

REC Limited

(Formerly Rural Electrification Corporation Limited)

A Navratna Company

Investor Presentation

Performance Highlights

Q3 & 9M FY 20



REC bags the coveted ICAI award for Excellence in Financial Reporting for the year ended March 31, 2019

Five Decades Of Relentless Growth

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Disclaimer :

- *This presentation is for information purposes only and is not to be construed as an offer or invitation or recommendation to buy or sell any securities of REC Limited ("REC"), nor shall part, or all, of this presentation form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities of REC.*
- *The user of the information contained herein will be solely responsible for own assessment of the market and the market position of REC and to conduct own analysis and will be solely responsible for forming a view of the potential future performance of the business of REC.*
- *The information in this presentation is being provided by REC relying on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness.*



REC Overview



Key Strengths



Board of Directors

Experienced Team with sector experience



Mr. Ajeet Kumar Agarwal

Chairman & Managing Director & Director (Finance)

> 36 years experience in Finance Sector

Chairman and Managing Director on the Board of REC w.e.f. March 6, 2019 and also Director (Finance), REC since August 1, 2012

Experience in the field of Financial Management and Operations encompassing organizational and financial planning, financial policy formulation, accounting, management control systems, funds management etc. Also supervise treasury & lending and advise on corporate risk management matters.

B. Com (Hons.) from Shri Ram College of Commerce, Delhi University & Fellow Member of Institute of Chartered Accountants of India.



Mr. Sanjeev Kumar Gupta

Director (Technical)

>36 years of experience in Power Transmission Sector

Extensive experience in Design & Engineering, planning & implementation & induction of new technologies in power transmission projects.

BE (Electrical) from G.B. Pant University of Agriculture & Technology, Pant Nagar, Uttaranchal.



Mr. Mritunjay Kumar Narayan, IAS

*Government Nominee Director
Joint Secretary, MoP*

>24 years of administrative & management experience

On Board of REC since Sept 02, 2019. Previously, Secretary to the Hon'ble CM, UP for two years and a quarter

Wide experience of policy formulation and implementation. Held position as Commissioner, Commercial Tax and Entertainment Tax for >2 years; contributing >60% of tax revenue of State. Has held nearly every field position in UP like Sub-Divisional Magistrate, Chief Development Officer, Collector, Divisional Commissioner. Has also served as Director on the Board of Lucknow City Transport Services Limited and Meerut City Transport Services Limited.

B. Tech and M. Tech in Electrical Engineering from IIT, Kanpur. A law graduate, he has done his M.Sc. in Public Policy and Management from King's College London.

Board of Directors

Experienced Team with sector experience



Ms. Asha Swarup

Independent Director

Retd. IAS officer with
varied experience

Has served as Secretary Ministry of I&B, Special Secy./ Addl. Secy. & Financial Adviser in the Ministries of Commerce and Textiles. Chief Secretary, Principal Secy. in Departments of Finance, Health, Power, Home and Chairperson of HP Power Corp, HP State Electricity Board and HP Transmission Corporation in Himachal Pradesh

IAS officer (Retd.) of 1973 batch, PG from DU and Pearson Fellow of IDRC, Canada.



**Dr. Bhagvat
Kishanrao Karad**

Independent Director

Medical practitioner
with business acumen

Has been on advisory Board of Wockhardt Foundation , Aurangabad Airport Authority and advisory member for the Govt Medical College and Hospital, Aurangabad. Has been Mayor of Aurangabad Municipal Corporation twice. Addressing socio-economic issues in laying and recommending policies in the State Government for projects related to rural India. Serving as acting Chairman of Marathwada Statutory Development Board (MSDB)

Pediatric Surgeon (M.B.B.S, M.S in General Surgery and F.C.P.S. M.Ch. in Pediatric Surgery.



**Mr. Praveen Kumar
Singh**

PFC Nonminee Director

>34 years of experience in
Power Sector

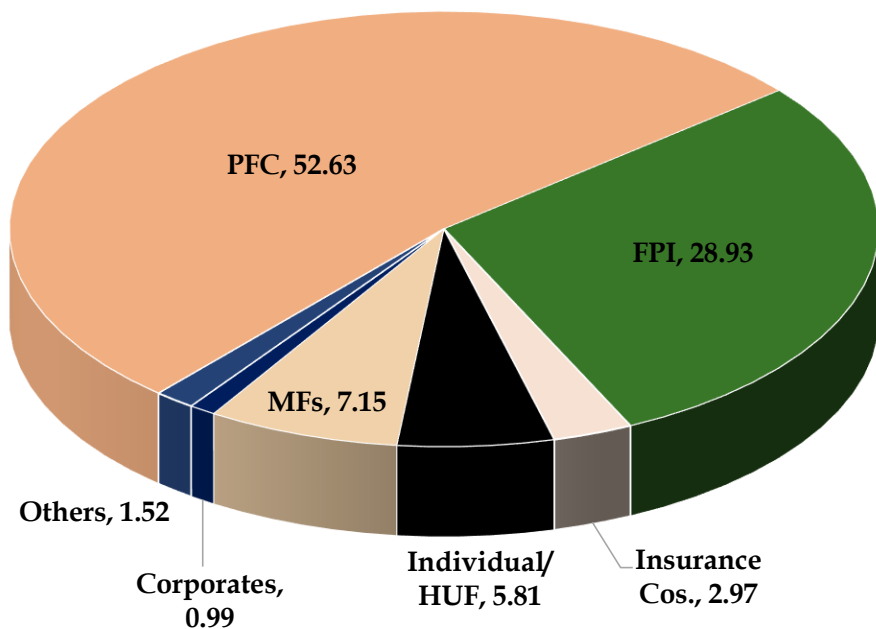
Director (Commercial) of PFC since August 10, 2018. On Board of REC since June 18, 2019.

Worked in various units of Projects Division in PFC for >24 yrs. Also worked for India's largest power equipment manufacturer BHEL and Confederation of Indian Industries (CII) for over 9 years.

