



असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

VIEWPOINT

Result Update

SECTOR

NBFC

COMPANY DETAILS

Market cap:	Rs. 93,000 cr
52-week high/low:	Rs. 450 / 331
NSE volume: (No of shares)	68.3 lakh
BSE code:	532955
NSE code:	RECLTD
Free float: (No of shares)	124.4 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	52.6
FII	16.5
DII	16.2
Others	14.7

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-1.4	-1.9	-7.1	-12.4
Relative to Sensex	-2.2	1.4	-8.3	-22.3

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **Positive**

CMP: **Rs. 354**

Price Target: **Rs. 450**

Quick Snapshot

- PFC-REC merger to create a stronger, unified balance sheet that enables larger-scale financing. We thus stay Positive on REC with an unchanged PT of Rs. 450.
- Gross NPA fell 107 bps y-o-y 18 bps q-o-q to reach 0.88%. Net NPA hit a low of 0.2%, reflecting a healthy and stable credit profile.
- NII rose 2.9% y-o-y and fell by 4.1% q-o-q as margins shrunk due to higher borrowing costs. PPOP up by 4.1% y-o-y and down by 8.1% to Rs. 5,228. It was also below estimates due to muted NII and higher Opex.
- Credit cost stood at 0.08% of AUM, up by 14 bps y-o-y and fell by 2 bps q-o-q. PAT lagged estimates at Rs. 4,043 crore, down 8.6% y-o-y however was flat q-o-q.

Result overview

- Q3FY26 results lagged market expectations, as margins shrunk. NII missed estimates by 6.5%, falling 4.1% q-o-q to Rs. 4,996 crore, on a 15 bps q-o-q drop in NIMs to 3.43%, a result of rising borrowing costs that outpaced yields.
- Consequently, PPOP faced pressure from both lower NII and higher Opex, while PAT settled at Rs. 4,043 crore — a 5.6% miss against estimates and an 8.6% decline y-o-y.
- Growth showed signs of a temporary plateau with AUM coming in at Rs. 5,82,000 crore, showing a modest 2.9% y-o-y increase but remaining flat q-o-q. This stagnation was largely due to slowdown in disbursements, which fell nearly 11% q-o-q Rs. 49,988 crore. This can be attributed to surge in prepayments and balance transfers, suggesting a highly competitive lending environment.
- A stronger balance sheet was a silver lining. Asset quality improved remarkably, with Gross NPA dropping by 107 bps y-o-y to 0.88%, and NNPA improving to a lean 0.2%. Despite this healthy trend, credit costs rose 14 bps y-o-y to Rs. 111 crore (0.08% of AUM), which was higher than anticipated. While operational earnings missed the mark, the underlying health of the loan book remains a core strength.
- Proposed merger with PFC marks a transformative shift in India's energy financing, consolidating a combined Rs 11.5 lakh-crore loan book to eliminate structural redundancies. By transitioning from a parent-subsidiary model to a unified entity, the government aims to catalyse the \$700 billion investment required for India's 2035 renewable power targets.

Our Call

REC Ltd maintains a strong balance sheet with pristine asset quality, evidenced by a lean NNPA of 0.2%. The upcoming PFC merger will unlock significant synergies, eliminate internal competition, and provide the massive scale required to lead India's \$700 billion energy transition. The merger ratio remains key. Though, We maintain our Positive view on the stock with unchanged PT of Rs. 450.

Key Risks

- Higher balance transfer can lead for lower AUM growth
- Intensified competition may lead for pressure on margins

Results Table

Particulars	Rs cr				
	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Interest Income	14,239	13,692	4.0%	14,339	-0.7%
Interest Expenses	9,242	8,837	4.6%	9,132	1.2%
NII	4,996	4,855	2.9%	5,208	-4.1%
Other Income	408	465	-12.2%	686	-40.5%
Total Income	5,405	5,320	1.6%	5,894	-8.3%
Opex	171	256	-33.2%	137	24.3%
PPOP	5,228	5,021	4.1%	5,687	-8.1%
P&C	111	-89	-224.7%	135	-17.6%
PBT	5,117	5,110	0.1%	5,553	-7.8%
Tax	1,074	1,081	-0.6%	1,127	-4.7%
PAT	4,043	4,029	0.3%	4,426	-8.6%
AUM	5,82,000	5,65,621	2.9%	5,82,000	0.0%
Disbursements	49,988	54,692	-8.6%	55,962	-10.7%

Source: Company; Mirae Asset Sharekhan Research

Key Metrics

Particulars	Q3FY26	Q3FY25	Y-o-Y % (BPS)	Q2FY26	Q-o-Q % (BPS)
NII as % of AUM	3.43%	3.43%	0	3.58%	-15
Fee income % of AUM	0.28%	0.33%	-5	0.47%	-19
OpEx as % of AUM	0.12%	0.18%	-6	0.09%	2
Prov as % of AUM	0.08%	-0.06%	14	0.09%	-2
Tax Rate	0.74%	0.76%	-3	0.77%	-4

Source: Company; Mirae Asset Sharekhan Research

Asset Quality

Particulars	Q3FY26	Q3FY25	Y-o-Y % (BPS)	Q2FY26	Q-o-Q % (BPS)
GNPA (%)	0.88%	1.95%	-107.0	1.06%	-18.0
NNPA (%)	0.20%	0.74%	-54.0	0.24%	-4.0

Source: Company; Mirae Asset Sharekhan Research

Additional Data
Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Power Finance Corp Ltd	52.63
2	Life Insurance Corp of India	2.29
3	Vanguard Group Inc/The	2.13
4	ICICI Prudential Asset Management	1.98
5	Blackrock Inc	1.96
6	Dimensional Fund Advisors LP	1.11
7	Kotak Mahindra Asset Management Co	0.85
8	Nippon Life India Asset Management	0.83
9	HDFC Asset Management Co Ltd	0.80
10	LIC Pension Fund Ltd	0.77

Source: Bloomberg

Key management personnel

Name	Designation
Shri Vivek Kumar Dewangan	Chairman and Managing Director (CMD)
Shri Jitendra Srivastava	Director Finance and CFO

Source: Company Website

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address: Gigaplex IT Park, Unit No 1001, 10th Floor, Building No. 9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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