

REC Limited
A Navratna Company

Investor Presentation

Performance Highlights
Q2 & H1 FY 22



More than Five Decades of
RELENTLESS GROWTH

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Disclaimer :

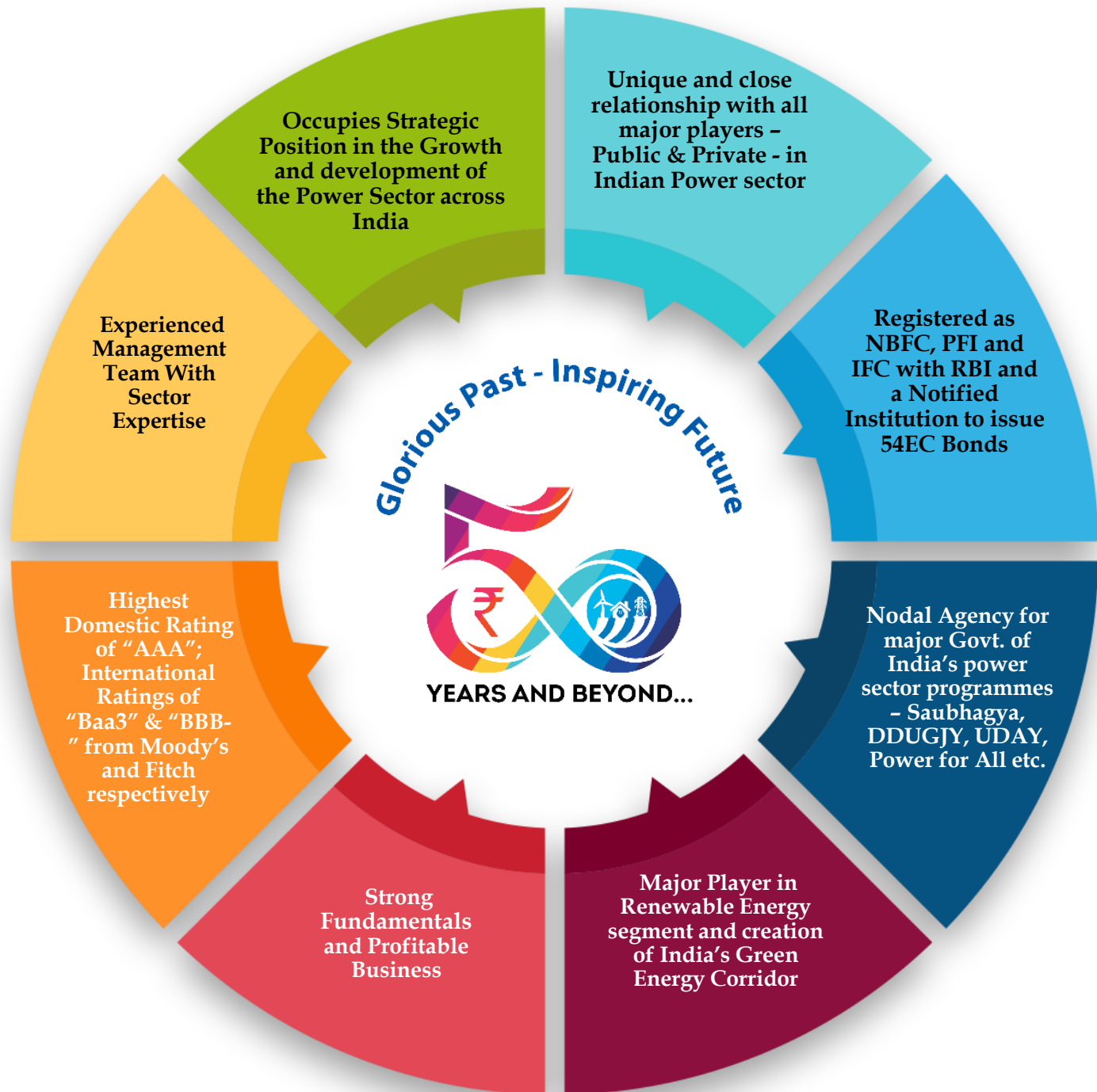
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REC Overview

