**
5.	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		**No**
6.	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		**No**
7.	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		**No**
8.	I/we have served as an officer, director or employee of the subject company?		**No**
9.	I/we have been engaged in market making activity for the subject company?		**No**

2014 is/are as under:

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Nature of Interest [If answer to f (a) above conflicts is Yes ....]

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to

S. No.	Name of RA	Signature of RA	Serial Question of question which the signing RA needs to make a separate declaration	Answer	Answer