

REC Limited

(Formerly Rural Electrification Corporation Limited)
A Navratna Company

Investor Presentation

Performance Highlights
Q1 FY 21



ICAI award for Excellence in Financial Reporting (2018-19)

Five Decades Of Relentless Growth

Table of Contents

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

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- *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.*
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REC Overview



Key Strengths



Board of Directors

Experienced Team with sector experience



Mr. Sanjeev Kumar Gupta
Chairman & Managing Director

>37 years of experience in Power Sector

Chairman and Managing Director on the Board of REC w.e.f. June 1, 2020 and also Director (Technical), REC since October 16, 2015

Extensive experience in Planning, Design, Construction, O&M, Project Management of large EHV & UHV Transmission projects, Financing of Generation, Transmission, Distribution and Renewable Projects & instrumental in induction of new technologies in power transmission projects in various power CPSU's, REC, PGCIL and NHPC.

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



Mr. Ajoy Choudhury
Director (Finance)

>31 years of experience in Power Sector

Director (Finance), REC since June 1, 2020.

Experience in handling a gamut of finance portfolios such as International Finance, Contracts Management, Loans & Recovery, Corporate Accounts, Resource Mobilization & Treasury etc. Has been instrumental in implementation of various systemic improvements including formulation of Loan Recovery guidelines, improving communication and services to customers and managing overall Resources and Treasury in REC in an efficient manner.

B. Com (H) from Kirori Mal College, Delhi University and is also an Associate Member of the Institute of Cost Accountants of India.

Board of Directors

Experienced Team with sector experience



Mr. Mritunjay Kumar Narayan, IAS

*Government Nominee Director
Joint Secretary, MoP*

*>24 years of administrative
& management experience*

Shri Mritunjay Kumar Narayan is Indian Administrative Service (IAS) officer of 1995 Uttar Pradesh Cadre, is a Joint Secretary in Ministry of Power. 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.



Mr. Praveen Kumar Singh

PFC Nominee Director

*>35 years of experience in
Power Sector*

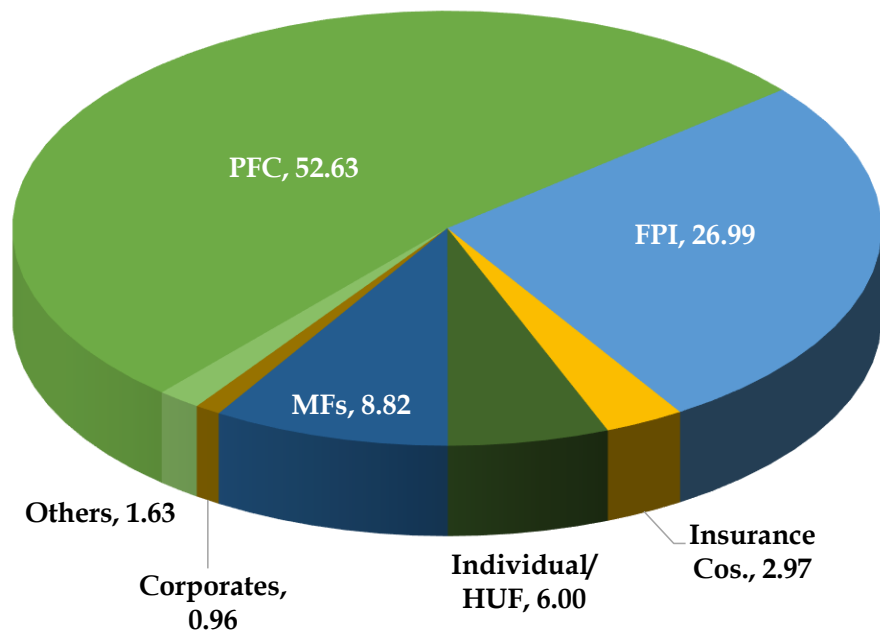
Director (Commercial) of PFC since August 10, 2018. On Board of REC since June 18, 2019.

Worked in various units of Projects Division in PFC for >25 years Also worked for India's largest power equipment manufacturer BHEL and Confederation of Indian Industries (CII) for over 9 years.

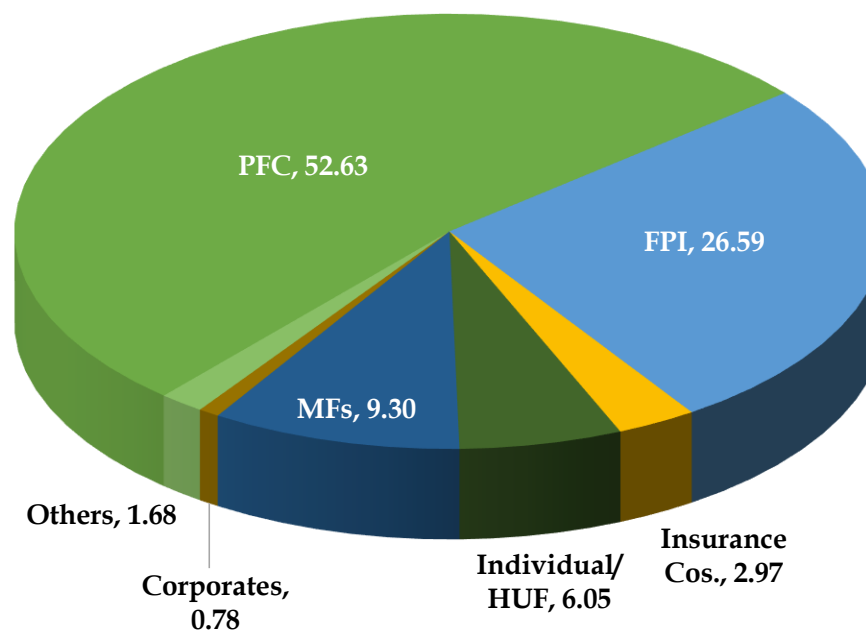
B. Tech. in Electrical Engineering from IIT-BHU. M. Tech. in Energy & Environment Management from IIT, Delhi. Completed "Global Energy MBA program" from Bayer College of Business, University of Houston, USA.

