Dossier No.- 09052025a

REC Limited

Media Coverage

10 May 2025

Director Finance

Interview with

Informist

INFORMIST
Stay Informed

INTERVIEW

See Apr-Jun NIM at 3.5-3.7%, FY26 loan growth 12%, says REC's Baweja

Informist, Friday, May 9, 2025

▶ ***Please click here to read all liners published on this story***

By Priyasmita Dutta and Sagar Sen

NEW DELHI – Power sector lender REC Ltd. is hopeful of maintaining the net interest margin around 3.50-3.70% in Apr-Jun, even if the Reserve Bank of India cuts interest rates further, company's Director (Finance) Harsh Baweja said.

"In case the (repo) rate is cut, even REC may have to do some rate cuts," Baweja told Informist in an interaction. "We have books of one-three year for reset, so the rate cut will be passed on to the borrower only when the date of reset is there," Baweja told Informist.

At the end of 2024-25 (Apr-Mar), REC's net interest margin was 3.63%, marginally higher than the 3.57% at the end of FY24. Baweja said broadly the net interest margin should be around 3.5% at the end of the current financial year but the projection may change as they progress during the year. In Jan-Mar of FY25, REC's net interest margin was 3.64%, four basis poits lower than the corresponding period year ago.

The company's earnings released Thursday also showed that a sharp jump in net interest income led to REC's profits in the March quarter, though the bottom line was impacted by higher provisioning. The financier's net interest income grew nearly 38% on year to INR 58.66 billion in Jan-Mar, while the profit was up over 5% at INR 42.36 billion. The healthy interest income for the quarter was on account of steady disbursements. At 1432 IST, shares of the company traded at INR 383 on the National Stock Exchange, down 2.3% from the previous close.

Baweja said owing to the healthy business prospects of the renewable energy sector, he expects disbursements in FY26 to grow around 12% on year. This, he said, was the current expectation and would be evaluated every quarter. "Since the market is very dynamic, things may keep on changing," he said. In the year ended March, disbursements had grown 18% on year to INR 1.91 trillion.

About sectoral disbursements, Baweja said that the company has the government's approval to lend up to 30% of its total loan book in infrastructure related projects, which are beyond core power sector. However, the company is progressing "very cautiously" in lending to the sector.

REC is only pursuing projects in infrastructure sector where revenue streams are available, projects are fully viable and sustainable with their own revenues, and promoters are credible, he said. "We are not in haste or hurry to fund (infrastructure) projects since there is ample amount of business available in the power sector," Baweja said. "We will go slow, with caution but we will go for good projects."

Since 2022, when the company was conferred 'Maharatna' status, REC has been foraying into infrastructure lending. So far, it has diversified its loan portfolio to health, steel, metro, port waterways, airport, oil refinery, fibre optics and road sectors. At the end of FY25, out of total disbursements, REC's lending to infrastructure and allied sector was to the tune of INR 78.49 billion, accounting for only 4% of total lending.

In order to fund projects, REC relies on a mix of domestic and overseas borrowing to raise resources. Its board has approved a fundraising plan of INR 1.70 trillion for FY26. Baweja said REC will tap markets--domestic or overseas--simply based on which market is offering cheaper funds at the time of requirement of resources. "Bond yields have come down drastically, domestic market is very attractive, so if it is cheaper than overseas, then I will go for domestic only," he said.

Since Apr. 1, the yield on the 10-year benchmark government bond has fallen 17 basis points to 6.41% at 1300 IST. This is despite a rise over the past few weeks, especially since Wednesday, due to escalating tensions and military activity between India and Pakistan. In April, REC already raised INR 50 billion through two bonds with tenure of five and 10 years from the domestic market.

Since Apr. 1, the yield on the 10-year benchmark government bond has fallen 17 basis points to 6.41% at 1300 IST. This is despite a rise over the past few weeks, especially since Wednesday, due to escalating tensions and military activity between India and Pakistan. In April, REC already raised INR 50 billion through two bonds with tenure of five and 10 years from the domestic market.

In the overseas market, Baweja said borrowing through Foreign Currency Non-Resident Account is cheaper, but currently, REC will have to wait out the potential financial market and policy uncertainty from the Donald Trump administration. Foreign Currency Non-Resident Account borrowings, or FCNR(B) loans, are a type of instrument in which Non-Resident Indians hold fixed deposit accounts in India, depositing funds in foreign currencies. At the end of FY25, REC's total outstanding borrowing was to the tune of INR 4.88 trillion, of which INR 431.82 billion was from FCNR(B) route.

The director finance also said that REC will continue monitoring the dollar and yen market as part of its overseas borrowing plan. "Yen has limited availability so that is why we may have to go for the dollar bonds," he said, adding that the company does not have any immediate plans to tap the foreign market.

In the domestic market, Baweja said the finance ministry recently reached out to REC regarding its proposal to raise funds through zero-coupon bonds again and he was hopeful of hearing back from the government soon. "We are just waiting for the approval, then we will see when we will hit the market," he said.

REC's first tranche of fundraising through zero-coupon bonds in October had garnered overwhelming response, when the debt instrument made a comeback into the corporate debt market after a gap of 13 years. In March, the government had also given permission to REC's parent, Power Finance Corp. Ltd., to raise up to INR 100 billion through zero-coupon bonds. However, the issuance was scrapped due to unfavourable investor appetite. He said REC will try making zero-coupon bonds more attractive for investors and arrangers and will hold extensive discussions before hitting the market.

Fundraising through zero coupon bonds needs permission from the finance ministry as the Central Board of Direct Taxes has to provide a special tax provision to allow the return on these papers to be classified as capital gains rather than interest income. Capital gains are taxed at a lower rate than corporate tax. End

Edited by Akul Nishant Akhoury

For users of real-time market data terminals, Informist news is available exclusively on the NSE Cogencis WorkStation.

Cogencis news is now Informist news. This follows the acquisition of Cogencis Information Services Ltd by NSE Data & Analytics Ltd, a 100% subsidiary of the National Stock Exchange of India Ltd. As a part of the transaction, the news department of Cogencis has been sold to Informist Media Pvt Ltd.

Link - https://informistmedia.com/EquityWire/29430/See-Apr-Jun-NIM-at-3-5-3-7--37---FY26-loan-growth-12--37---says-REC-s-Baweja