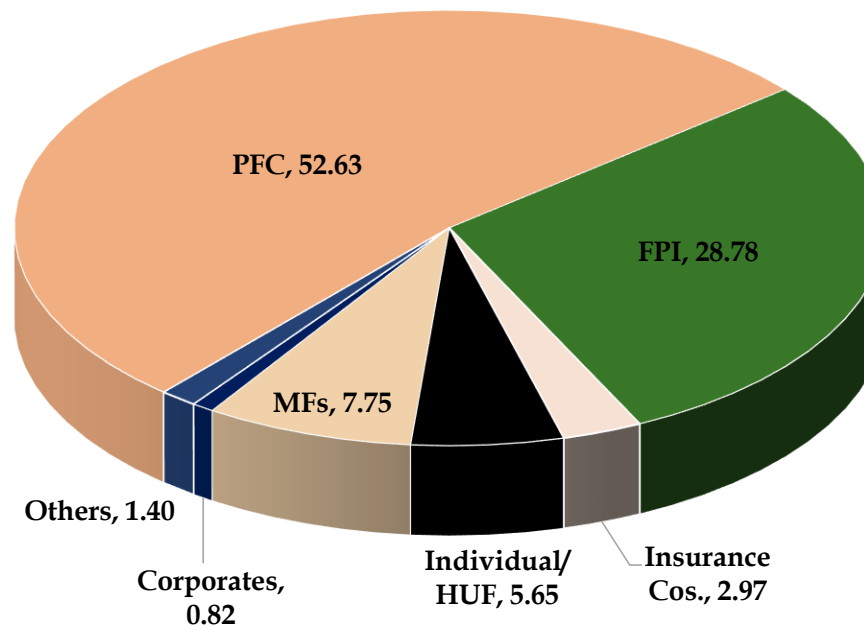
B. Tech. in Electrical Engineering from IIT-BHU. M. Tech. in Energy & Environment Management from IIT, Delhi. Completed "Global Energy MBA program" from Bayer College of Business, University of Houston, USA.

Shareholding Pattern

As at 30.09.2019



As at 31.12.2019



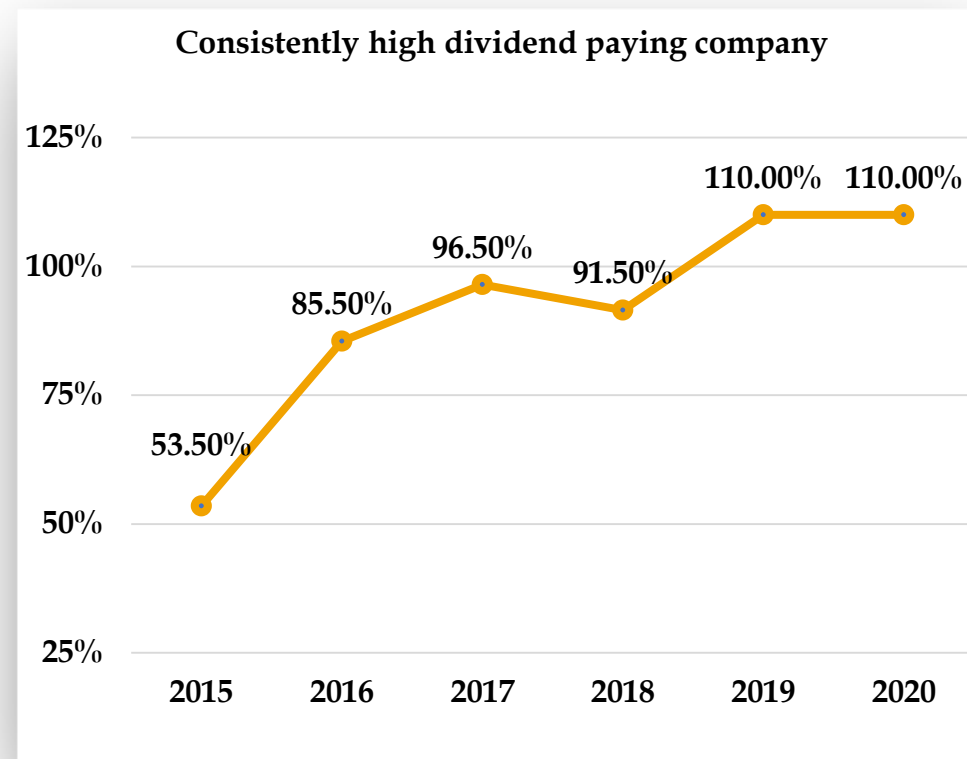
Foreign Portfolio Investors (FPIs) have stayed invested in REC and consistently held more than 20% of REC's equity shares.

Shareholders Outlook

Top 10 Share holders as at Dec 31, 2019

Rank	Particulars	Shareholding (%)
1	Power Finance Corporation Ltd	52.63
2	HDFC Trustee Company Ltd. A/C HDFC Balanced Advantage Fund	2.56
3	Life Insurance Corporation Of India	2.30
4	HDFC Trustee Company Limited - HDFC Equity Fund	2.07
5	The Prudential Assurance Company Limited	1.45
6	Eastspring Investments - Developed And Emerging Asia Equity Fund	1.16
7	India Capital Fund Limited	1.11
8	HDFC Trustee Company Ltd. A/c HDFC Top 100 Fund	1.03
9	HDFC Trustee Company Ltd. A/C HDFC Cap Opportunities Fund	0.77
10	Eastspring Investments-asia Pacific Equity Fund	0.70
	TOTAL	65.78