Shareholding Pattern

As at 31.03.2020



As at 30.06.2020



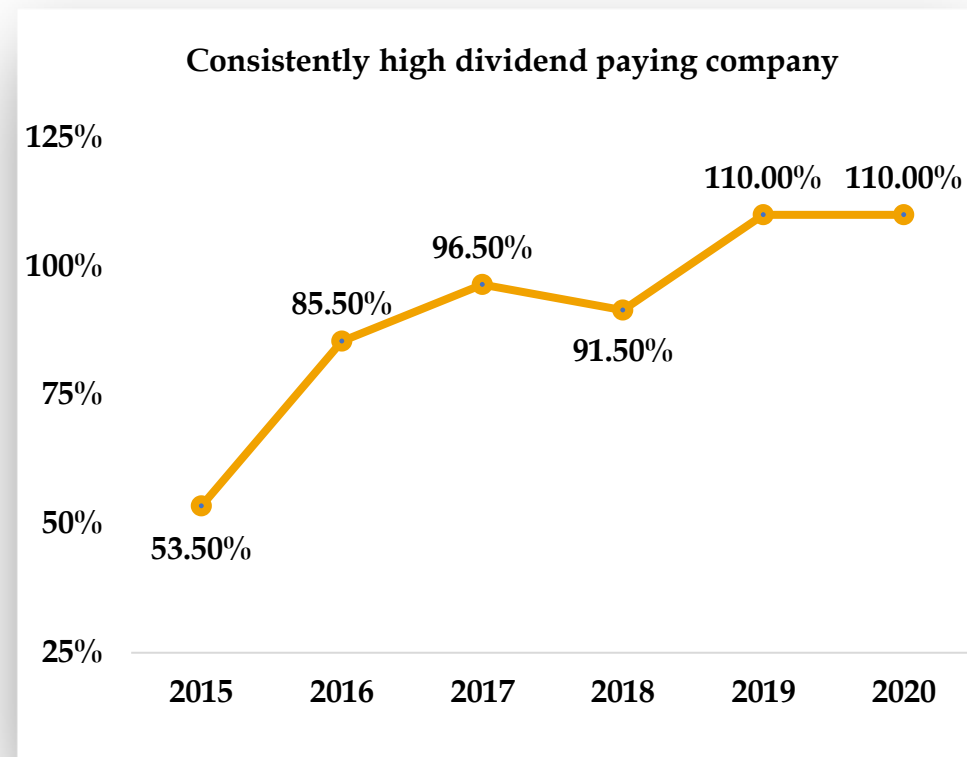
Foreign Portfolio Investors (FPIs) have stayed invested in REC and consistently held more than 20% of REC's equity shares.

Shareholders Outlook

Top 10 Shareholders as at June 30, 2020

Rank	Particulars	Shareholding (%)
1	Power Finance Corporation Ltd	52.63
2	HDFC Trustee Company Ltd	8.65
3	Life Insurance Corporation Of India	2.78
4	The WindAcre Partnership Master Fund LP	2.24
5	Abu Dhabi Investment Authority	1.23
6	UBS Principal Capital Asia Ltd	1.11
7	India Capital Fund Limited	1.02
8	The Prudential Assurance Company Limited	0.96
9	HDFC Life Insurance Company Limited	0.61
10	Vanguard Total International Stock Index Fund	0.60
	TOTAL	71.83

Dividend Payout as a % of Equity Share Capital



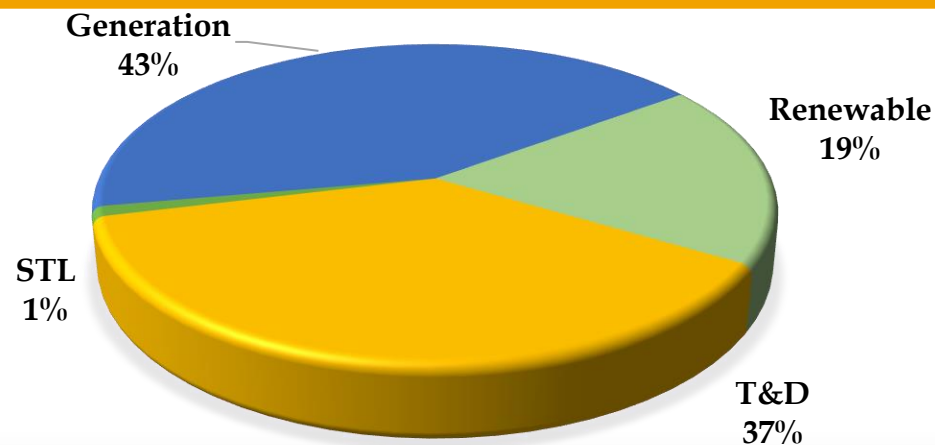
Dividend pay-out for FY 15 & FY16 adjusted for bonus issue of 1:1 in Sep' 2016

Operational Performance



Sanctions - Composition

Sector-wise breakup of Sanctions in Q1 FY 21



73% Increase in Sanctions
Q1FY21 Vs Q1FY20

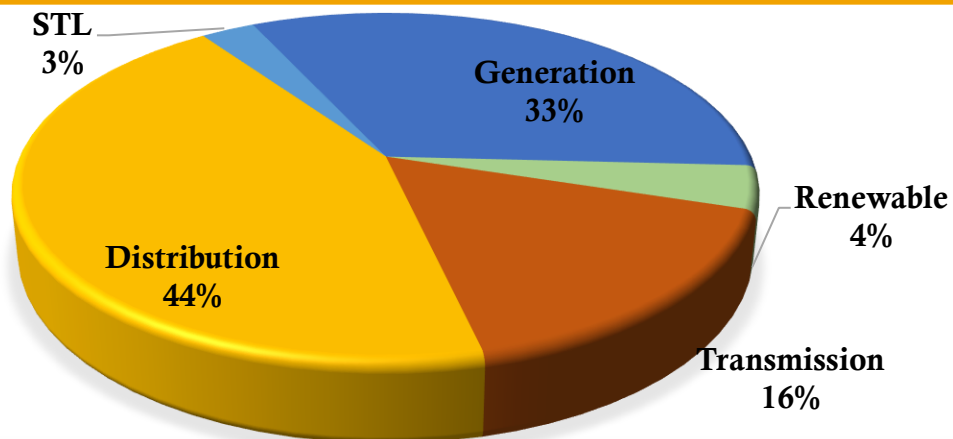


(₹ in Crores)

