

REC Limited

(Formerly Rural Electrification Corporation Limited)

A Navratna Company

Investor Presentation
Performance Highlights
Q4 & 12M FY 19

Lighting up lives through composite financial solutions.....

Table of Contents

- ❑ REC Overview
- ❑ Operational Performance
- ❑ Asset Quality
- ❑ Borrowing Profile
- ❑ Financial Highlights

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)*

**> 34 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)

**On Board of REC since
16.10.2015**

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.

Board of Directors

Experienced Team with sector experience



Dr. Arun Kumar Verma
Govt nominee Director

Previously, posted as Member Secretary of Gujarat Ecology Commission, and Project Director of World Bank funded Integrated Coastal Zone Management.

Holds Master's degree in Physics, Ph.D. in Tribal Development Policy. Post Graduate in Public Policy & Management (PGPPM) from IIM, Bengaluru & Maxwell School of Citizenship and International Affairs, Syracuse University, USA

Part of the Indian Forest Services (IFS) since 1986 in the Gujarat cadre and has over 29 years of administrative and management experience.



Professor T.T. Ram Mohan
Independent Director

Specializes in financial sector. Previously, Divisional Manager with Tata Economic Consultancy Services. Carried out policy studies for Govt and international agencies and consulting assignments in India as well as in the Gulf and the Middle East

B.Tech from IIT, Mumbai; PGDM from IIM, Calcutta; Ph.D from Stern School, NY University.



Mr. Aravamudan Krishna Kumar
Independent Director

Served SBI for >39 yrs, where elevated to position of MD & Group Executive.

Was also on the Boards of SBICAP Securities, SBI Life Insurance, SBI General Insurance and SBI Credit Cards and subsidiaries of SBI. Is also an Independent Shareholder Director on the Board of Andhra Bank.

Board of Directors

Experienced Team with sector experience



Ms. Asha Swarup

Independent Director

IAS officer (1973 batch) Retd. with varied experience

On Board of REC since 08.02.2017

- 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

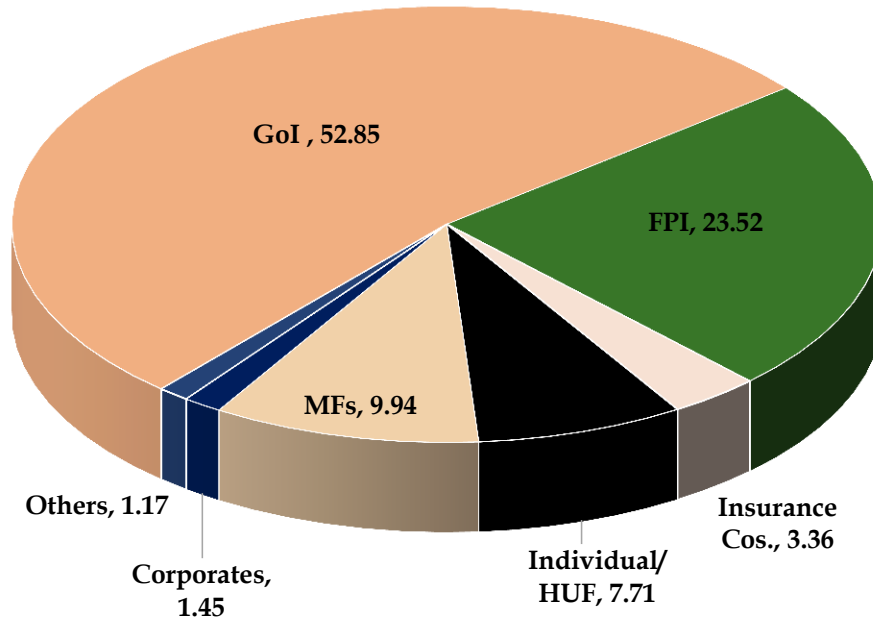
Medical practitioner with business acumen

On Board of REC since 17.07.2018

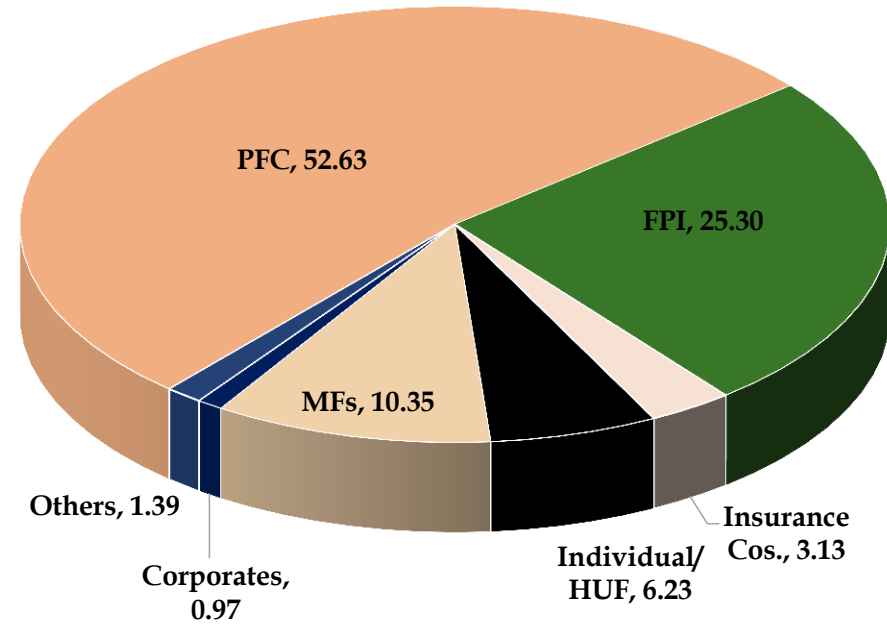
- Has been on advisory Board of Wockhardt Foundation & Aurangabad Airport Authority and advisory member for the Govt Medical College and Hospital, Aurangabad. Has been Mayor of Aurangabad Municipal Corporation twice. Due to his business acumen to run commercial organizations and experience to handle various social responsibilities, especially in Rural Maharashtra, he has gained knack in addressing socio-economic issues and writing as well as recommending policies to the concerned departments in the State Government especially 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).