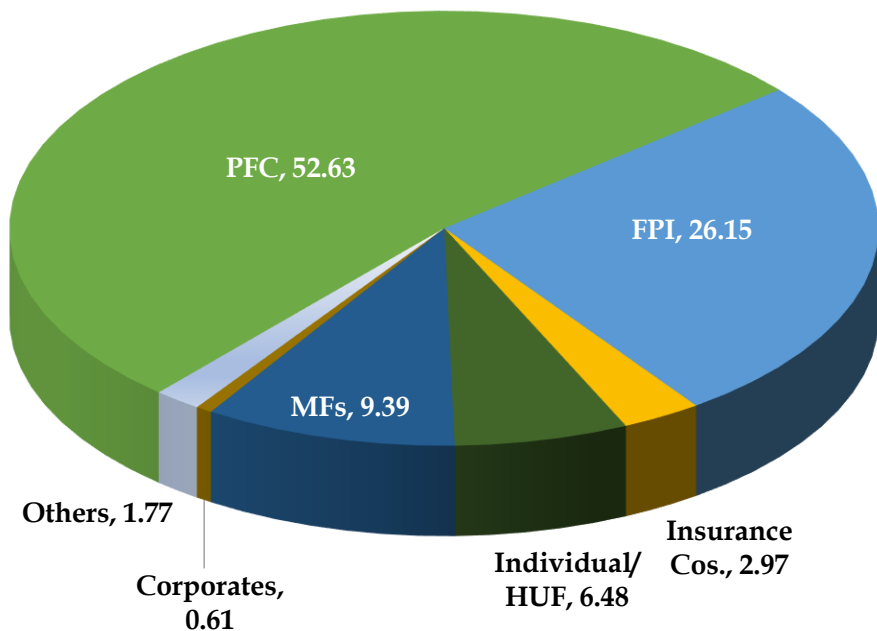


Key Strengths

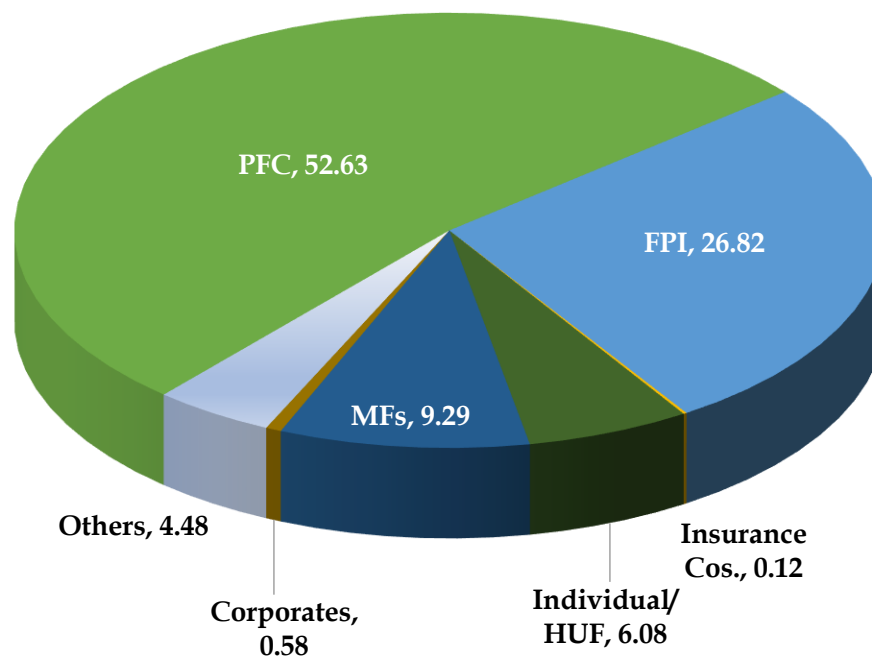


Shareholding Pattern

As at 30.06.2021



As at 30.09.2021



Foreign Portfolio Investors (FPIs) have stayed invested in REC and consistently held more than 25% of REC's equity shares.

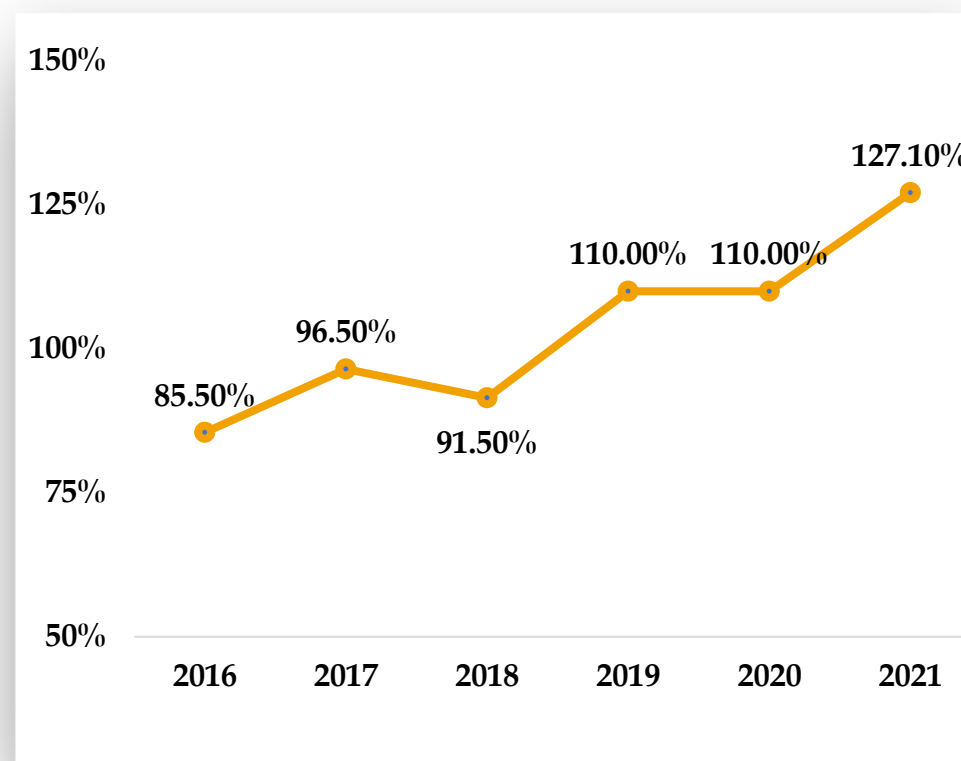
Shareholders Outlook

Top 10 Shareholders as at September 30, 2021

| Rank | Particulars | Shareholding (%) |
|------|---|------------------|
| 1 | Power Finance Corporation Ltd | 52.63 |
| 2 | HDFC Trustee Company Ltd | 8.37 |
| 3 | The WindAcre Partnership Master Fund LP | 2.96 |
| 4 | Life Insurance Corporation Of India | 2.85 |
| 5 | UBS Principal Capital Asia Ltd | 1.11 |
| 6 | The Prudential Assurance Company Limited | 1.10 |
| 7 | India Capital Fund Limited | 0.85 |
| 8 | HDFC Life Insurance Company Limited | 0.63 |
| 9 | Vanguard Emerging Markets Stock Index Fund | 0.63 |
| 10 | Vanguard Total International Stock Index Fund | 0.60 |
| | TOTAL | 71.73 |

Dividend Payout as a % of Equity Share Capital

Consistently high dividend paying company



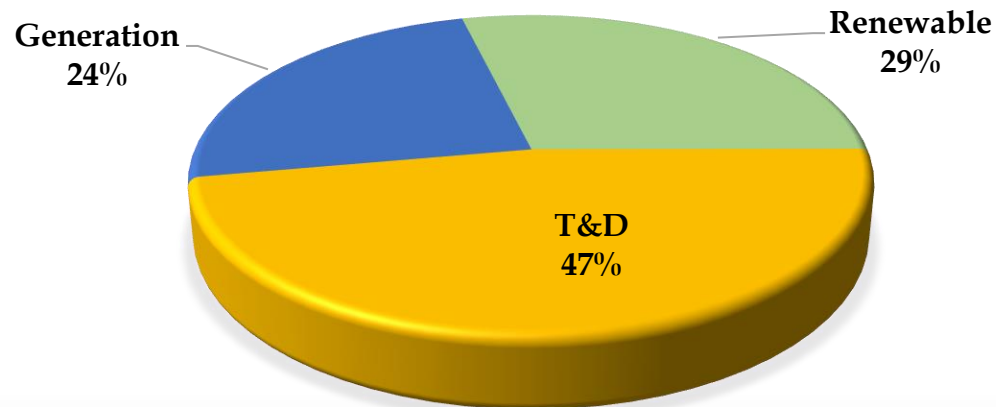
Declared 2nd Interim Dividend of ₹ 2.50/- per share in addition to 1st Interim Dividend of ₹ 2/- per share for FY 2021-22.