Discipline-wise	12M						Q1			
	FY 18	%	FY 19	%	FY 20	%	FY 20	%	FY 21	%
Generation	53,224	49	43,282	37	57,362	52	6,034	25	17,930	43
Renewable Energy	7,034	7	11,875	10	7,026	6	2,175	9	7,782	19
Transmission & Distribution	40,541	38	56,610	49	44,555	40	14,884	61	15,822	37
Short Term Loan	6,735	6	4,190	4	1,965	2	1,195	5	425	1
Total Sanctions	107,534	100	115,957	100	110,908	100	24,288	100	41,959	100

Disbursements – Composition

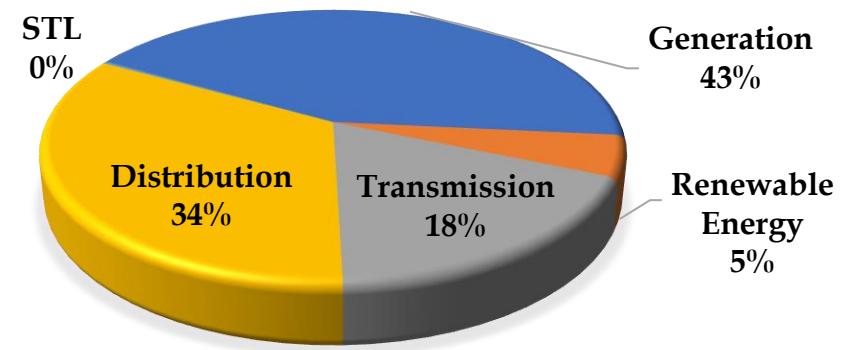
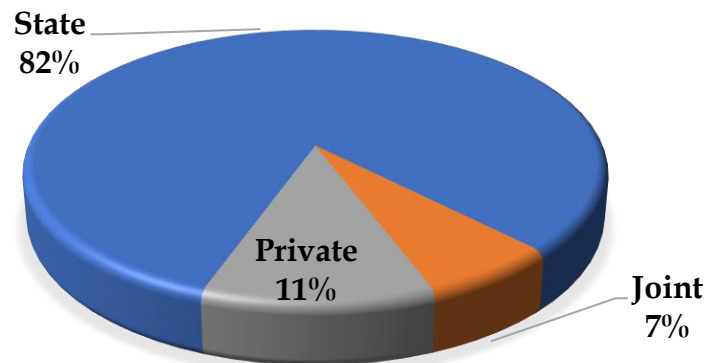
Sector-wise breakup of Disbursements in Q1 FY 21



Total Disbursements
Rs 15,271 crores

Discipline-wise	12M						Q1 (₹ in Crores)			
	FY18	%	FY19	%	FY20	%	FY 20	%	FY 21	%
Generation	18,086	29	20,462	29	29,301	39	4,002	26	5,002	33
Renewable Energy	5,403	9	6,628	9	5,699	7	1,223	8	614	4
Transmission	6,668	11	10,911	15	13,540	18	3,181	20	2,527	16
Distribution	24,920	40	30,324	42	25,047	33	6,319	40	6,703	44
Total Transmission & Distribution	31,588	51	41,235	57	38,587	51	9,500	60	9,230	60
Short Term Loan	6,635	11	3,840	5	2,080	3	900	6	425	3
Total Disbursements	61,712	100	72,165	100	75,667	100	15,625	100	15,271	100

Outstanding Loans – Composition



(₹ in Crores)

Discipline-wise	As at							
	31 st March 2018		31 st March 2019		31 st March 2020		30 th June 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
State	186,445	78	226,681	81	263,032	81	271,111	82
Joint	19,798	8	21,035	7	21,612	7	22,041	7
Private	33,206	14	33,494	12	37,781	12	37,636	11
Total	239,449	100	281,210	100	322,425	100	330,788	100
Generation	108,442	46	121,912	43	139,519	43	142,910	43
Renewable Energy	7,506	3	12,895	5	16,078	5	16,119	5
Transmission	45,558	19	52,068	19	59,641	19	59,984	18
Distribution	72,295	30	92,147	32	106,294	33	110,933	34
Total T&D	117,853	49	144,215	51	165,935	52	170,917	52
Short Term Loans	5,648	2	2,188	1	893	-	842	-