Dividend Payout as a % of Equity Share Capital



Dividend pay-out adjusted for bonus share issue of 1:1 in Sep'2016

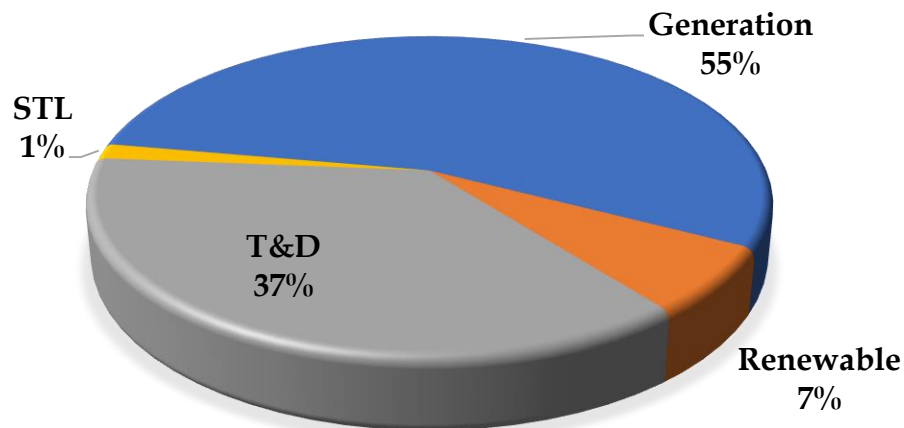
During Q3 FY20, REC has declared an interim dividend of Rs. 11 per equity share of Rs. 10 each for FY20 with February 12, 2020 being the record date for payment of Interim Dividend.

Operational Performance



Sanctions - Composition

Sector-wise breakup of Sanctions in Q3 & 9M FY20



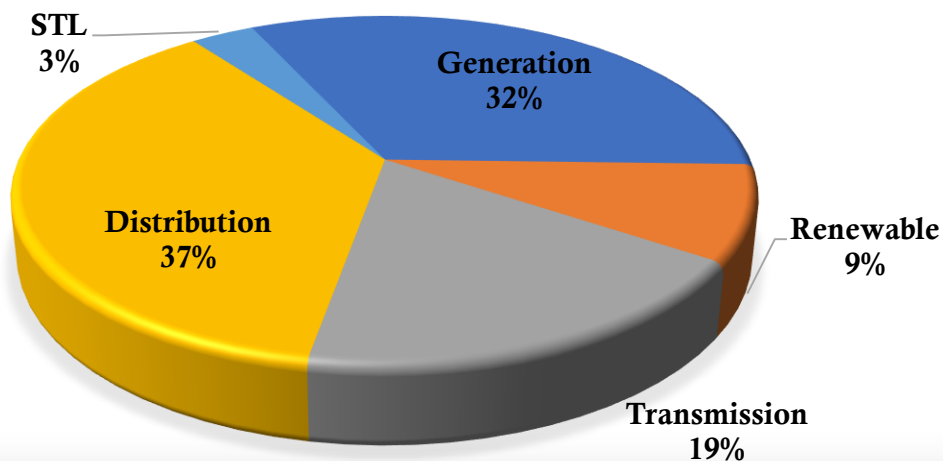
Project Loans
Sanctioned in
9M FY20 : Rs. 95,898 cr

Discipline-wise	12M						Q3				9M			
	FY17	%	FY 18	%	FY 19	%	FY 19	%	FY 20	%	FY 19	%	FY 20	%
Generation	28,209	34	53,224	49	43,282	37	14,832	52	18,082	59	36,362	38	52,559	55
Renewable Energy	2,090	2	7,034	7	11,875	10	4,905	17	1,291	4	10,288	11	6,502	7
Transmission & Distribution	49,047	59	40,541	38	56,610	49	8,010	28	11,137	36	45,617	47	35,397	37
Total Project Loans	79,346	95	100,799	94	111,767	96	27,747	97	30,510	99	92,267	96	94,458	98
Short Term Loan	4,525	5	6,735	6	4,190	4	840	3	100	0	4,090	4	1,440	1
Total Sanctions	83,871	100	107,534	100	115,957	100	28,587	100	30,610	99	96,357	100	95,898*	100

* Net of sanctions cancelled of Rs. 300 crores on expiry of validity period

Disbursements – Composition

Sector-wise breakup of Disbursements in Q3 & 9M FY20

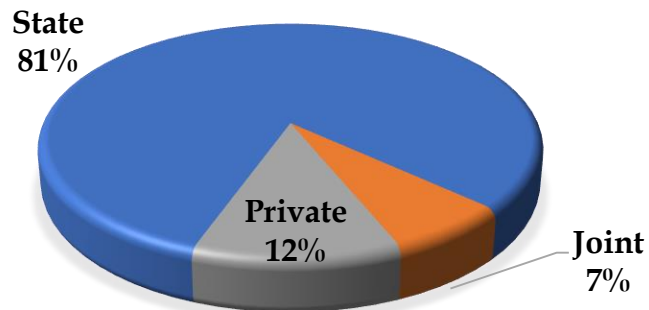


Project Loans
Disbursed in
9M FY20 : Rs. 53,462 cr

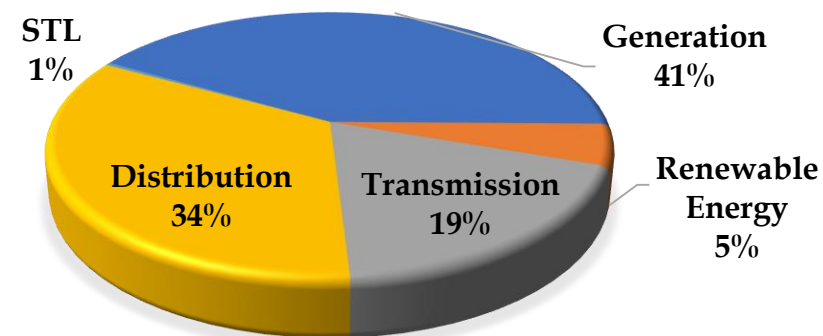
Discipline-wise	12M						Q3				9M			
	FY 17	%	FY18	%	FY19	%	FY 19	%	FY 20	%	FY 19	%	FY 20	%
Generation	21,697	37	18,086	29	20,462	29	4,826	24	9,566	48	15,670	30	17,305	32
Renewable Energy	1,618	3	5,403	9	6,628	9	734	4	1,035	5	4,843	9	4,741	9
Transmission	10,520	18	6,668	11	10,911	15	3,235	16	3,047	15	7,237	14	9,905	19
Distribution	19,429	34	24,920	40	30,324	42	10,042	51	6,097	31	20,929	40	19,760	37
Total Transmission & Distribution	29,949	52	31,588	51	41,235	57	13,277	67	9,144	46	28,166	54	29,665	56
Total Project Loans	53,264	92	55,077	89	68,325	95	18,837	95	19,745	99	48,679	93	51,711	97
Short Term Loan	4,775	8	6,635	11	3,840	5	890	5	111	1	3,590	7	1,751	3
Total Disbursements	58,039	100	61,712	100	72,165	100	19,727	100	19,856	100	52,269	100	53,462	100