Shareholding Pattern

As at 31.12.2018



As at 31.03.2019



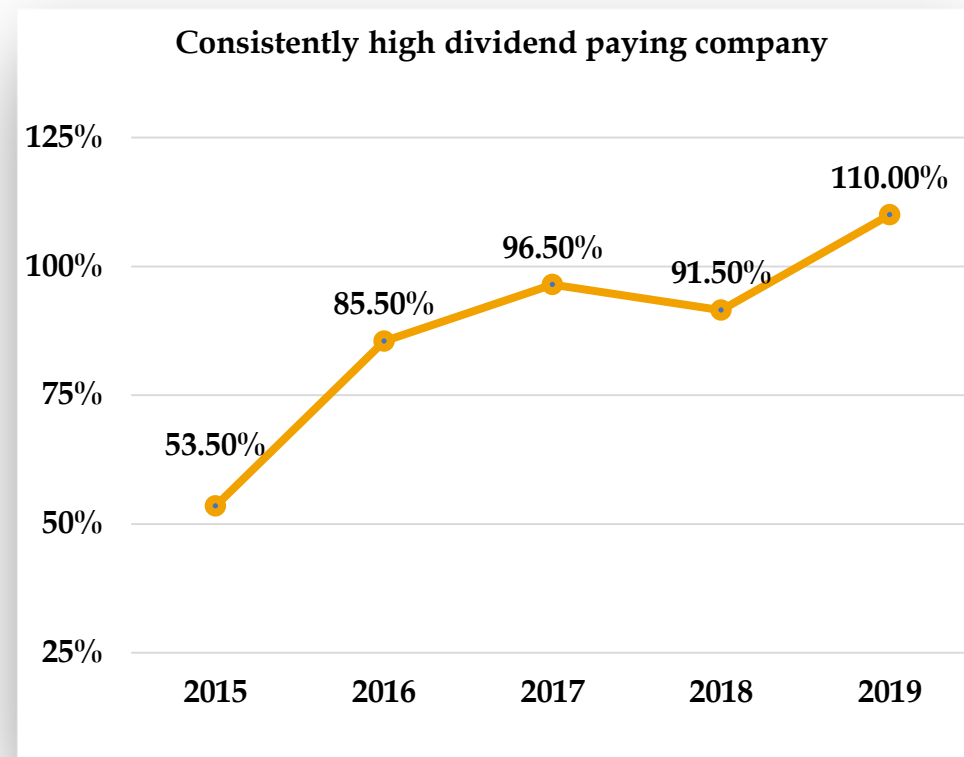
FPIs have consistently held more than 20% of the Shares, since IPO of REC .

Shareholders Outlook

Top 10 Share holders as at March 31, 2019

Rank	Particulars	Shareholding (%)
1	Power Finance Corporation Ltd	52.63
2	CPSE ETF	3.57
3	HDFC Trustee Company Limited - HDFC Balanced Advantage Fund	2.30
4	Life Insurance Corporation of India	2.30
5	HDFC Trustee Company Limited - HDFC Equity Fund	1.85
6	The Prudential Assurance Company Limited	1.34
7	India Capital Fund Limited	0.95
8	Eastspring Investments - Developed and Emerging Asia Equity Fund	0.80
9	HDFC Trustee Company Ltd. - HDFC Top 100 Fund	0.79
10	HDFC Trustee Company Ltd - HDFC Midcap Opportunities Fund	0.73
	TOTAL	67.26

Dividend Payout as a % of Equity Share Capital



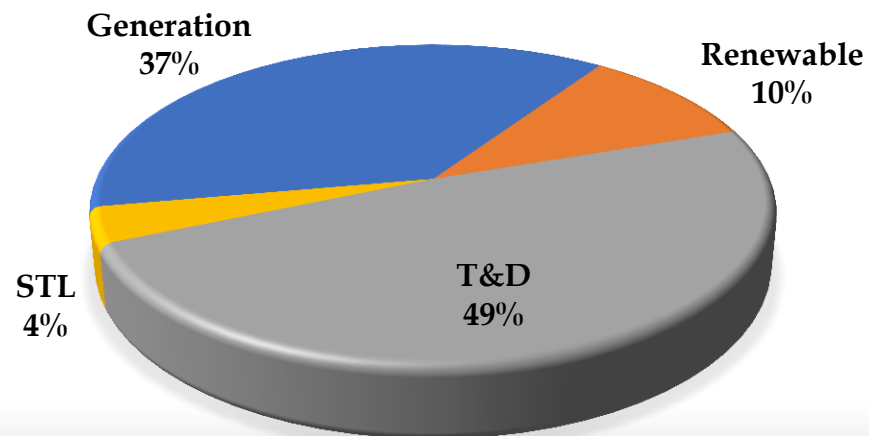
Dividend pay-out adjusted for bonus share issue of 1:1 in Sep'2016