Asset Diversification - PAN India Presence

Lending across 27 States and 3 Union Territories

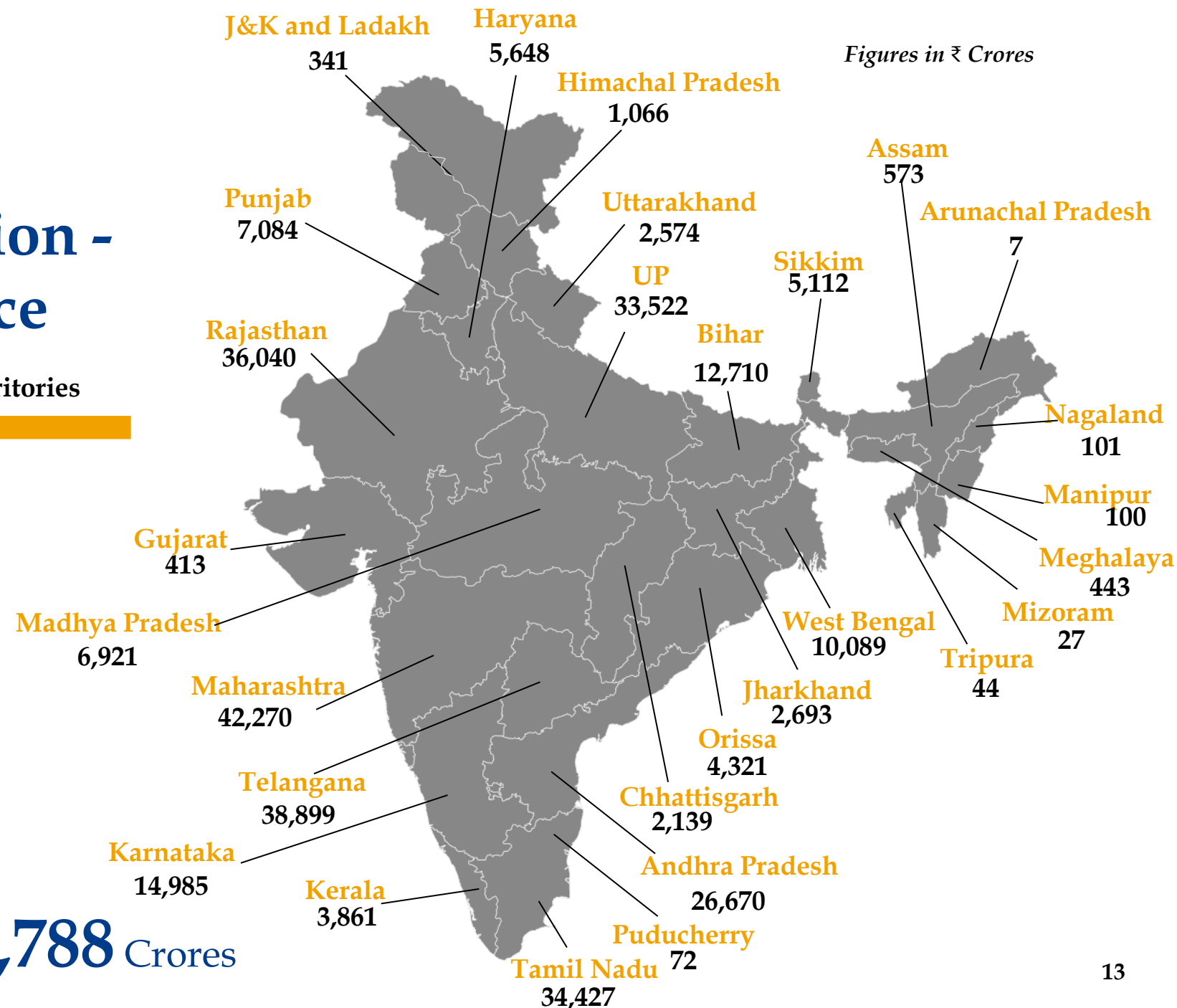
State Sector Borrowers

₹ 2,93,152 Crores

Private Sector Borrowers

₹ 37,636 Crores

Total Loan Outstanding - ₹ 3,30,788 Crores



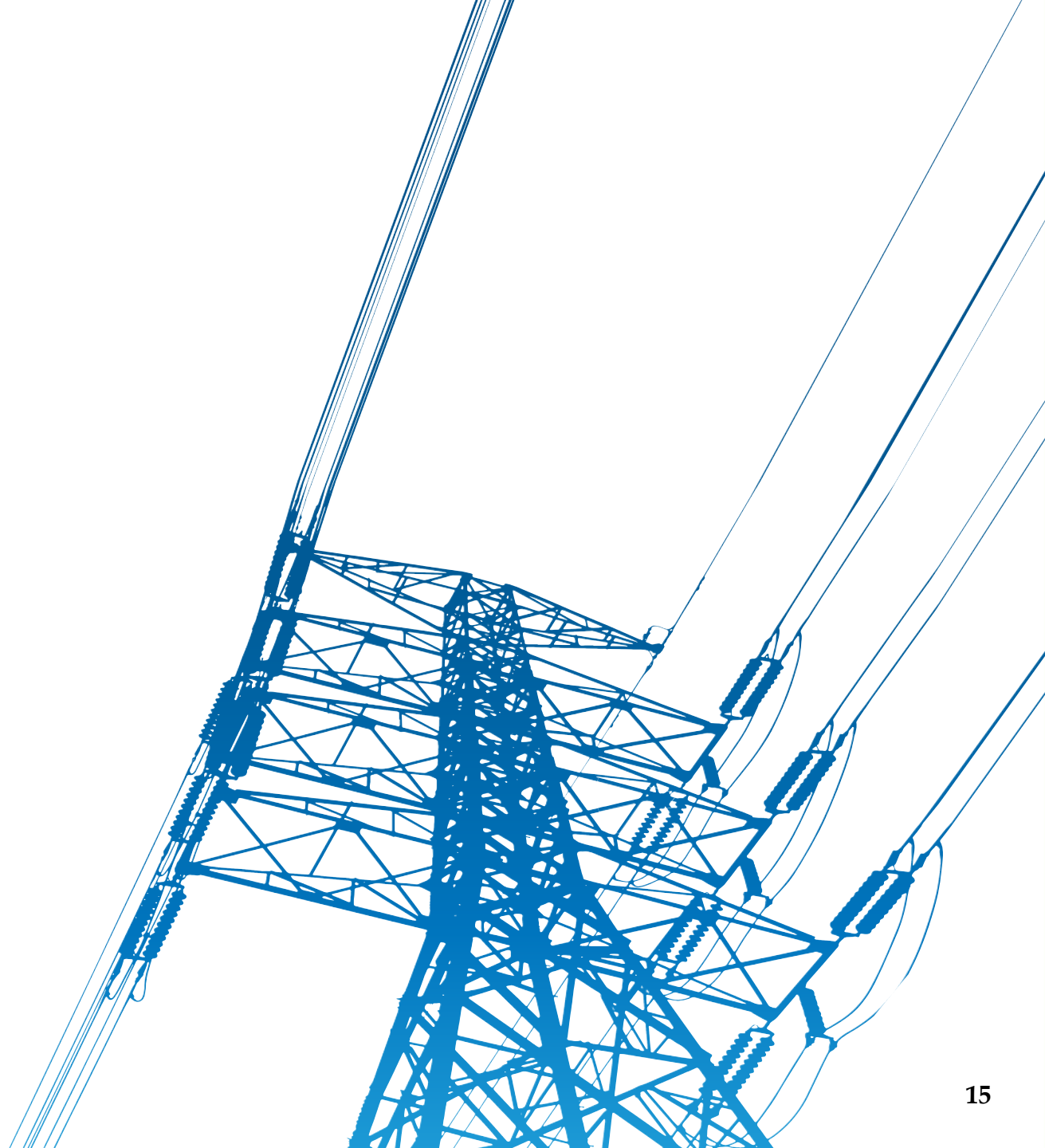
Outstanding Loans -Loan Concentration

Major Borrowers (as at June 30, 2020)