Outstanding Loans – Composition

**Customer-wise
breakup
of Loans as at
31st Dec 2019**



**Category-wise
breakup of
Loans as at
31st Dec 2019**



Discipline-wise	As at							
	31 st March 2017		31 st March 2018		31 st March 2019		31 st Dec 2019	
	Amt	%	Amt	%	Amt	%	Amt	%
State	151,976	75	186,445	78	226,681	81	249,511	81
Joint	16,728	8	19,798	8	21,035	7	21,560	7
Private	33,225	17	33,206	14	33,494	12	36,354	12
Total	201,929	100	239,449	100	281,210	100	307,425	100
Growth	0%		19%		17%		7%	
Generation	100,441	50	108,442	46	121,912	43	128,778	41
Renewable Energy	2,447	1	7,506	3	12,895	5	15,482	5
Transmission	42,520	21	45,558	19	52,068	19	57,722	19
Distribution	52,933	26	72,295	30	92,147	32	104,426	34
Total T&D	95,453	47	117,853	49	144,215	51	162,148	53
Short Term Loans	3,588	2	5,648	2	2,188	1	1,016	1

Outstanding Loans - Asset Diversification

PAN India Presence with loan concentration across
27 states and 3 Union Territories

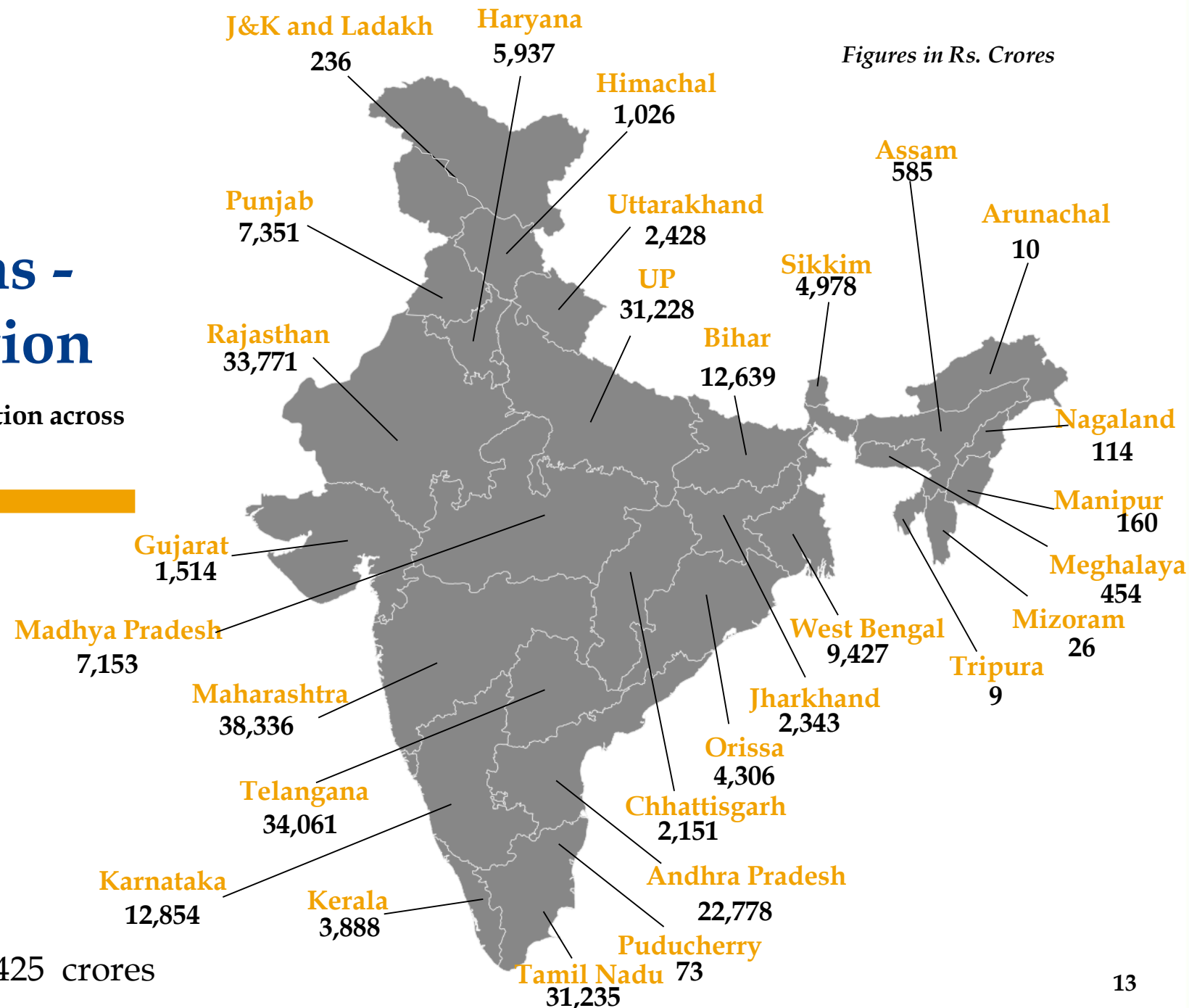
State Sector Borrowers

2,71,071

Private Sector Borrowers

36,354

Total Loan Outstanding – Rs. 3,07,425 crores



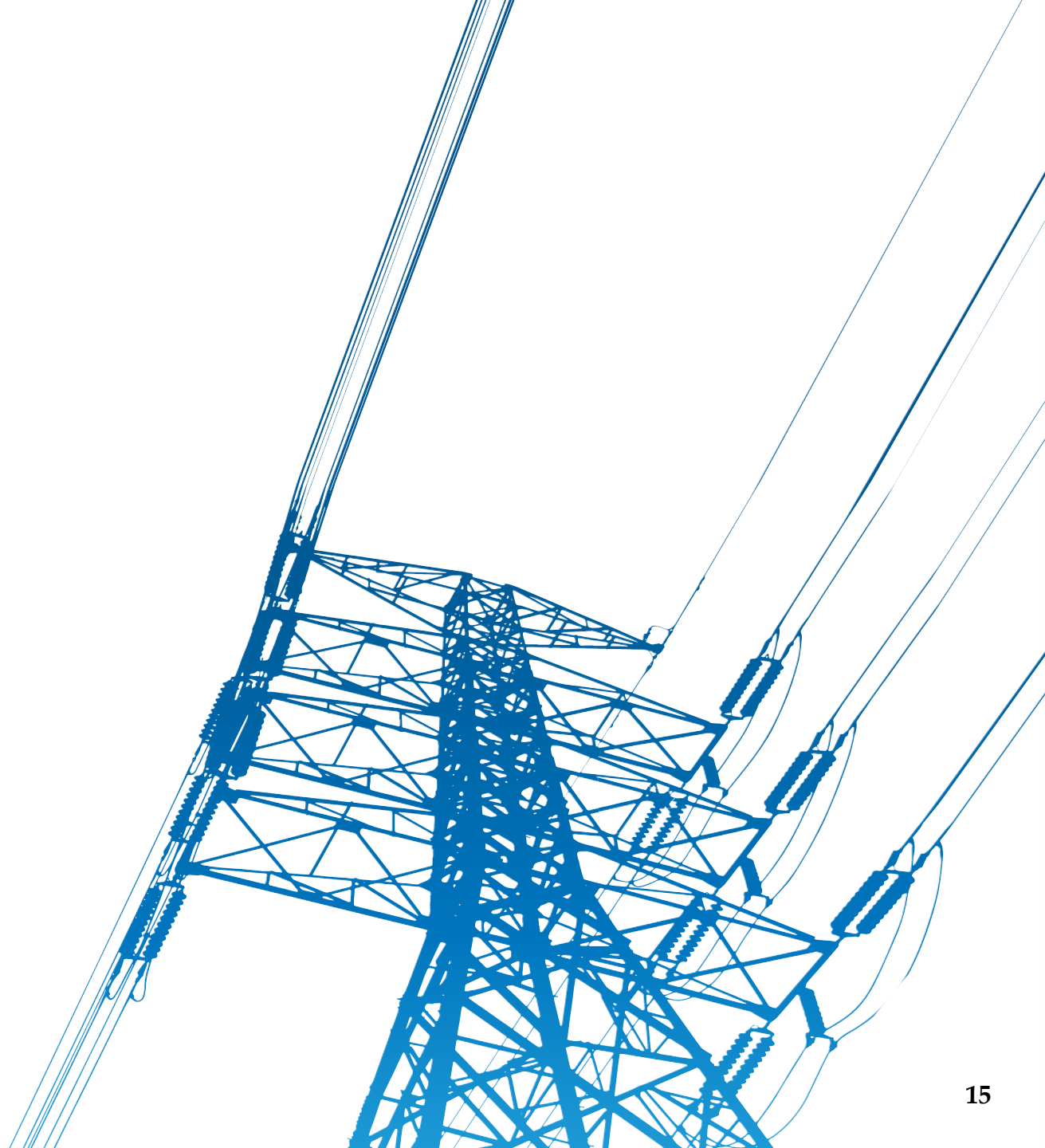
Outstanding Loans -Loan Concentration

Major Borrowers (as on Dec 31, 2019)

S.No.	Top Ten Borrowers	Amount Outstanding (Rs Cr.)	% of Total Loan Assets
1	Maharashtra State Electricity Distribution Company Limited	21,560	7.01%
2	Tamil Nadu Generation and Distribution Corporation	16,578	5.39%
3	Maharashtra State Power Generation Company Limited	12,945	4.21%
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	12,115	3.94%