Operational Performance



Sanctions - Composition

Sector-wise breakup of Sanctions in 12M FY19



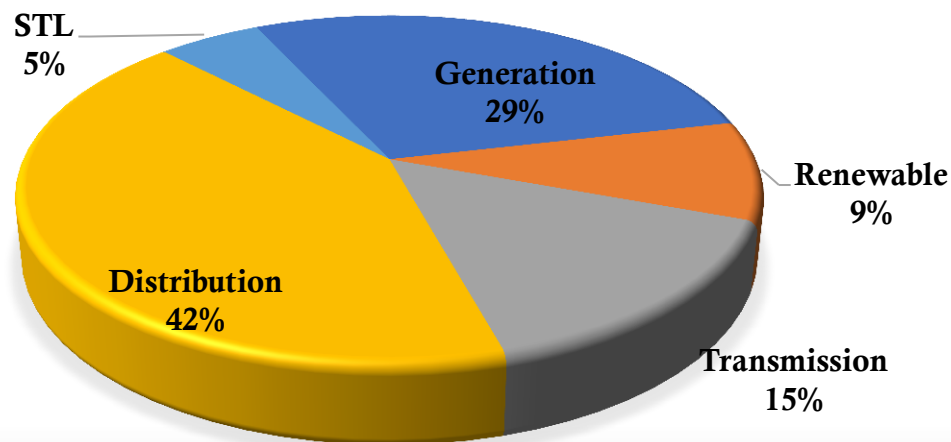
11% Project Loans
12MFY19
vs
12MFY18



Discipline-wise	12M								Q4			
	FY16	%	FY17	%	FY 18	%	FY 19	%	FY 18	%	FY 19	%
Generation	27,828	43	28,209	34	53,224	49	43,282	37	3,840	30	6,920	31
Renewable Energy	2,966	5	2,090	2	7,034	7	11,875	10	2,170	17	1,587	7
Transmission & Distribution	31,377	47	49,047	59	40,541	38	56,610	49	5,847	46	13,649	61
Total Project Loans	62,171	95	79,346	95	100,799	94	111,767	96	11,857	93	22,156	99
<i>Growth</i>	5%		28%		27%		11%				87%	
Short Term Loan	3,300	5	4,525	5	6,735	6	4,190	4	950	7	100	1
Total Sanctions	65,471	100	83,871	100	107,534	100	115,957	100	12,807	100	22,256	100
<i>Growth</i>	7%		28%		28%		8%				74%	

Disbursements – Composition

Sector-wise breakup of Disbursements in 12M FY19



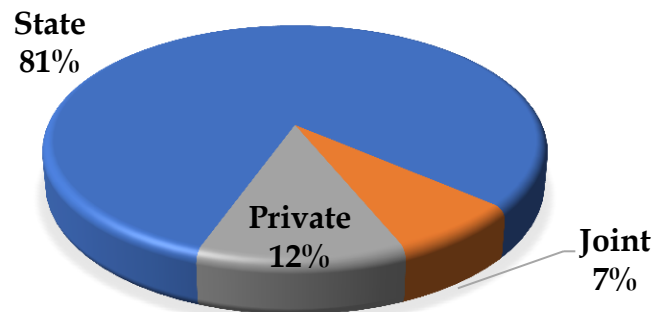
24% Project Loans
12MFY19
vs
12MFY18



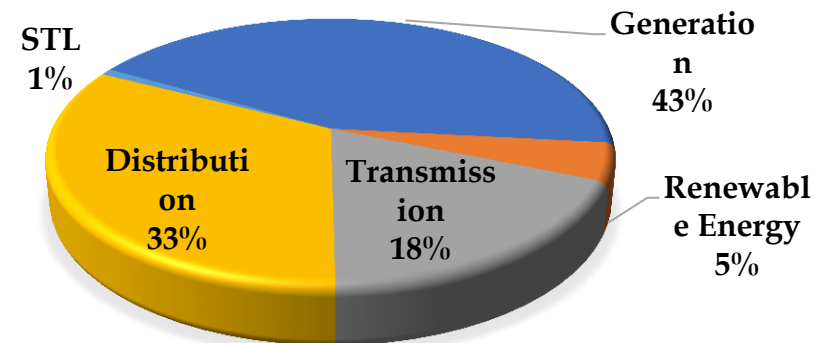
Discipline-wise	12M						Q4					
	FY 16	%	FY 17	%	FY18	%	FY19	%	FY 18	%	FY 19	%
Generation	12,820	27	21,697	37	18,086	29	20,462	29	4,803	22	4,792	25
Renewable Energy	304	1	1,618	3	5,403	9	6,628	9	2,734	12	1,785	9
Transmission	8,529	19	10,520	18	6,668	11	10,911	15	2,475	11	3,674	18
Distribution	22,173	48	19,429	34	24,920	40	30,324	42	10,842	49	9,395	47
Total Transmission & Distribution	30,702	67	29,949	52	31,588	51	41,235	57	13,317	60	13,069	65
Total Project Loans	43,826	95	53,264	92	55,077	89	68,325	95	20,854	94	19,646	99
Growth			22%		3%		24%					
Short Term Loan	2,200	5	4,775	8	6,635	11	3,840	5	1,431	6	250	1
Total Disbursements	46,026	100	58,039	100	61,712	100	72,165	100	22,285	100	19,896	100
Growth			26%		6%		17%					

Outstanding Loans – Composition

**Customer-wise
breakup
of Loans as at
31.03.2019**



**Category-wise
breakup of
Loans as at
31.03.2019**



Discipline-wise	12M							
	FY 16		FY 17		FY18		FY19	
	Amt	%	Amt	%	Amt	%	Amt	%
State	153,941	77	151,976	75	186,445	78	226,681	81
Joint	16,808	8	16,728	8	19,798	8	21,035	7
Private	30,529	15	33,225	17	33,206	14	33,494	12
Total	201,278	100	201,929	100	239,449	100	281,210	100
Growth			0%		19%		17%	
Generation	86,980	43	100,441	50	108,442	46	121,912	43
Renewable Energy	1,000	1	2,447	1	7,506	3	12,895	5
Transmission	35,289	18	42,520	21	45,558	19	52,068	19
Distribution	76,087	37	52,933	26	72,295	30	92,147	32
Total T&D	111,376	55	95,453	47	117,853	49	144,215	51
Short Term Loans	1,922	1	3,588	2	5,648	2	2,188	1

Outstanding Loans - Asset Diversification

PAN India Presence with loan concentration across 28 states and 1 Union Territory

