

Power Finance Corporation Limited

February 17, 2026

Credit update

On February 1, 2026, Honorable finance Minister, Smt. Nirmala Sitharaman announced during the Union Budget of FY2026-27 that Power Finance Corporation Limited (PFC; rated CARE AAA; Stable / CARE A1+) and REC Limited (REC; rated CARE AAA; Stable / CARE A1+) will be restructured. Subsequently, the Board of Directors of PFC and REC in their respective meetings held on February 6, 2026, accorded in-principle approval for the restructuring in the form of a merger of PFC and REC, while ensuring that the merged entity continues to remain as a "Government Company" under the Companies Act, 2013 and other applicable laws. The merged entity shall be the largest power sector financing entity in India and would benefit from a strong balance sheet, operational synergies and better capital efficiency to support incremental funding across the power sector value chain.

CARE Ratings Limited (CareEdge Ratings) notes that the merger structure is under deliberation and appropriate agencies including consultants, valuation experts and legal advisors will be appointed to ensure execution of the merger, subject to applicable regulatory approvals.

At present, both PFC and REC comply with the Reserve Bank of India's credit concentration norms applicable to single and group borrower exposures, which are linked to Tier I capital. Currently, both entities operate well within the prescribed exposure limits. Post-merger, these limits will apply to the consolidated Tier I capital of the merged entity. Given the strong net worth of both entities, any breach with respect to borrower exposure norms is not foreseen. The merged entity is expected to maintain comfortable capital levels to support future lending growth.

On funding side as well, the combined exposure for lending banks, under RBI's Large Exposure Framework, is currently capped at the group limit of 25% of respective banks' Tier I capital, which will reduce to 20% post the merger for the merged entity. Considering the aggregate Tier 1 Capital of top banks and multiple funding avenues available with PFC and REC, the merged entity is expected to manage the transition smoothly without any material constraints.

CareEdge Ratings notes that both the entities would be operating separately until the merger process is consummated post receipt of requisite approvals. CareEdge Ratings will continue to monitor the progress of the merger and will take appropriate action as may be required.

Consolidated Financials (Power Finance Corporation Limited):

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total income	91,139	1,06,564	86,645
Profit after tax (PAT)	26,461	30,514	25,028
Assets under management (AUM)	9,90,824	11,09,996	11,51,407
On-book gearing (x)	6.72	6.53	6.18
AUM / tangible net-worth (TNW) (x)	7.73	7.45	7.29
Gross non-performing assets (NPA) / gross stage 3 (%)	3.02	1.64	1.26
Return on managed assets (ROMA) (%)	2.75	2.77	NA
Capital adequacy ratio (CAR) (%)	NA	NA	NA

A: Audited UA: Unaudited; Note: these are latest available financial results

Standalone Financials (Power Finance Corporation Limited):

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total income	46,113	52,889	43,194
Profit after tax (PAT)	14,367	17,352	13,727
Assets under management (AUM)	4,81,462	5,43,120	5,69,627
On-book gearing (x)	6.67	6.38	NA
AUM / tangible net-worth (TNW) (x)	6.37	7.44	NA
Gross non-performing assets (NPA) / gross stage 3 (%)	3.34	1.94	1.87
Return on managed assets (ROMA) (%)	3.05	3.22	NA
Capital adequacy ratio (CAR) (%)	24.37	22.08	NA

A: Audited UA: Unaudited; Note: these are latest available financial results; All ratios as per CareEdge Ratings' calculations

Refer the following link for the previous press release that captures key rating factors and rating sensitivities: [Link here](#)

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