5	Telangana Power Generation Corporation	11,842	3.85%
6	Tamil Nadu Transmission Corporation (TANTRANSCO)	10,094	3.28%
7	Andhra Pradesh Power Generation Corporation (APGENCO)	9,670	3.14%
8	Nabinagar Power Generating Co. Pvt Ltd	8,775	2.85%
9	Telangana State Water Resources Infrastructure Development Corporation Ltd. (TSWRIDC)	7,698	2.50%
10	Uttar Pradesh Power Corporation Limited	7,555	2.46%
	Total	115,515	38.42%

*Well-diversified asset portfolio with Top 10 borrowers accounting for ~38% of current loans.
No single borrower group accounting for more than 8% of total loan book.
No slippage in Top 10 accounts*

Asset Quality



Asset Quality & Provision Coverage

As at Dec 31, 2019

Figures : Rs. Crores

Utility	Total Loan Outstanding	Credit Impaired Assets (NPAs) (Stage - III)			Standard Assets (Stage - I & II)			Total Provision*
		Outstanding	Provision	Provision coverage ratio (%)	Outstanding	Provision	Provision coverage ratio (%)	
State Sector								
- Gencos	103,469	-	-	-	103,469	50	0.05	50
- Renewables	7,558	-	-	-	7,558	4	0.05	4
- Transcos	55,621	-	-	-	55,621	13	0.02	13
- Discoms	104,426	-	-	-	104,426	235	0.22	235
Total State Sector	271,074	-	-		271,074	301	0.11	301
Private Sector								
- Genco	26,325	17,738	9,585	54.04	8,587	1,107	12.89	10,692
- Transcos	2,101	1,942	387	19.93	159	-	-	392
- Renewables	7,924	9	7	77.78	7,915	76	0.96	83
Total Private Sector	36,350	19,689	9,979	50.68	16,661	1,183	7.10	11,167
Grand Total	307,424	19,689	9,979	50.68	287,735	1,484	0.52	11,468