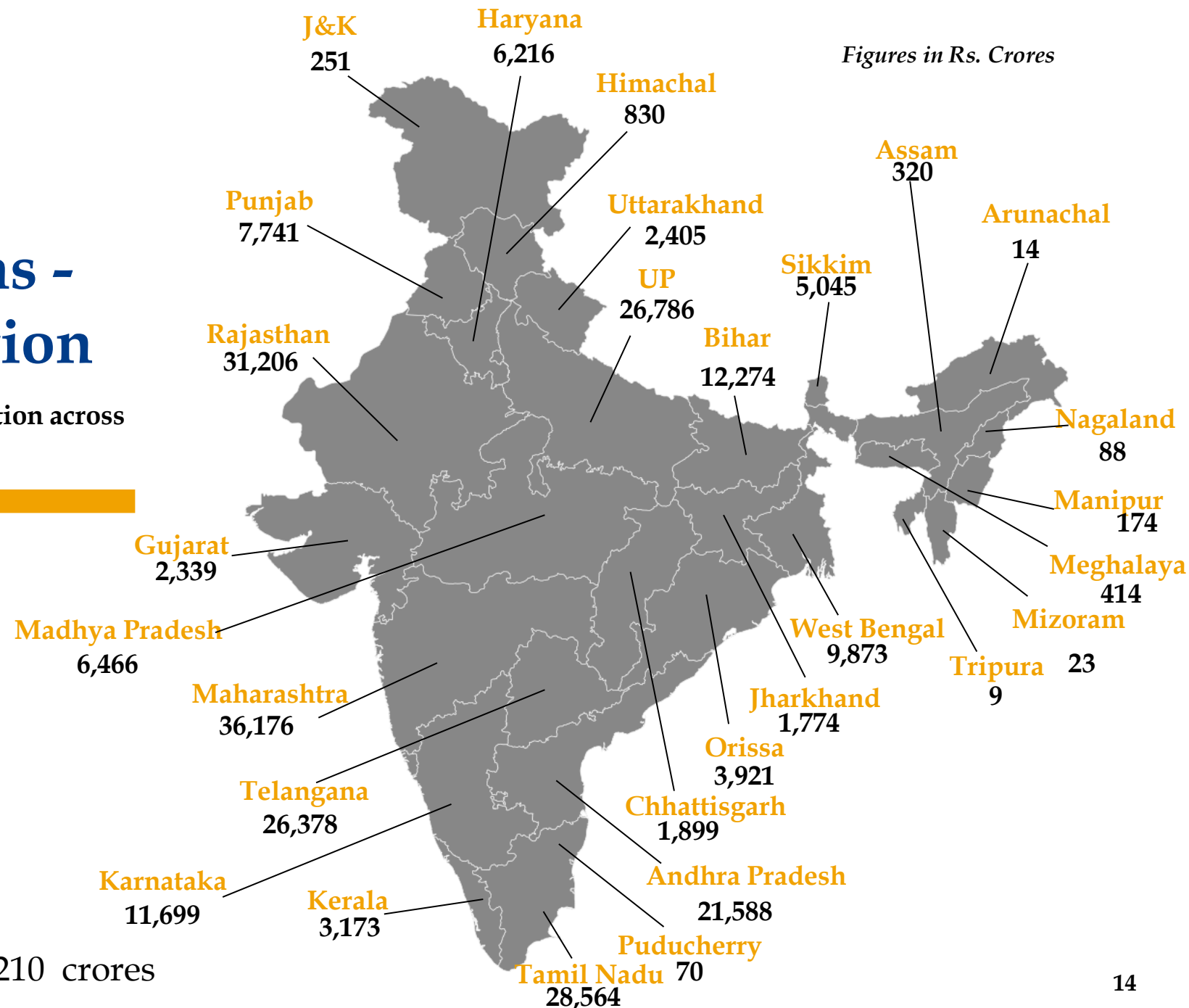
State Sector Borrowers

2,47,716

Private Sector Borrowers

33,494

Total Loan Outstanding – Rs. 2,81,210 crores



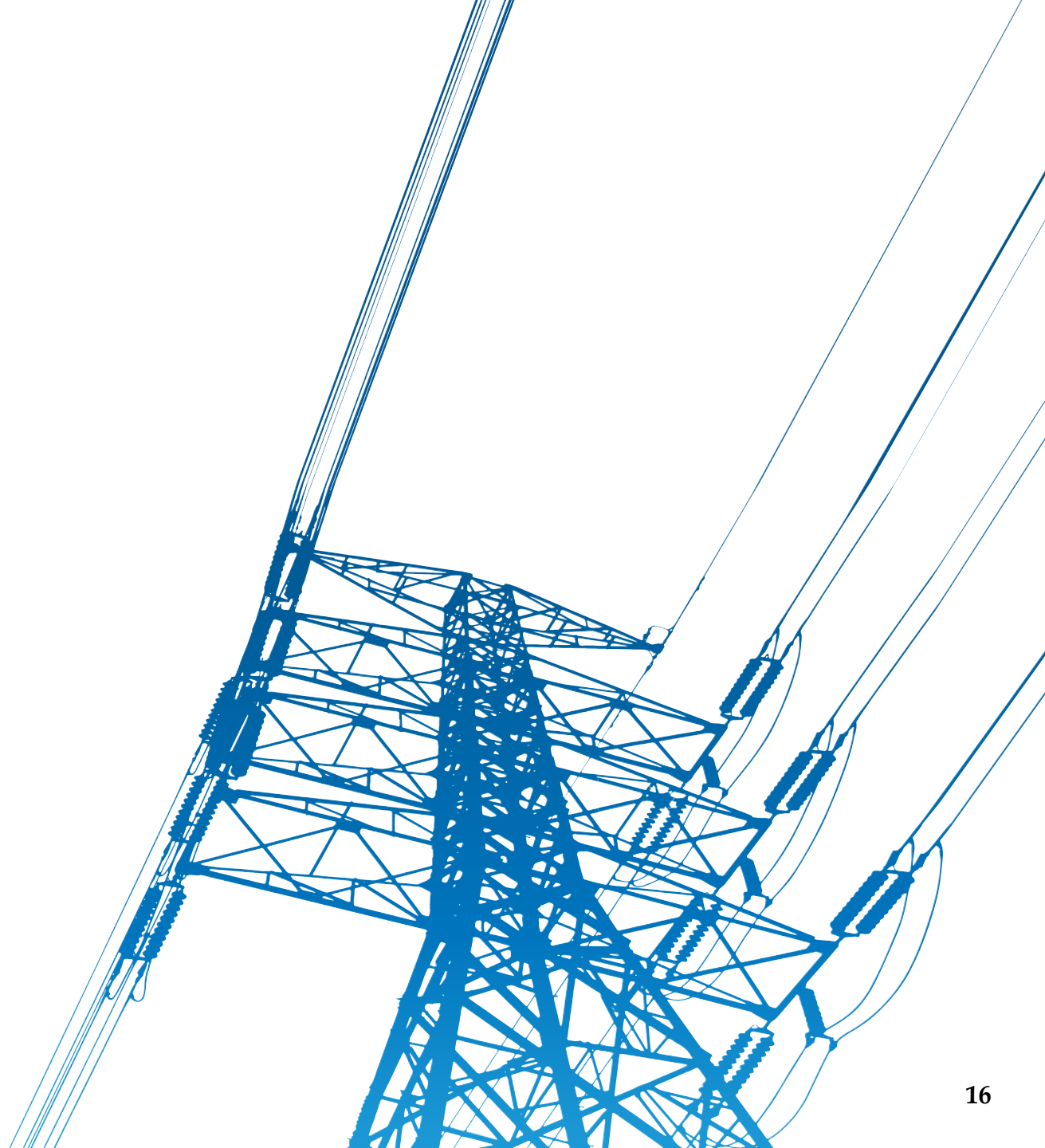
Outstanding Loans -Loan Concentration

Major Borrowers (as on March 31, 2019)

S.No.	Top Ten Borrowers	Amount Outstanding (Rs Cr.)	% of Total Loan Assets
1	Maharashtra State Electricity Distribution Company Limited	19,263	6.85%
2	Tamil Nadu Generation and Distribution Corporation	14,864	5.29%
3	Maharashtra State Power Generation Company Limited	12,509	4.45%
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	12,111	4.31%
5	Telangana Power Generation Corporation	10,368	3.69%
6	Andhra Pradesh Power Generation Corporation (APGENCO)	9,023	3.21%
7	Tamil Nadu Transmission Corporation (TANTRANSCO)	8,860	3.15%
8	Nabinagar Power Generating Co. Pvt Ltd	8,775	3.12%
9	Uttar Pradesh Power Transmission Corporation Limited	6,763	2.39%
10	Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL)	4,898	1.74%
	Total	107,434	38.20%