Operational Performance



Sanctions - Composition

Sector-wise breakup of Sanctions in Q2 & H1 FY 22



Total Sanctions
during H1 FY22
Rs. 34,472 crores



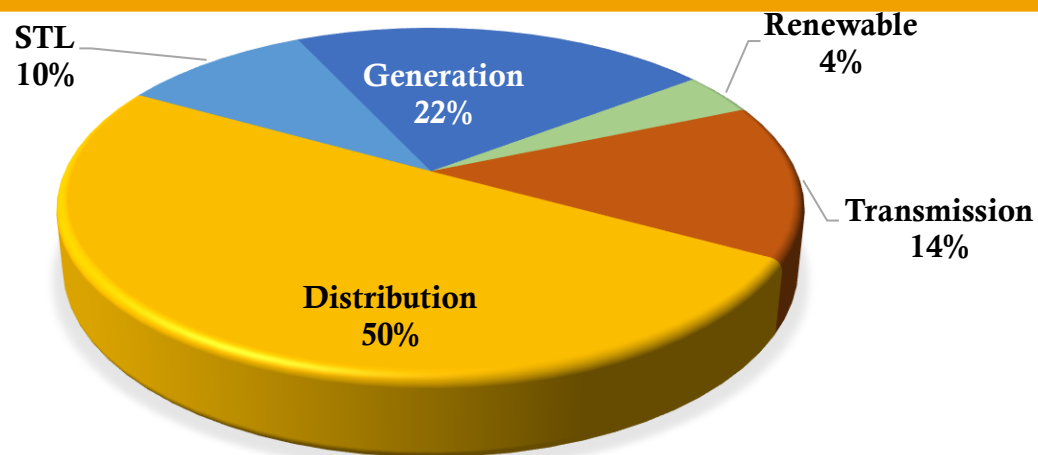
(₹ in Crores)

| Discipline-wise | 12M | | | | | | Q2 | | | | H1 | | | |
|-----------------------------|----------------|------------|----------------|------------|----------------|------------|---------------|------------|---------------|------------|----------------|------------|---------------|------------|
| | FY 19 | % | FY 20 | % | FY 21 | % | FY 21 | % | FY 22 | % | FY 21 | % | FY 22 | % |
| Generation | 43,282 | 37 | 57,362 | 52 | 44,301 | 29 | 4,931 | 7 | 3,185 | 19 | 22,861 | 21 | 8,246 | 24 |
| Renewable Energy | 11,875 | 10 | 7,026 | 6 | 18,212 | 12 | 6,402 | 9 | 7,114 | 41 | 14,184 | 13 | 9,925 | 29 |
| Transmission & Distribution | 56,610 | 49 | 44,555 | 40 | 91,768 | 59 | 56,513 | 84 | 6,899 | 40 | 72,335 | 66 | 16,301 | 47 |
| Short Term Loan | 4,190 | 4 | 1,965 | 2 | 540 | - | 115 | - | - | - | 540 | - | - | - |
| Total Sanctions | 115,957 | 100 | 110,908 | 100 | 154,821 | 100 | 67,961 | 100 | 17,198 | 100 | 109,920 | 100 | 34,472 | 100 |

During Q2 FY 2020-21, sanctioned under Atma Nirbhar Package amounting to Rs. 47,081 crores and during H1 FY21 amounting to Rs. 54,413 crores.

Disbursements – Composition

Sector-wise breakup of Disbursements in Q2 & H1 FY 22



Total Disbursements
during H1 FY22
Rs. 36,825 crores

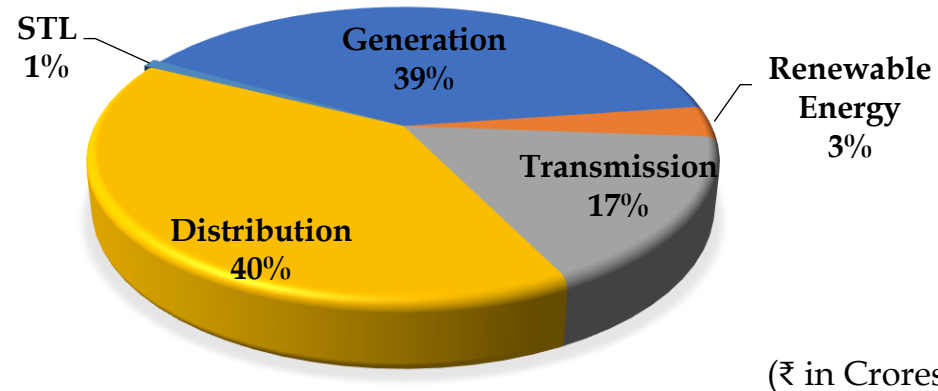
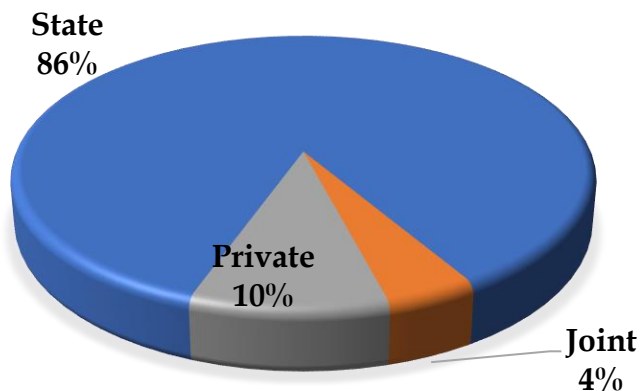