NPAs	As at 31 st Dec 2019	%	As at 30 th Sept 2019	%
Gross	19,689**	6.40	20,636	6.86
Net	9,710	3.16	10,442	3.47

* In addition to the above, Reserves available in the form of Reserve for Bad & Doubtful debts u/s 36(1)(viii)(c) of the Income Tax Act, 1961 and Reserve fund u/s 45-IC of RBI Act amounting to Rs. 4,966 crores

** During Q3FY20, pursuant to One Time Settlement (OTS) in case of one of the Stage-III borrower, REC has recovered Rs. 478 crores against outstanding of Rs. 744 crores and the balance has been written off against the ECL provision earlier created of Rs. 337 crores, resulting in write back of ECL provision of Rs. 71 crores. Further, two Stage-III borrowers have been upgraded to Standard Assets with total loan outstanding of Rs. 66 crores, on clearing the amount overdue and regularization of the account of borrowers.

Borrowing Profile

Domestic Ratings

			
"AAA"	"AAA"	"AAA"	"AAA"

International Ratings

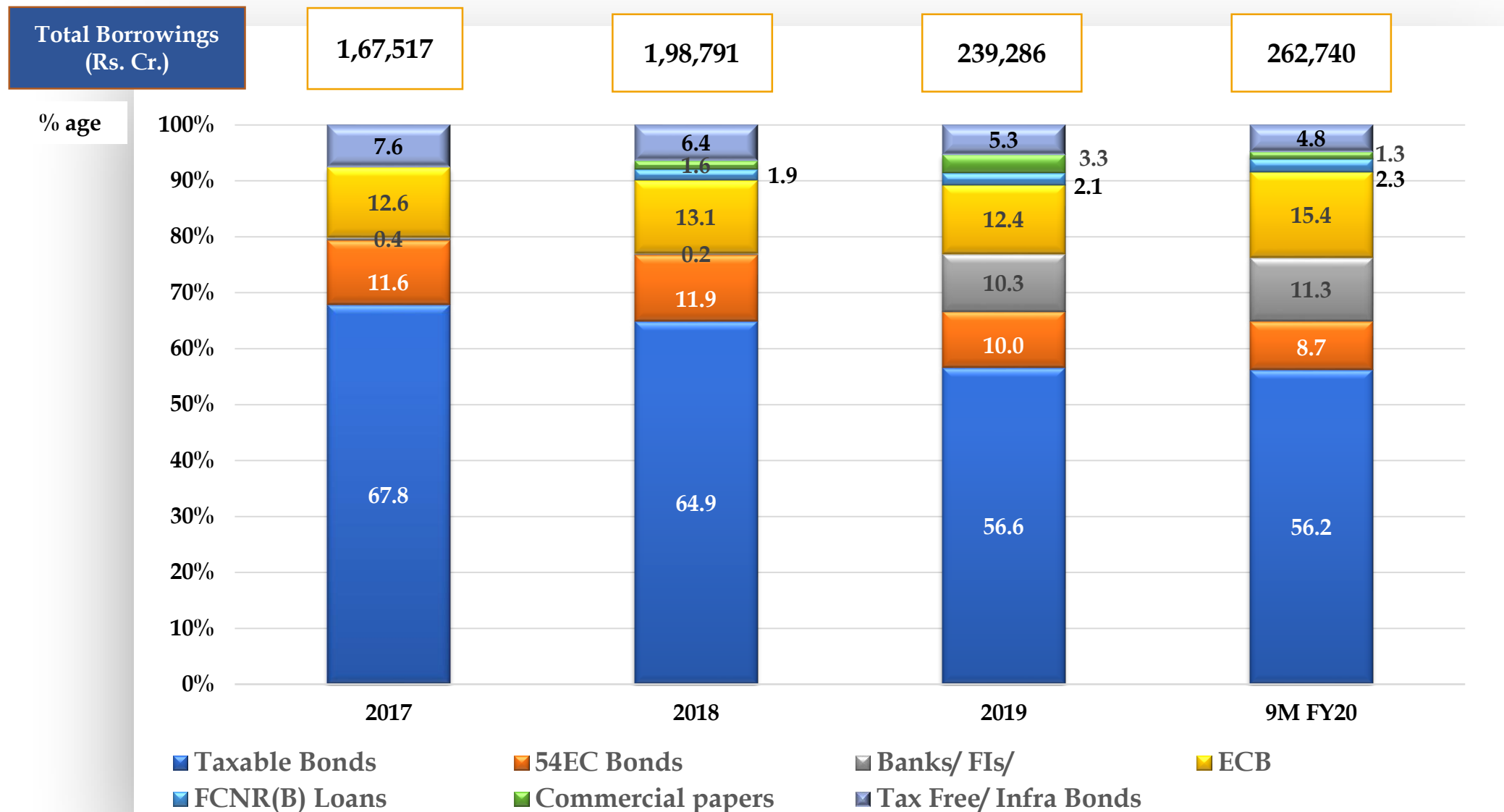
	
"BBB - "	"Baa3"