Well diversified asset portfolio with Top 10 borrowers accounting for ~38% of current loans and no single borrower accounting for more than ~ 7% of total loan book

Asset Quality



Asset Quality & Provision Coverage

As at March 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	94,921	-	-	-	94,921	142	0.15	142
- Renewables	8,427	-	-	-	8,427	13	0.15	13
- Transcos	50,034	-	-	-	50,034	27	0.05	27
- Discoms	94,334	-	-	-	94,334	264	0.28	264
Total State Sector	247,716	-	-	-	247,716	446	0.18	446
Private Sector								
- Genco	26,991	18,218	9,260	50.83	8,773	1,316	15.01	10,576
- Transcos	2,035	2,035	402	19.77	-	-	-	402
- Renewables	4,468	97	37	38.14	4,371	37	0.85	74
Total Private Sector	33,494	20,350	9,699 *	47.66	13,144	1,353	10.30	11,052
Grand Total	281,210	20,350	9,699 *	47.66	260,860	1,799	0.69	11,498

NPAs	Value	%
Gross	20,350	7.24
Net	10,650	3.79

* In addition to the above, Provision available in the form of Provision against Standard Assets, Reserve for Bad & Doubtful debts u/s 36(1)(viiia)(c) of the Income Tax Act, 1961 and Reserve fund u/s 45-IC of RBI Act amounting to Rs. 5,987 crores