S. No.	Top Ten Borrowers	Amount Outstanding (₹ Crores)	% of Total Loan Assets
1	Maharashtra State Electricity Distribution Company Limited	23,900	7.24%
2	Tamil Nadu Generation and Distribution Corporation	18,596	5.62%
3	Maharashtra State Power Generation Company Limited	14,205	4.29%
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	13,435	4.06%
5	Telangana Power Generation Corporation	13,194	3.99%
6	Tamil Nadu Transmission Corporation (TANTRANSCO)	11,130	3.36%
7	Andhra Pradesh Power Generation Corporation (APGENCO)	10,200	3.08%
8	Telangana State Water Resources Infrastructure Development Corporation Ltd. (TSWRIDC)	9,200	2.79%
9	Nabinagar Power Generating Co. Pvt Ltd	8,775	2.65%
10	Uttar Pradesh Power Corporation Limited	7,684	2.32%
	Total	1,30,339	39.40%

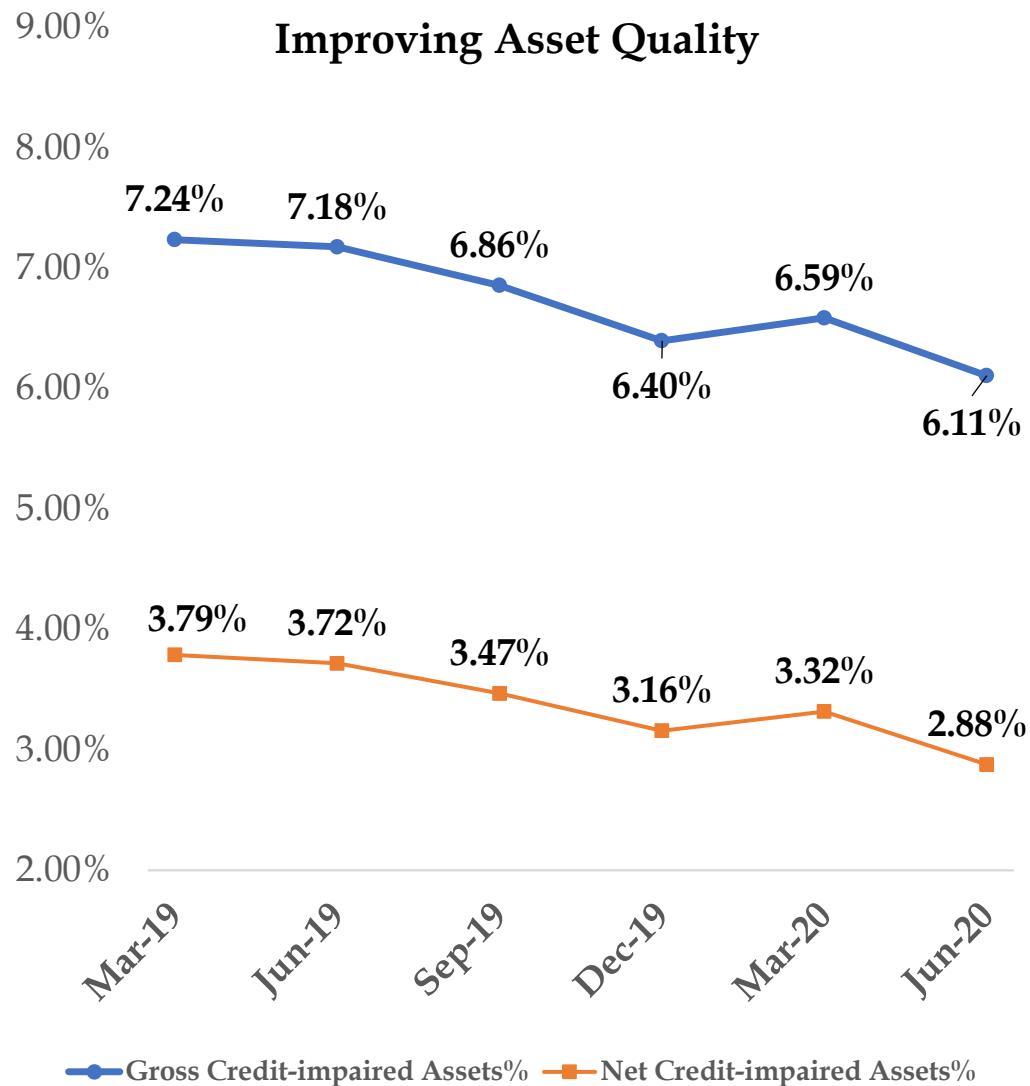
*Well-diversified asset portfolio with Top 10 borrowers accounting for ~39% of current loans.
No single borrower group accounting for more than 8% of total loan book.
No slippage in Top 10 accounts*