Outstanding Borrowings

Rs. Crores

Particulars	As at			
	31 st March 2017	31 st March 2018	31 st March 2019	31 st Dec 2019
Institutional, Subordinate & Zero Coupon Bonds	113,449	128,871	135,184	1,47,368
Foreign Currency Borrowings	21,081	25,996	29,710	40,578
FCNR (B) Loans	-	3,811	5,048	6,058
Capital Gain Bonds	19,477	23,705	23,880	22,822
Tax Free Bonds	12,648	12,648	12,648	12,648
Commercial Papers	-	3,250	7,975	3,500
Banks, FIs, Govt., etc.	750	400	24,750	29,675
Infra Bonds	112	110	91	91
Grand Total	167,517	198,791	239,286	262,740
Average annualized Cost of Funds	8.13%	7.53%	7.16%	7.47%

Outstanding Borrowings



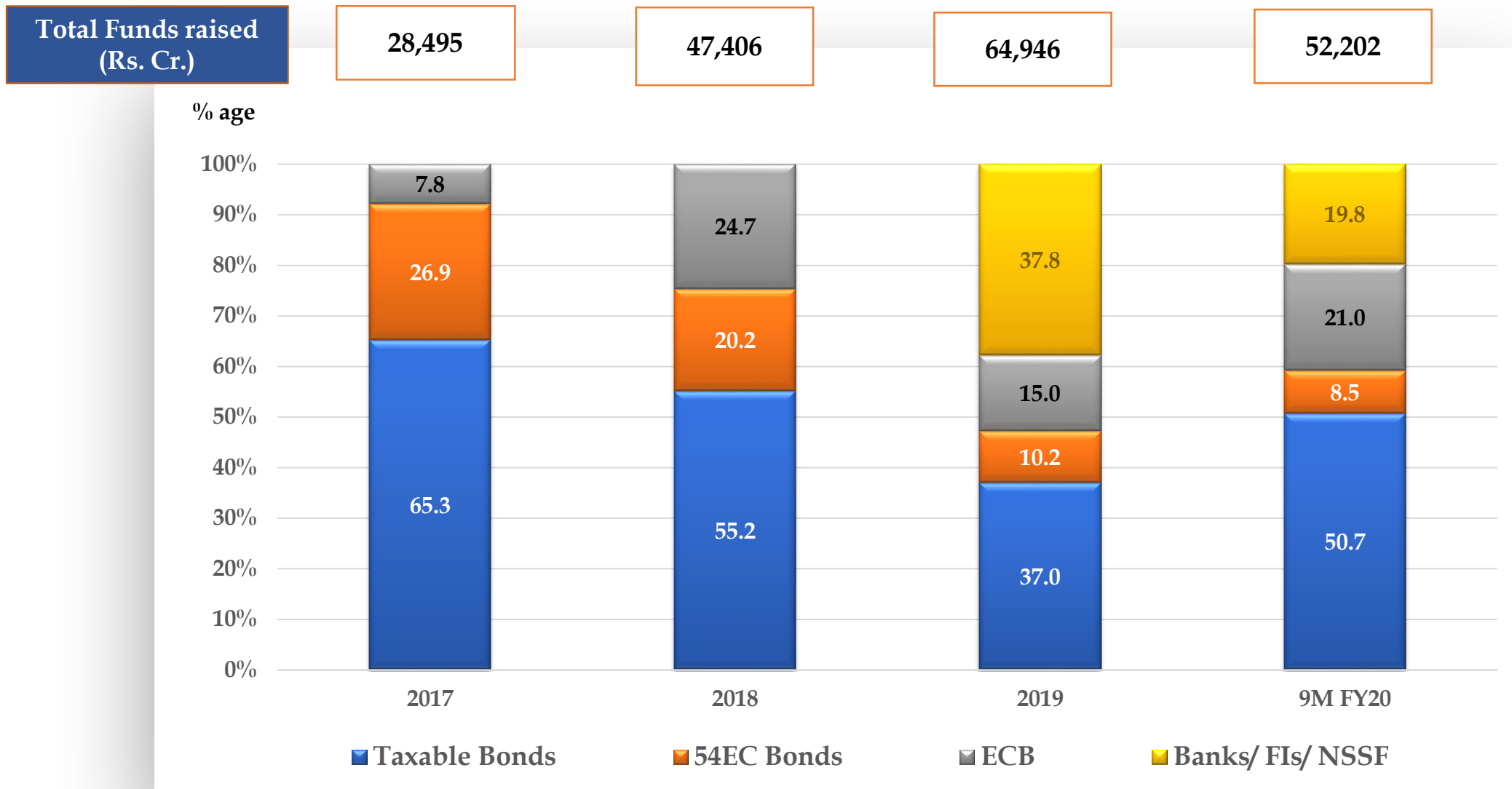
Funds Raised During The Period

Rs. Crores

Category	12M			Q3		9M	
	FY17	FY18	FY19	FY19	FY20	FY19	FY20
(A) Long Term							
Capital Gains Bonds	7,663	9,565	6,652	1,554	1,597	4,453	4,453
Institutional Bonds/ Subordinate Debt	18,600	26,145	24,010	9,849	8,859	14,849	26,472
Term Loans from Banks/ FIs/ NSSF	-	-	24,550	11,700	6,600	14,000	10,325
Foreign Currency Borrowings	2,232	11,696	9,734	7,087	3,706	10,951	10,952
Total (A)	28,495	47,406	64,946	30,190	20,762	44,253	52,202
<i>Annualised Cost of Borrowings</i>	6.85%	6.17%	8.13%	8.13%	6.77%	8.06%	6.61%
(B) Short Term							
FCNR (B) Loan	-	3,759	4,437	-	1,426	-	4,065
Commercial papers	19,917	12,115	19,393	6,598	-	14,474	3,808
Total (B)	19,917	15,874	23,830	6,598	1,426	14,474	7,873
Total (A + B)	48,412	63,280	88,776	36,788	22,188	58,727	60,075

%age denotes annualized cost of borrowings mobilized

Funds Raised During The Period (Long Term)