Borrowing Profile

National Ratings

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

International Ratings

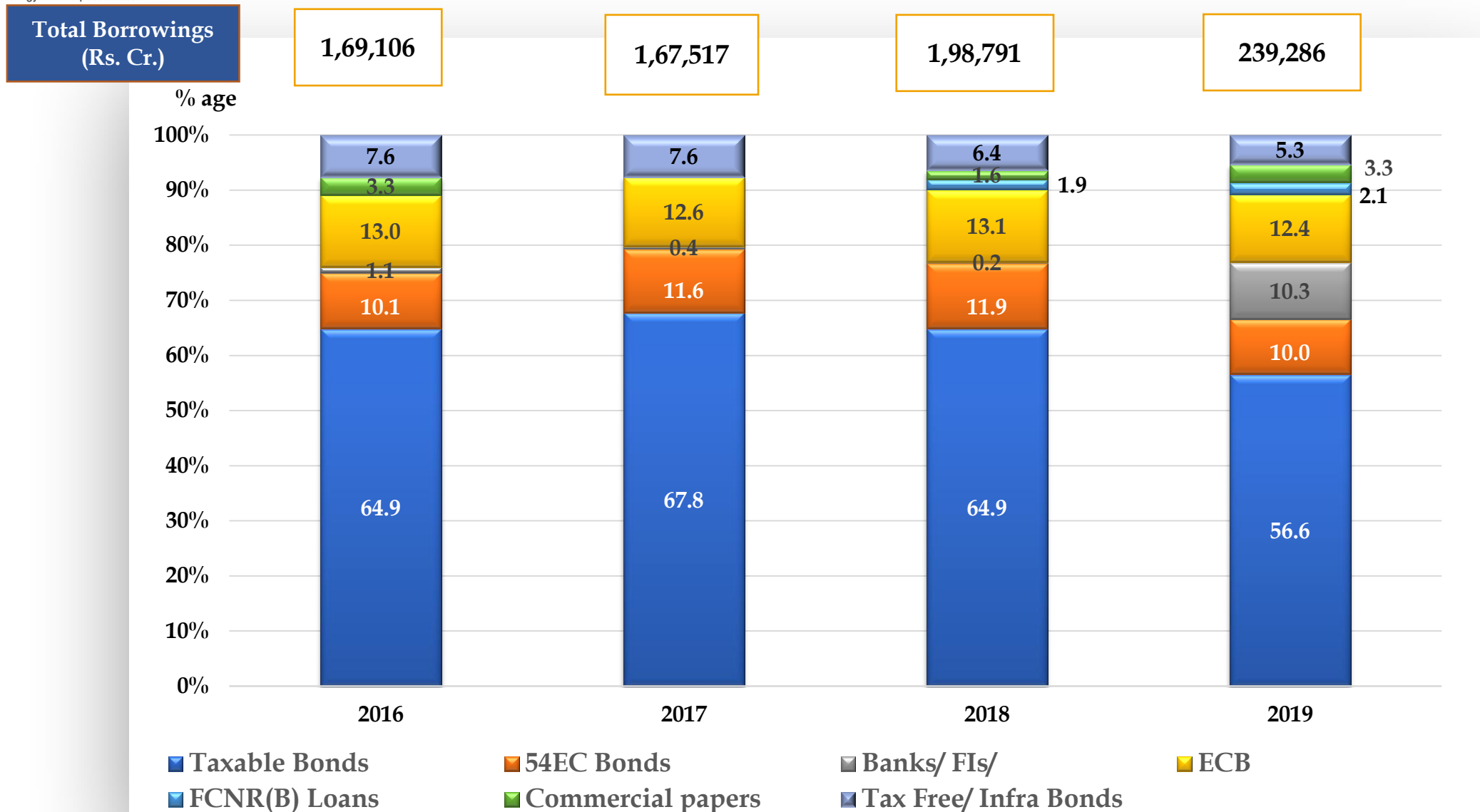
	
"BBB - "	"Baa3"

Outstanding Borrowings

Rs. Crores

Particulars	12M			
	FY 16	FY 17	FY 18	FY 19
Institutional, Subordinate & Zero Coupon Bonds	109,678	113,449	128,871	135,184
Foreign Currency Borrowings	21,924	21,081	25,996	29,710
FCNR (B) Loans	-	-	3,811	5,048
Capital Gain Bonds	17,164	19,477	23,705	23,880
Tax Free Bonds	12,648	12,648	12,648	12,648
Commercial Papers	5,600	-	3,250	7,975
Banks, FIs, Govt., etc.	1,850	750	400	24,750
Infra Bonds	242	112	110	91
Grand Total	169,106	167,517	198,791	239,286
Average annualized Cost of Funds	8.50%	8.13%	7.53%	7.16%