(₹ in Crores)

| Discipline-wise | 12M | | | | | | Q2 | | | | H1 | | | |
|-----------------------------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|
| | FY19 | % | FY20 | % | FY21 | % | FY 21 | % | FY 22 | % | FY 21 | % | FY 22 | % |
| Generation | 20,462 | 29 | 29,301 | 39 | 26,960 | 29 | 6,721 | 23 | 4,199 | 19 | 11,723 | 27 | 7,961 | 22 |
| Renewable Energy | 6,628 | 9 | 5,699 | 7 | 3,265 | 3 | 1,538 | 5 | 489 | 2 | 2,152 | 5 | 1,440 | 4 |
| Transmission | 10,911 | 15 | 13,540 | 18 | 9,252 | 10 | 2,903 | 10 | 1,852 | 9 | 5,430 | 12 | 5,304 | 14 |
| Distribution | 30,324 | 42 | 25,047 | 33 | 52,670 | 57 | 17,549 | 61 | 14,740 | 68 | 24,252 | 55 | 18,485 | 50 |
| Total Transmission & Distribution | 41,235 | 57 | 38,587 | 51 | 61,922 | 67 | 20,452 | 71 | 16,592 | 77 | 29,682 | 67 | 23,789 | 64 |
| Short Term Loan | 3,840 | 5 | 2,080 | 3 | 840 | 1 | 115 | 1 | 450 | 2 | 540 | 1 | 3,635 | 10 |
| Total Disbursements | 72,165 | 100 | 75,667 | 100 | 92,987 | 100 | 28,826 | 100 | 21,730 | 100 | 44,097 | 100 | 36,825 | 100 |

During Q2 FY 2020-21, disbursed under Atma Nirbhar Package amounting to Rs. 14,387 crores and during H1 FY21 amounting to Rs. 15,168 crores.

Outstanding Loans – Composition



(₹ in Crores)

| Discipline-wise | As at | | | | | | | |
|------------------|-----------------------------|------------|-----------------------------|------------|-----------------------------|------------|---------------------------------|------------|
| | 31 st March 2019 | | 31 st March 2020 | | 31 st March 2021 | | 30 th September 2021 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| State | 2,26,681 | 81 | 263,032 | 81 | 3,16,161 | 84 | 3,32,422 | 86 |
| Joint | 21,035 | 7 | 21,612 | 7 | 22,649 | 6 | 17,275 | 4 |
| Private | 33,494 | 12 | 37,781 | 12 | 38,608 | 10 | 37,580 | 10 |
| Total | 2,81,210 | 100 | 322,425 | 100 | 3,77,418 | 100 | 3,87,277 | 100 |
| Generation | 1,21,912 | 43 | 1,39,519 | 43 | 1,55,297 | 41 | 1,52,677 | 39 |
| Renewable Energy | 12,895 | 5 | 16,078 | 5 | 16,505 | 5 | 13,337 | 3 |
| Transmission | 52,068 | 19 | 59,641 | 19 | 61,248 | 16 | 63,928 | 17 |
| Distribution | 92,147 | 32 | 1,06,294 | 33 | 1,43,992 | 38 | 1,53,846 | 40 |
| Total T&D | 1,44,215 | 51 | 1,65,935 | 52 | 2,05,240 | 54 | 2,17,774 | 57 |
| Short Term Loans | 2,188 | 1 | 893 | - | 376 | - | 3,489 | 1 |