Asset Quality

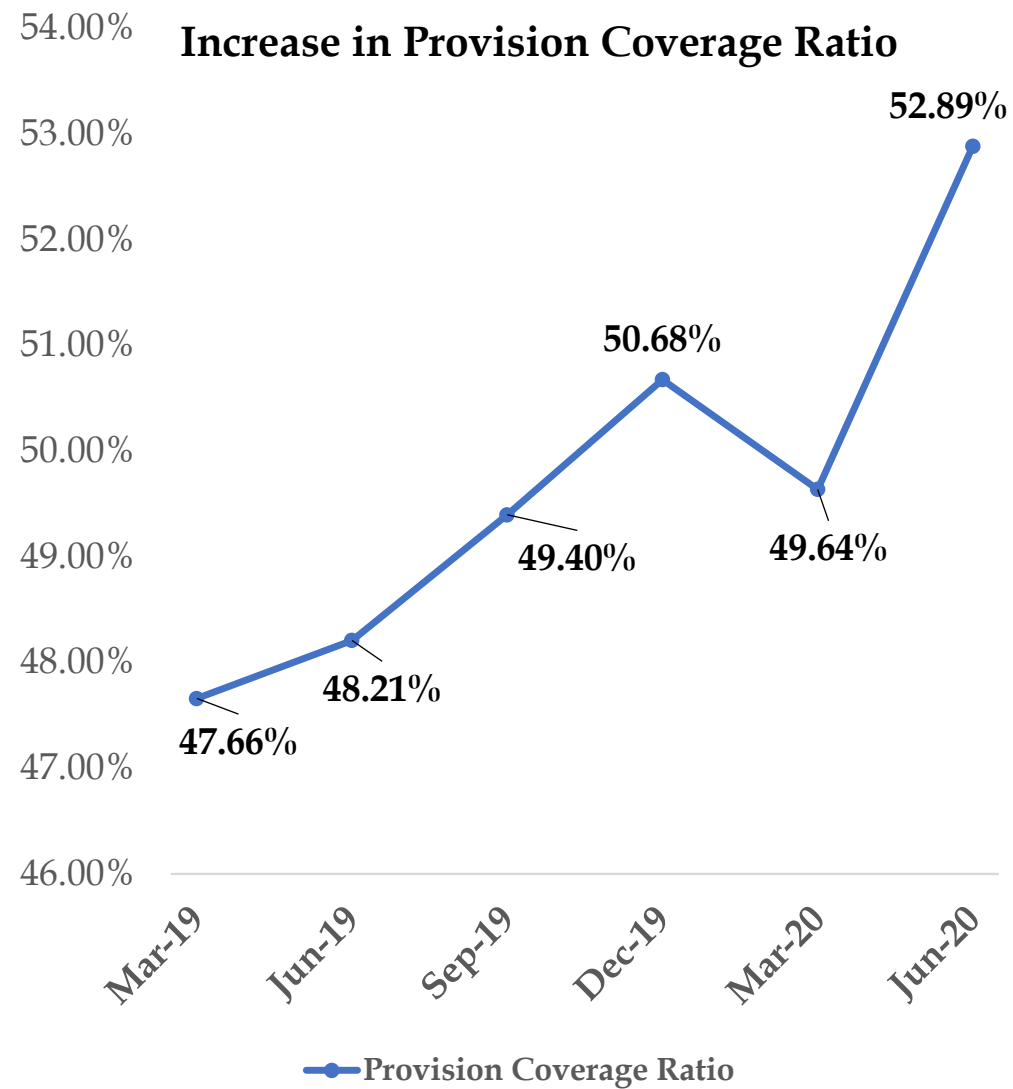


Asset Quality as at June 30, 2020

Improving Asset Quality



Increase in Provision Coverage Ratio



Loan Portfolio as at June 30, 2020





Figures : ₹ Crores

Particulars	Loan O/s	Credit Impaired Assets (Stage - III)			Standard Assets (Stage - I & II)			Total ECL*
		O/s	ECL	Provision coverage ratio (%)	O/s	ECL	Provision coverage ratio (%)	
State Sector								
- Gencos	116,306	-	-	-	116,306	81	0.07	81
- Renewables	7,278	-	-	-	7,278	4	0.06	4
- Transcos	57,910	-	-	-	57,910	12	0.02	12
- Discoms	111,658	-	-	-	111,658	223	0.20	223
Total State Sector	293,152	-	-	-	293,152	320	0.11	320
Private Sector								
- Genco	26,722	19,267	10,296	53.44	7,454	1,005	13.48	11,301
- Transcos	2,073	922	375	40.67	1,151	18	1.56	393
- Renewables	8,841	22	19	86.36	8,820	102	1.16	121
Total Private Sector	37,636	20,211	10,690	52.89	17,425	1,125	6.46	11,815
Grand Total	330,788	20,211	10,690	52.89	310,577	1,445	0.47	12,135

*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 ₹ 5,616 crores.