Financial Highlights



Key Financial Highlights

- ❑ Total Income for Q3 FY20 and 9M FY20 stands at Rs. 7,653 crores (up 39% Y-o-Y) and Rs. 22,052 crores (up 15% Y-o-Y) respectively.
- ❑ PBT for Q3 FY20 stands at Rs. 2,343 crores (up 28% Y-o-Y) and for 9M FY 20 at Rs. 6,285 crores.
- ❑ PAT for Q3 FY20 stands at Rs. 1,642 crores (up 29% Y-o-Y) and for 9M FY 20 at Rs. 4,450 crores.
- ❑ Loan book as at 31st Dec 2019 stands at Rs. 3,07,425 crores as against Rs. 2,69,170 crores as at 31st Dec 2018, growth of 14% Y-o-Y
- ❑ Provision has been made in respect of all loans assets in accordance with the Expected Credit Loss (ECL) methodology, evaluation & calculation as per Ind-AS, undertaken by an independent agency ICRA Management Consulting Services Limited (IMACS).
- ❑ Provision Coverage Ratio against Credit impaired assets stands at 50.68% as at Dec 31, 2019. Provision of Rs. 1,484 crores, 0.52% created on the Standard Assets (Stage I and Stage II). No Stage III Credit Impaired Assets (NPAs) in Government Sector.
- ❑ Post-implementation of Ind-AS, Net-worth as at Dec 31, 2019 stands at Rs. 38,515 crores as against Rs 35,395 crores as at Dec 31, 2018, an increase of 9% Y-o-Y.
- ❑ Capital Adequacy Ratio as at Dec 31, 2019 stands at 18.36% (Tier – I : 15.44% & Tier – II : 2.92%)

Standalone Statement of Profit & Loss

Rs. Crores

Particulars	12M	Q3		9M	
	FY 19	FY19	FY 20	FY19	FY 20
Interest Income on Loan assets	24,728	6,567	7,465	18,234	21,731
Less: Finance Costs	15,676	4,089	4,772	11,502	14,070
Net Interest Income	9,052	2,478	2,693	6,732	7,661
Other Operating Income	582	154	79	465	221
Net notional gain/ (loss) on fair value changes	(349)	(1,213)	107	414	92
Other Income	31	3	2	17	8
Total Income	24,992	5,511	7,653	19,130	22,052
Translation/ transaction exchange (gain)/loss	521	(532)	353	583	1,025
Other costs *	454	97	107	356	321
Impairment loss on financial instruments	240	27	78	223	351
Profit Before Tax	8,101	1,830	2,343	6,466	6,285
Tax Expense **	2,337	555	701	1,958	1,835
Profit After Tax	5,764	1,275	1,642	4,508	4,450
Other Comprehensive Income/ (Loss)	(61)	67	57	(22)	(21)
Total Comprehensive Income/(Loss)	5,703	1,342	1,699	4,486	4,429
Net Notional Gain/ (Loss) on Fair value changes after adjusting Translation/ Transaction Exchange Loss					
Net notional (gain)/loss on fair value changes	349	1,213	(107)	(414)	(92)
Translation/ transaction exchange (gain)/loss	521	(532)	353	583	1,025
Net notional (gain)/ loss	870	(681)	246	169	933

* Other Costs include Employee Benefit Expenses, CSR Expenses, Depreciation & amortization expense and Other Expenses

During Q3 FY20, REC has declared an interim dividend of Rs. 11 per equity share of Rs. 10 each for FY20 with February 12, 2020 being the record date for payment of Interim Dividend.

Statement of Assets and Liabilities

Rs. Crores

Particulars	As at 31.03.2019	As at 31.12.2019
Assets		
(A) Financial Assets	<u>2,94,590</u>	<u>323,923</u>
Cash and Bank	343	2,186
Other Bank Balances	1,253	1,530
Derivative financial instruments	1,803	2,331
Loans	2,70,451	296,977
Investments	2,398	2,520
Other financial assets	18,342	18,379
(B) Non-Financial Assets	<u>3,127</u>	<u>2,548</u>
Current tax assets (net)	276	165
Deferred tax assets (net)	2,358	1,862
Fixed Assets (as per Ind-AS)	361	425
Other non-financial assets	132	96
Total Assets (A+B)	<u>2,97,717</u>	<u>326,471</u>
Liabilities		
(C) Financial Liabilities	<u>2,63,232</u>	<u>287,783</u>
Derivative financial instruments	159	451
Debt Securities	1,92,840	207,783
Borrowings (other than debt securities)	46,662	55,045
Subordinated Liabilities	4,819	4,915
Other financial liabilities	18,752	19,589
(D) Non-Financial Liabilities	<u>182</u>	<u>173</u>
(E) Equity	<u>34,303</u>	<u>38,515</u>
Equity Share Capital	1,975	1,975
Other equity	32,328	36,540
Total Liabilities (C+D+E)	<u>2,97,717</u>	<u>326,471</u>

Key Ratios

Particulars	Q3		9M	
	FY 19	FY 20	FY 19	FY 20
Yield on Interest bearing Loan Assets (%)	10.93	10.61	10.43	10.67
Cost of Funds (%)	7.39	7.34	7.20	7.47
Interest Spread (%)	3.54	3.27	3.23	3.20
Net Interest Margin (%)	4.13	3.83	3.85	3.76
Interest Coverage Ratio (Times)	1.45	1.49	1.56	1.45
Debt Equity Ratio (Times)	6.42	6.82	6.42	6.82
Earning per Share (Face Value Rs. 10 per share) (Annualised)	25.82	33.26	30.44	30.04
Book Value Per Share (Face Value Rs. 10 per share)	179.08	195.02	179.08	195.02

Yield = Ratio of interest income to average interest earning loan assets

Cost of funds = Ratio of finance costs to average borrowings, without foreign exchange fluctuation gain/loss amortized.

Interest Spread = Yield minus Cost of Funds

Net Interest Margin = Ratio of net interest income, without foreign exchange fluctuation gain/loss amortized to average interest earning loan assets

Interest Coverage Ratio = Ratio of Profit before Interest & Tax to Interest

Debt Equity = Ratio of Total Borrowings to Net Worth

Thank You