Asset Diversification - PAN India Presence

Lending across 27 States and 2 Union Territories

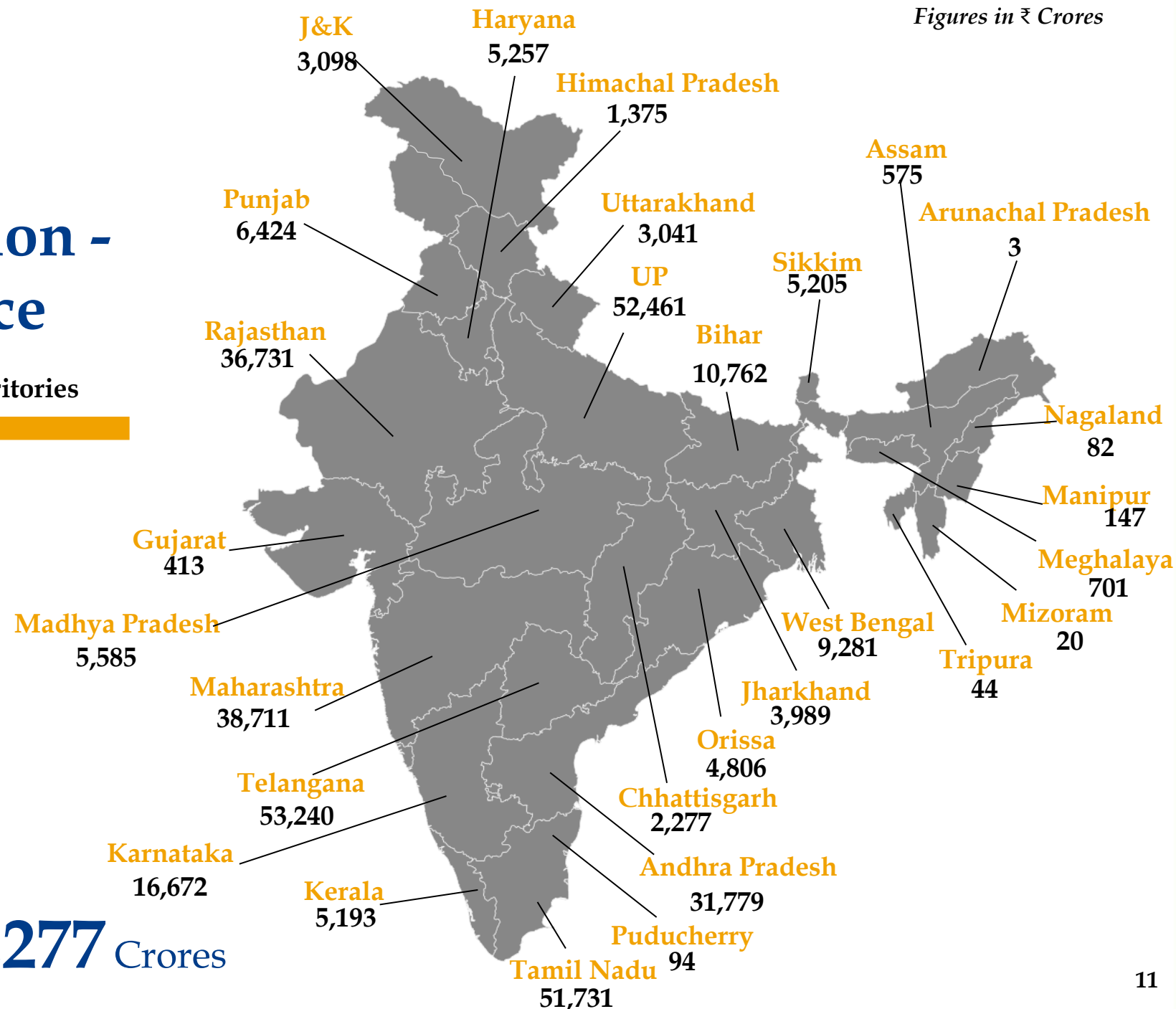
State/ Joint Sector Borrowers

₹ 3,49,697 Crores

Private Sector Borrowers

₹ 37,580 Crores

Total Loan Outstanding ₹ 3,87,277 Crores



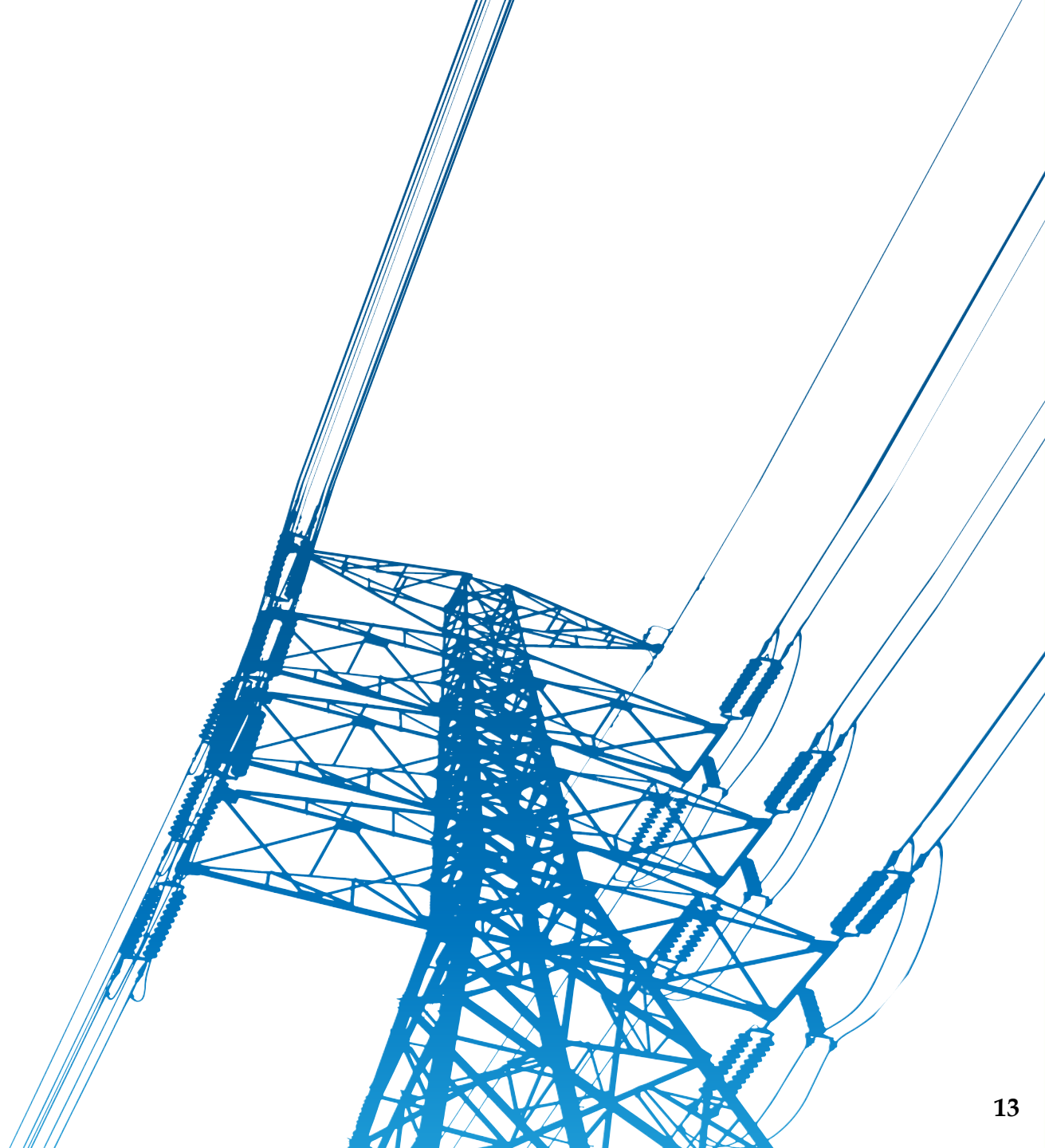
Outstanding Loans -Loan Concentration

Major Borrowers (as at September 30, 2021)

| S. No. | Top Ten Borrowers | Amount Outstanding (₹ in Crores) | % of Total Loan Assets |
|--------|--|-------------------------------------|------------------------|
| 1 | Tamil Nadu Generation and Distribution Corporation Limited | 36,887 | 9.52% |
| 2 | Maharashtra State Electricity Distribution Company Limited | 22,293 | 5.76% |
| 3 | Uttar Pradesh Power Corporation Limited | 21,880 | 5.65% |
| 4 | Telangana State Power Generation Corporation Limited | 15,044 | 3.88% |
| 5 | Maharashtra State Power Generation Company Limited | 13,652 | 3.53% |
| 6 | Rajasthan Rajya Vidyut Utpadan Nigam Limited | 13,165 | 3.40% |
| 7 | Tamil Nadu Transmission Corporation Limited | 12,152 | 3.14% |
| 8 | Telangana State Water Resources Infrastructure Development Corporation Limited | 11,761 | 3.04% |
| 9 | Andhra Pradesh Power Generation Corporation Limited | 11,157 | 2.88% |
| 10 | UP Rajya Vidyut Utpadan Nigam Limited | 9,732 | 2.51% |
| | Total | 1,67,723 | 43.31% |