Borrowing Profile

Domestic Ratings

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

International Ratings

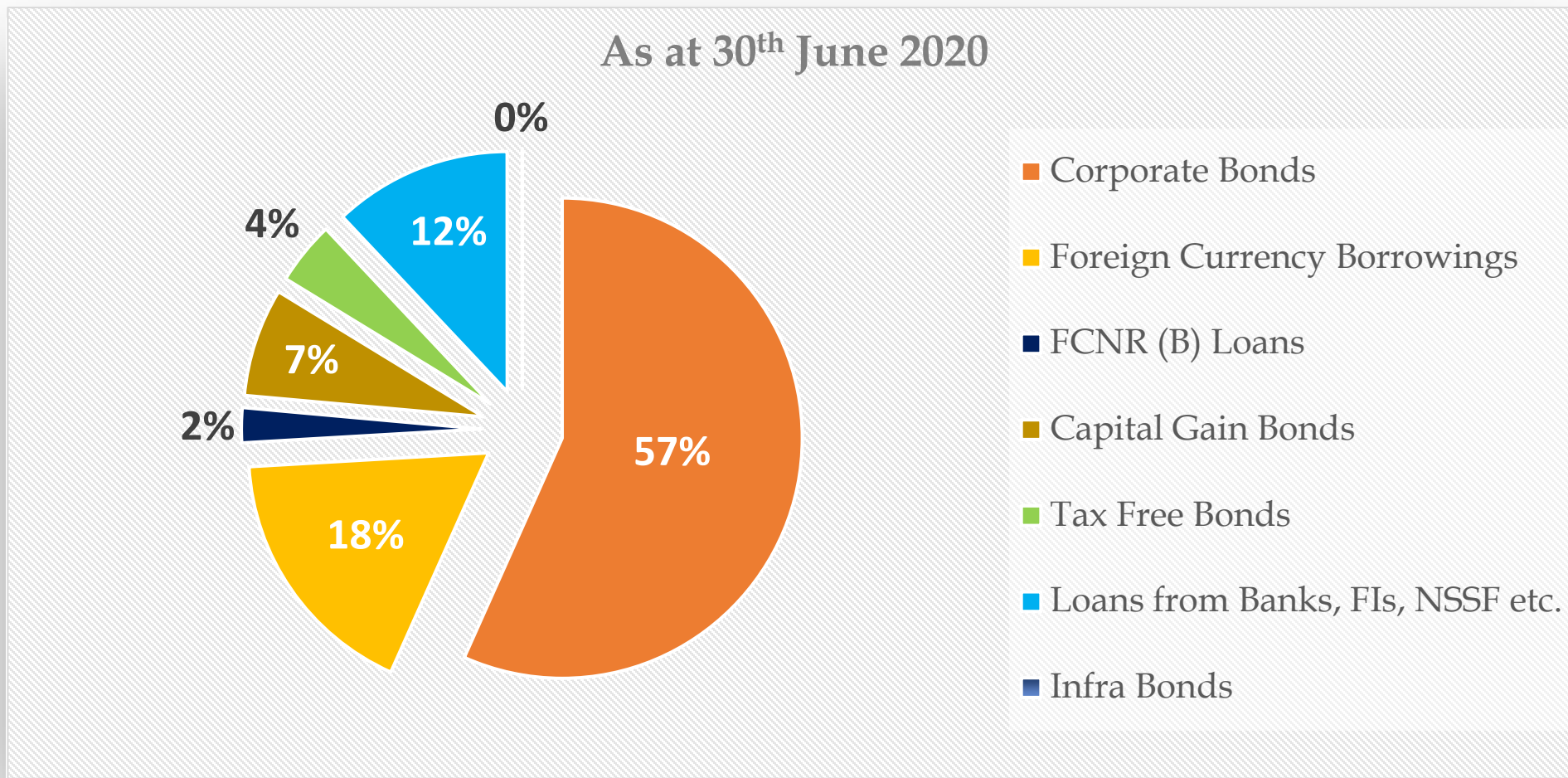
	
"BBB - "	"Baa3"

Outstanding Borrowings

(₹ Crores)

Particulars	As at				
	31 st March 2018	31 st March 2019	31 st March 2020	30 th June 2020	
	Amount	Amount	Amount	Amount	%
Corporate Bonds	128,871	135,184	158,148	168,590	56.7
Foreign Currency Borrowings	25,996	29,710	44,380	51,731	17.4
FCNR (B) Loans	3,811	5,048	6,973	6,986	2.3
Capital Gain Bonds	23,705	23,880	22,376	21,708	7.3
Tax Free Bonds	12,648	12,648	12,648	12,648	4.3
Commercial Papers	3,250	7,975	2,925	-	-
Loans from Banks, FIs, NSSF, etc.	400	24,750	32,650	35,741	12.0
Infra Bonds	110	91	16	16	-
Grand Total	198,791	239,286	280,116	297,420	100.0
Average annualized Cost of Funds	7.53%	7.16%	7.31%	7.19%	

Diversified Borrowing Profile



More than 64% of foreign currency borrowings are hedged as on 30th June 2020.

Funds Raised During The Period

(₹ Crores)

Category	12M			Q1	
	FY18	FY19	FY20	FY20	FY21
(A) <u>Long Term</u>					
Capital Gains Bonds	9,565	6,652	6,157	1,264	860
Institutional Bonds/ Subordinate Debt	26,145	24,010	42,713	8,032	12,890
Loans from Banks/FIs/ NSSF	-	24,550	14,725	475	3,265
Foreign Currency Borrowings	11,696	9,734	12,403	-	7,338
Total (A)	47,406	64,946	75,998	9,771	24,353
<i>Annualized Cost of funds raised</i>	6.17%	8.13%	6.73%	6.31%	7.12%
(B) <u>Short Term</u>					
FCNR (B) Loan	3,759	4,437	5,599	1,047	1,144
Commercial papers	12,115	19,393	6,029	3,808	-
Loans from Banks	-	-	2,750	-	3,775
Total (B)	15,874	23,830	14,378	4,855	4,919
Total (A + B)	63,280	88,776	90,376	14,626	29,272

%age denotes annualized cost of borrowings mobilized

Funds Raised During The Period (Long Term)



Financial Highlights



Key Financial Highlights



All-time high quarterly profits at ₹ 1,839 crores



- ❑ Total Income for Q1 FY21 at ₹ 8,422 crores (up 24% YoY) as against Rs. 6,799 crores for Q1 FY 20.
- ❑ Net Interest Income for Q1 FY21 at ₹ 2,794 crores (up 19% YoY) as against Rs. 2,346 crores for Q1 FY 20.
- ❑ Loan book as at 30th June 2020 stands at ₹ 330,788 crores, reflecting 14% increase
- ❑ Net Credit impaired Assets as at 30th June 2020 stands at 2.88% as against 3.72% as at 30th June 2019
- ❑ Expected Credit Loss (ECL) evaluation & calculation undertaken by ICRA Analytics Limited
- ❑ Provision Coverage Ratio against Credit impaired assets stands at 52.89% as at June 30, 2020
- ❑ Net-worth as at June 30, 2020 stands at ₹ 37,384 crores as against ₹ 35,913 crores as at June 30, 2019
- ❑ Capital Adequacy Ratio as at June 30, 2020 stands at 16.91% (Tier – I : 13.39% & Tier – II : 3.52%)

Standalone Statement of Profit & Loss

₹ Crores

Particulars	Q1	
	FY20	FY 21
Interest Income on Loan assets	6,919	7,987
Less: Finance Costs	4,573	5,193
Net Interest Income	2,346	2,794
Other Operating Income	67	122
Net notional gain/ (loss) on fair value changes	(190)	312
Other Income	3	1
Total Income	6,799	8,422
Translation/transaction exchange loss/(gain)	42	404
Other costs *	110	149
Impairment on financial instruments	(28)	199
Profit Before Tax	2,102	2,477
Tax Expense	601	638
Profit After Tax	1,501	1,839
Other Comprehensive Income/(Loss)	(22)	161
Total Comprehensive Income/(Loss)	1,479	2,000