Outstanding Borrowings



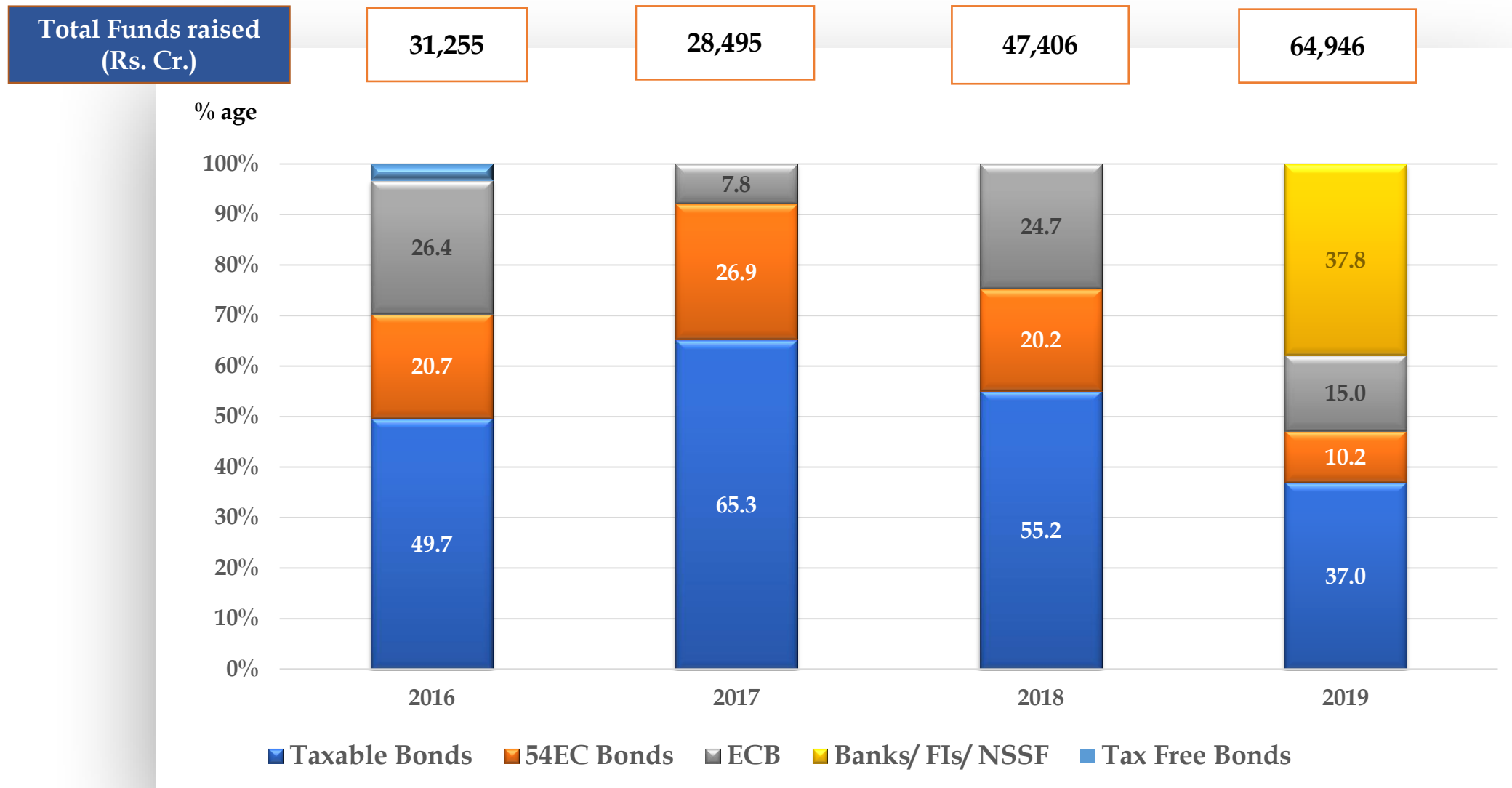
Funds Raised During The Period

Rs. Crores

Category	12M				Q4	
	FY16	FY17	FY18	FY19	FY18	FY19
(A) <u>Long Term</u>						
Capital Gains Bonds	6,477	7,663	9,565	6,652	4,137	2,199
Tax Free Bonds	1,000	-	-	-	-	-
Institutional Bonds/ Subordinate Debt	15,526	18,600	26,145	24,010	9,720	9,161
Term Loans from Banks/ FIs/ NSSF	-	-	-	24,550	-	10,550
Foreign Currency Borrowings	8,252	2,232	11,696	9,734	4,553	2,239
Total (A)	31,255	28,495	47,406	64,946	18,410	24,149
	7.01%	6.85%	6.17%	8.13%		
(B) <u>Short Term</u>						
FCNR (B) Loan	-	-	3,759	4,437	2,474	986
Commercial papers	20,772	19,917	12,115	19,393	4524	4,919
Total (B)	20,772	19,917	15,874	23,830	6,998	5,905
Total (A + B)	52,027	48,412	63,280	88,776	25,408	30,054

%age denotes annualized cost of borrowings mobilized

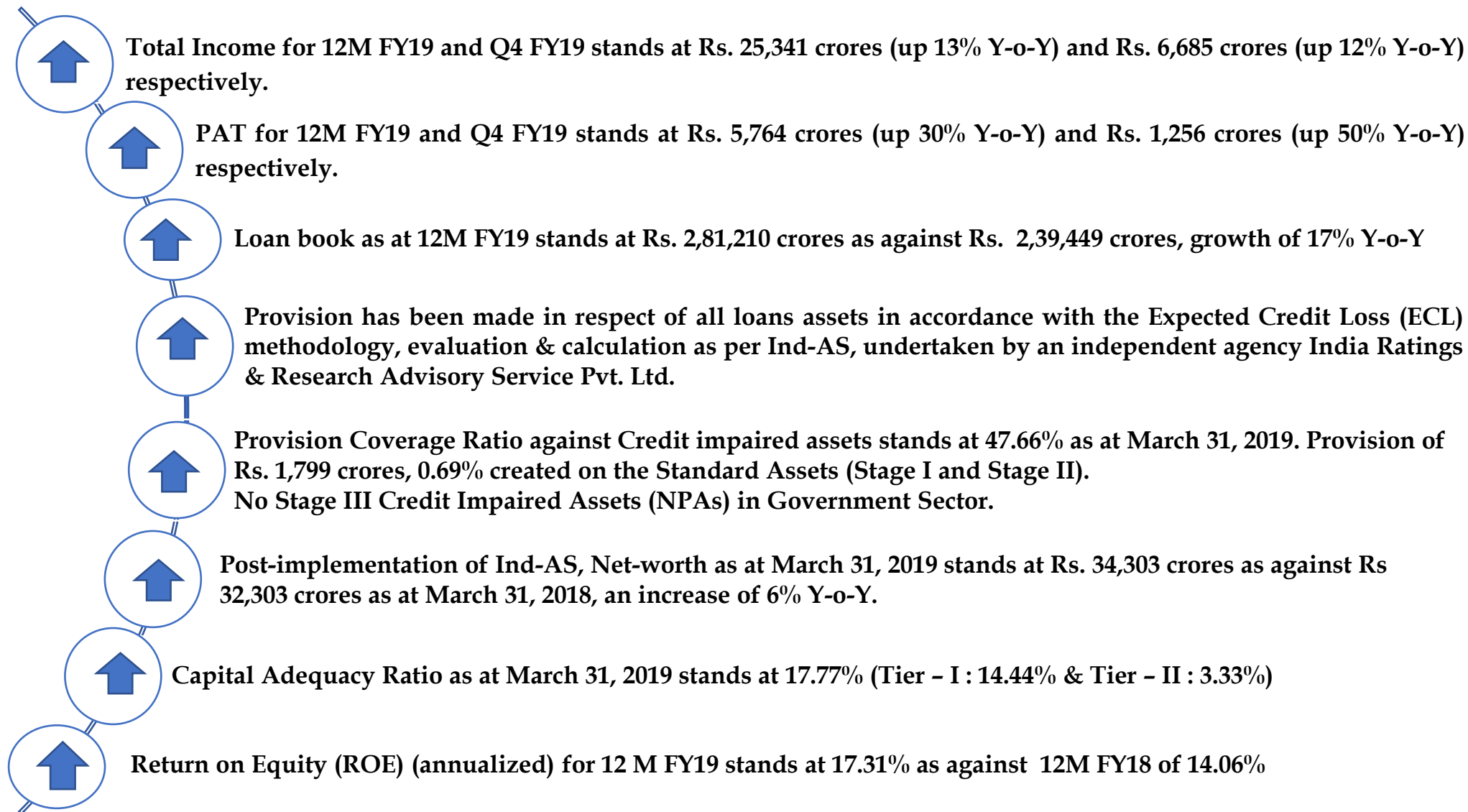
Funds Raised During The Period (Long Term)