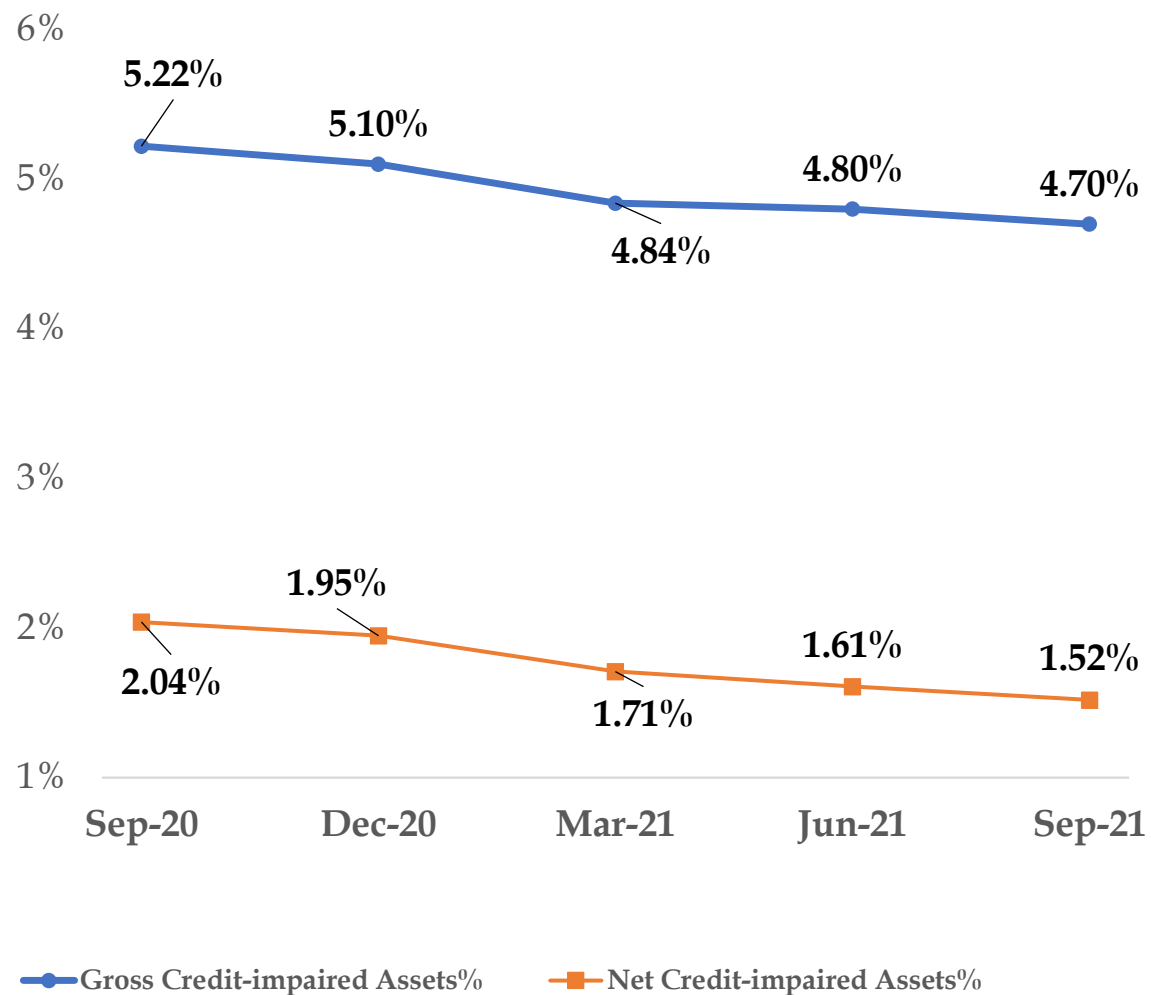
*Well-diversified asset portfolio with Top 10 borrowers accounting for ~43% of current loans.
No slippage in Top 10 accounts*