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

Statement of Assets and Liabilities

₹ Crores

Particulars	As at 30.06.2019	As at 31.03.2020	As st 30.06.2020
Assets			
(A) Financial Assets	3,06,353	343,497	362,906
Cash and bank balances	3,325	3,700	11,957
Derivative financial instruments	1,375	3,319	3,816
Loans (Ind-AS)	280,869	312,084	322,376
Investments	2,428	2,313	2,573
Other financial assets	18,356	22,081	22,184
(B) Non-Financial Assets	2,868	2,991	2,689
Current tax assets (net)	8	393	-
Deferred tax assets (net)	2,351	2034	2,090
Fixed Assets	386	451	498
Other non-financial assets	123	113	101
Total Assets (A+B)	309,221	346,488	365,595
Liabilities			
(C) Financial Liabilities	273,118	311,229	327,986
Derivative financial instruments	-	1,326	1,326
Borrowings (Ind-AS)	252,932	286,340	303,387
Other financial liabilities	20,186	23,563	23,273
(D) Non-Financial Liabilities	190	182	225
(E) Net Worth	35,913	35,077	37,384
Equity Share Capital	1,975	1,975	1,975
Other equity	33,938	33,102	35,409
Total Equity & Liabilities (C+D+E)	309,221	346,488	365,595

Key Ratios

Particulars	Q1	
	FY20	FY21
Yield on Loan Assets (%)	10.54	10.53
Cost of Funds (%)	7.52	7.19
Interest Spread (%)	3.02	3.34
Net Interest Margin (%)	3.56	3.68
Return on Net Worth (%)	17.11	20.30
Interest Coverage Ratio (Times)	1.46	1.48
Debt Equity Ratio (Times)	6.84	7.68
Earnings per Share (Annualised) (Face Value ₹ 10 per share)	30.40	37.25
Book Value Per Share (Face Value ₹ 10 per share)	181.85	189.29

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

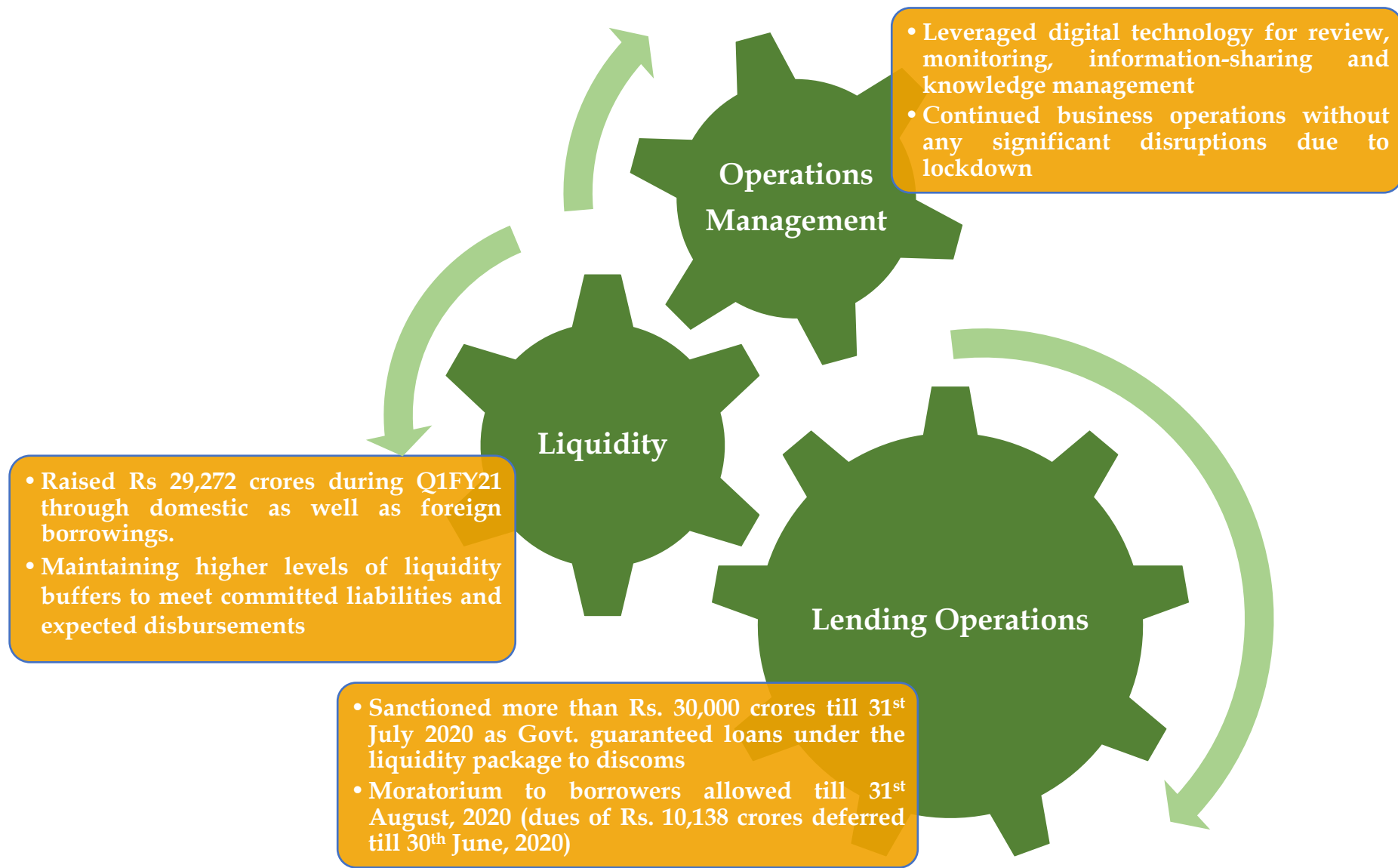
Net Interest Margin = Ratio of net interest income, without foreign exchange fluctuation gain/loss amortized to average interest earning loan assets

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

Debt Equity = Ratio of Total Borrowings (net of cash & cash equivalents) to Net Worth

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

Steering through COVID-19 Outbreak



Thank You

Glorious Past - Inspiring Future



YEARS AND BEYOND...