Financial Highlights



Key Financial Highlights



Standalone Statement of Profit & Loss

Rs. Crores

Particulars	Q4		12M	
	FY 18	FY 19	FY 18	FY 19
Interest Income	5,459	6,493	21,797	24,728
Less: Finance Costs	3,629	4,173	13,362	15,676
Net Interest Income	1,830	2,320	8,435	9,052
Other Operating Income	481	178	658	582
Other Income	8	14	13	31
Total Income	5,948	6,685	22,468	25,341
Other costs *	114	860	925	1,324
Impairment loss on financial assets	1,222	18	2,297	240
Profit Before Tax	983	1,634	5,884	8,101
Tax Expense	144	378	1,464	2,337
Profit After Tax	839	1,256	4,420	5,764
Other Comprehensive Income/ (Loss)	(94)	(39)	4	(61)
Total Comprehensive Income/(Loss)	745	1,217	4,424	5,703

* Other Costs include Net Transaction/ Translation exchange loss, Net loss on Fair Value Change, Employee Benefit Expenses, CSR Expenses, Depreciation & amortization expense and Other Expenses

REC is fully compliant with Ind-AS, the same being applied w.e.f. FY 2018-19 with the transition date being 1st April 2017.

Statement of Assets and Liabilities

Rs. Crores

Particulars	As at 01.04.2017	As at 31.03.2018	As at 31.03.2019
Assets			
(A) Financial Assets	202,020	238,400	294,590
Cash and Bank	4,494	1,782	1,596
Derivative financial instruments	628	690	1,803
Loans	193,935	228,878	270,451
Investments	2,909	2,825	2,398
Other financial assets	54	4,225	18,342
(B) Non-Financial Assets	2,469	3,269	3,127
Current tax assets (net)	39	21	276
Deferred tax assets (net)	2,188	2,904	2,358
Fixed Assets (as per Ind-AS)	184	257	361
Other non-financial assets	58	87	132
Total Assets (A+B)	204,489	241,669	297,717
Liabilities			
(C) Financial Liabilities	173,690	209,056	263,232
Derivative financial instruments	354	318	159
Borrowings as per Ind-AS	173,091	204,439	244,321
Other financial liabilities	245	4,299	18,752
(D) Non-Financial Liabilities	247	310	182
(E) Equity	30,552	32,303	34,303
Equity Share Capital	1,975	1,975	1,975
Other equity	28,577	30,328	32,328
Total Liabilities (C+D+E)	204,489	241,669	297,717

REC is fully compliant with Ind-AS, the same being applied w.e.f. FY 2018-19 with the transition date being 1st April 2017.

Key Ratios

Particulars	Q4		12M	
	FY 18	FY 19	FY 18	FY19
Yield on Interest bearing Loan Assets (%)	10.26	10.29	10.51	10.40
Cost of Funds (%)	7.62	7.16	7.30	7.16
Interest Spread (%)	2.64	3.13	3.21	3.24
Net Interest Margin (%)	3.46	3.68	4.10	3.85
Return on Net Worth (%)	10.16	14.42	14.06	17.31
Interest Coverage Ratio (Times)	1.27	1.39	1.44	1.52
Debt Equity Ratio (Times)	6.15	6.98	6.15	6.98
Earning per Share (Annualised) (Face Value Rs. 10 per share)	17.00	25.44	22.38	29.18
Book Value Per Share (Face Value Rs. 10 per share)	163.57	173.69	163.57	173.69

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

Return on Average Net worth = Ratio of PAT to average Net Worth

Reconciliation of Net Profit for FY 2017-18

Rs. Crores

Particulars	Q4 FY18	12M FY18
Profit under IGAAP for the period	835	4,647
Adjustments under Ind AS :		
Measurement of financial assets initially at fair value and subsequently at amortized cost	13	38
Measurement of financial liabilities initially at fair value and subsequently at amortized cost	(12)	(84)
Allowance for Expected Credit Loss	(639)	(875)
Measurement of Derivatives at Mark to market	367	(59)
Other Miscellaneous Adjustments (including prior period)	(11)	13
Total Ind-AS Impact	(282)	(967)
Income tax effect of above adjustments	(114)	33
Tax impact on accumulated impairment allowance in excess of Reserve for Bad & Doubtful Debts	400	707
Profit under Ind-AS for the period	839	4,420
Other comprehensive income, net of tax	(94)	4
Total Comprehensive Income under Ind AS	745	4,424

Reconciliation of Equity as at 01.04.17 & 31.03.18

Particulars	Rs. Crores	
	As at 01.04.17	As at 31.03.18
Total equity (shareholder's funds) as per Previous GAAP	33,326	35,491
Adjustments:		
Measurement of financial assets initially at fair value and subsequently at amortised cost	(109)	(71)
Measurement of financial liabilities initially at fair value and subsequently at amortised cost	332	248
Measurement of Investments at fair value	202	240
Recognition of Expected Credit Loss on loan assets	(5,501)	(6,406)
Measurement of Derivatives at Mark to market	72	(178)
Other Miscellaneous Adjustments	3	9
Tax impact on accumulated impairment allowance in excess of Reserve for Bad & Doubtful Debts	2,271	2,979
Income tax effect of Ind AS adjustments	(44)	(9)
Total adjustments	(2,774)	(3,188)
Total equity as per Ind AS	30,552	32,303

Thank You