Asset Quality

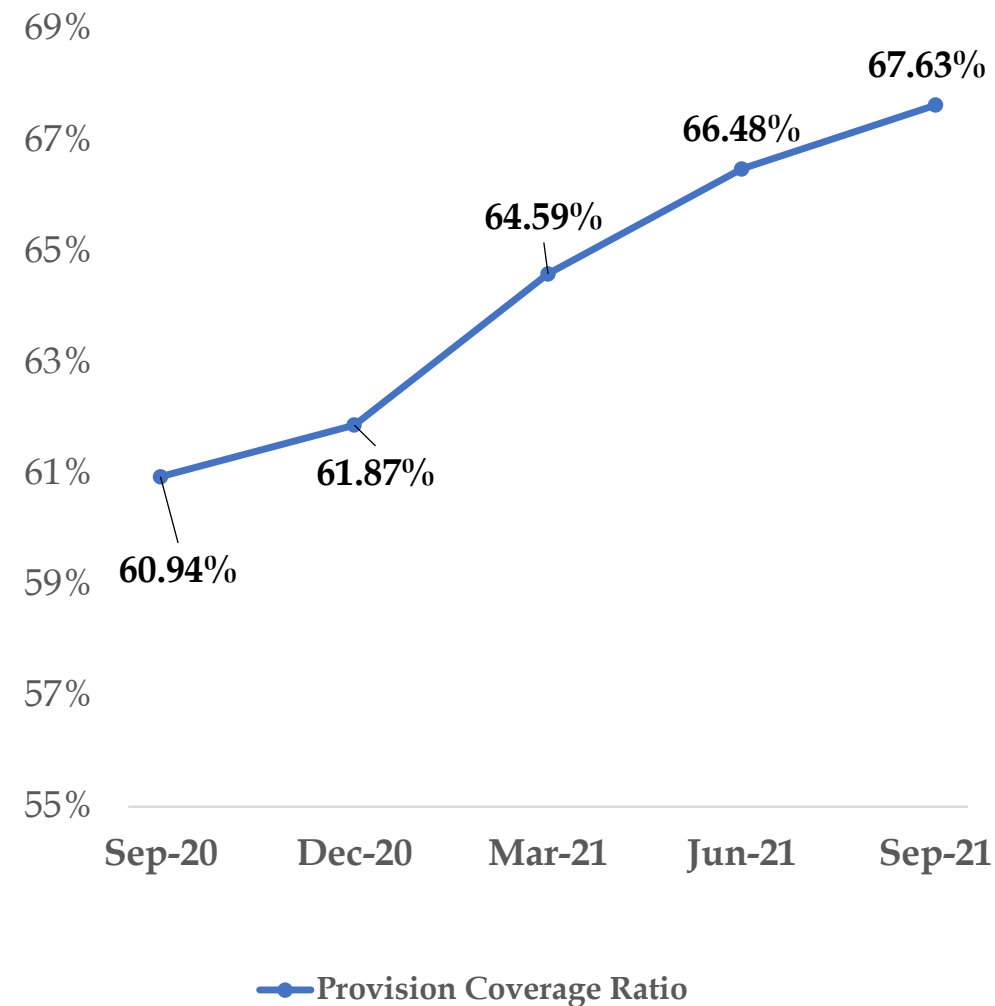


Asset Quality as at September 30, 2021

Improving Asset Quality



Increase in Provision Coverage Ratio



Loan Portfolio as at September 30, 2021

Figures : ₹ in 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 | 127,089 | - | - | - | 127,089 | 713 | 0.56 | 713 |
| - Renewables | 4,723 | - | - | - | 4,723 | 36 | 0.76 | 36 |
| - Transcos | 60,550 | - | - | - | 60,550 | 242 | 0.40 | 242 |
| - Discoms | 157,335 | - | - | - | 157,335 | 1,245 | 0.79 | 1,245 |
| Total State Sector | 349,697 | - | - | - | 349,697 | 2,236 | 0.64 | 2,236 |
| Private Sector | | | | | | | | |
| - Genco | 25,588 | 17,223 | 11,831 | 68.69 | 8,364 | 395 | 4.72 | 12,226 |
| - Transcos | 3,378 | 922 | 461 | 50.00 | 2,456 | 38 | 1.55 | 499 |
| - Renewables | 8,614 | 66 | 24 | 36.36 | 8,548 | 86 | 1.01 | 110 |
| Total Private Sector | 37,580 | 18,211 | 12,316 | 67.63 | 19,368 | 519 | 2.68 | 12,835 |
| Grand Total | 387,277 | 18,211 | 12,316 | 67.63 | 369,065 | 2755 | 0.75 | 15,071 |

*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, Reserve fund u/s 45-IC of RBI Act amounting to ₹ 6,890 crores.

Borrowing Profile

Domestic Credit Ratings for Long Term Borrowings

| | | | |
|---|--|---|---|
|  |  |  |  |
| "AAA" | "AAA" | "AAA" | "AAA" |

International Issuer Ratings

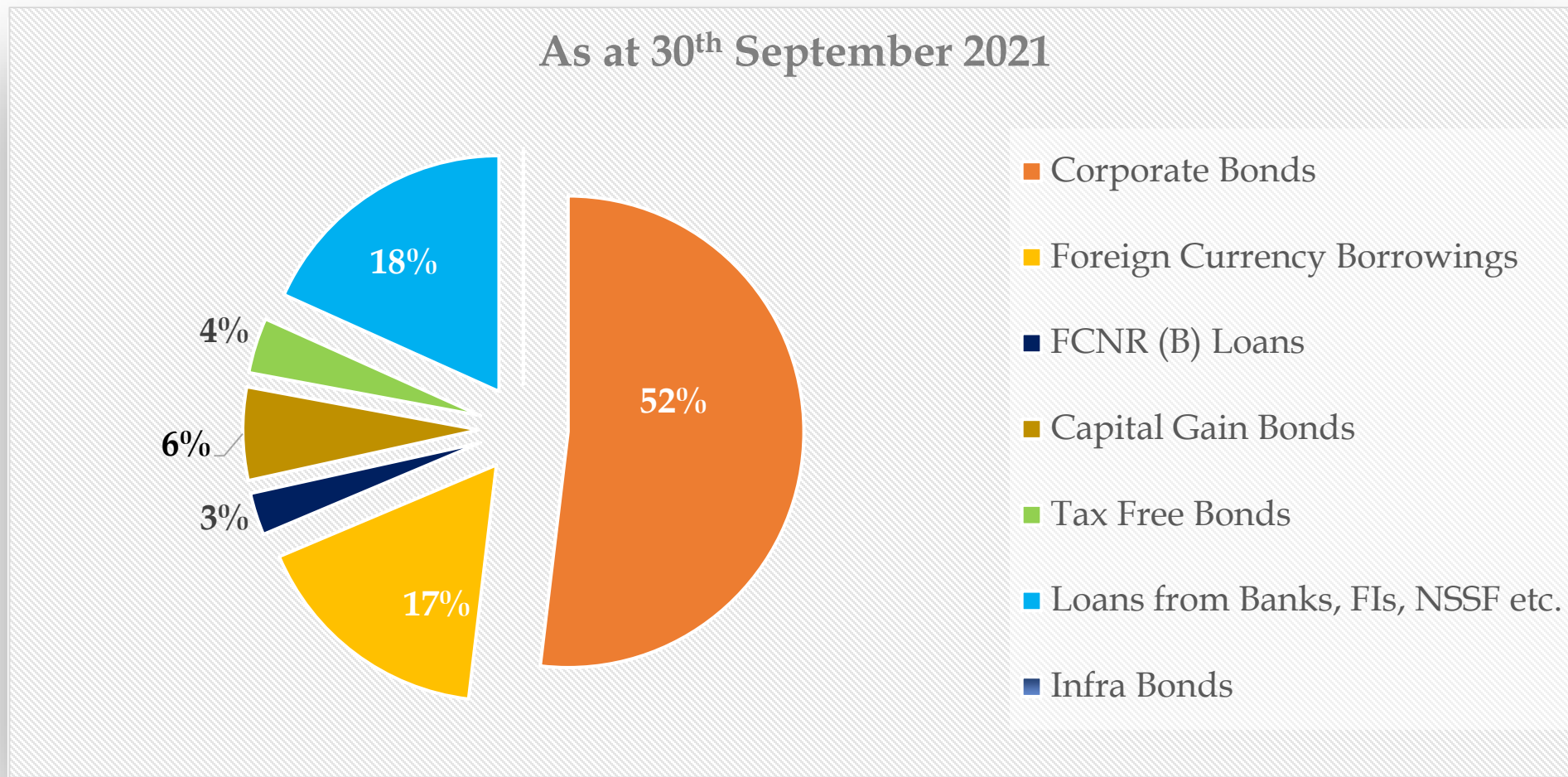
| | |
|--|---|
|  |  |
| "BBB- " | "Baa3" |

Outstanding Borrowings

(₹ in Crores)

| Particulars | As at | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|---------------------------------|------------|
| | 31 st March 2019 | 31 st March 2020 | 31 st March 2021 | 30 th September 2021 | |
| | Amount | Amount | Amount | Amount | % |
| Corporate Bonds | 135,184 | 158,148 | 179,989 | 172,618 | 52 |
| Foreign Currency Borrowings | 29,710 | 44,380 | 47,487 | 55,758 | 17 |
| FCNR (B) Loans | 5,048 | 6,973 | 5,329 | 9,653 | 3 |
| Capital Gain Bonds | 23,880 | 22,376 | 18,122 | 21,225 | 6 |
| Tax Free Bonds | 12,648 | 12,648 | 12,648 | 12,648 | 4 |
| Commercial Papers | 7,975 | 2,925 | - | - | - |
| Loans from Banks, FIs, NSSF, etc. | 24,750 | 32,650 | 58,925 | 60,780 | 18 |
| Infra Bonds | 91 | 16 | 11 | 11 | - |
| Grand Total | 239,286 | 280,116 | 322,511 | 332,693 | 100 |
| Average annualized Cost of Funds | 7.16% | 7.31% | 7.13% | 6.88% | |

Diversified Borrowing Profile



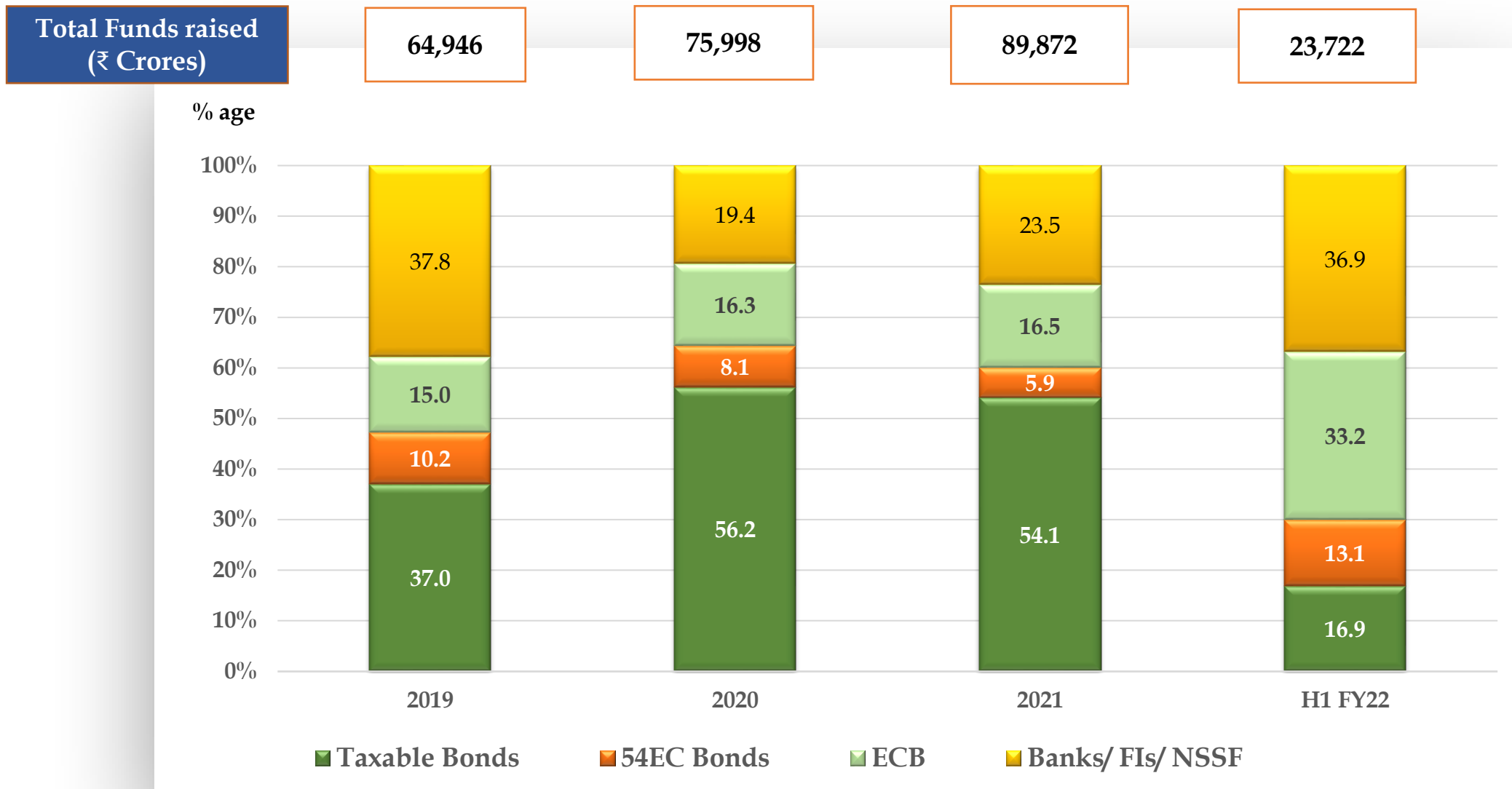
~ 72% of foreign currency exposure having remaining tenure of 5 years or more, hedged till maturity.

Funds Raised During The Period

(₹ in Crores)

| Category | 12M | | | Q2 | | H1 | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY19 | FY20 | FY21 | FY21 | FY22 | FY21 | FY22 |
| (A) <u>Long Term</u> | | | | | | | |
| Capital Gains Bonds | 6,652 | 6,157 | 5,312 | 977 | 1,816 | 1,837 | 3,104 |
| Institutional Bonds/ Subordinate Debt | 24,010 | 42,713 | 48,660 | 8,964 | - | 21,854 | 4,000 |
| Loans from Banks/FIs/ NSSF | 24,550 | 14,725 | 21,053 | 7,600 | 4,250 | 10,865 | 8,750 |
| Foreign Currency Borrowings | 9,734 | 12,403 | 14,847 | 788 | 7,437 | 8,126 | 7,868 |
| Total (A) | 64,946 | 75,998 | 89,872 | 18,329 | 13,503 | 42,682 | 23,722 |
| (B) <u>Short Term</u> | | | | | | | |
| FCNR (B) Loan | 4,437 | 5,599 | 5,822 | - | - | 1,144 | 6,176 |
| Commercial papers | 19,393 | 6,029 | - | - | - | - | - |
| Loans from Banks (Tenor more than 6 months) | - | 2,750 | 3,550 | 2,000 | 500 | 5,775 | 3,350 |
| Total (B) | 23,830 | 14,378 | 9,372 | 2,000 | 500 | 6,919 | 9,526 |
| Total (A + B) | 88,776 | 90,376 | 99,244 | 20,329 | 14,003 | 49,601 | 33,248 |

Funds Raised During The Period (Long Term)



Financial Highlights



Key Financial Highlights

↑ All-time high quarterly Net Profit at ₹ 2,739 crores ↑

- ❑ Total Income grown to ₹ 19,590 crores (↑ 14% YoY).
- ❑ Net Profit stands at ₹ 4,985 crores (↑ 24% YoY).
- ❑ Net Interest Income recorded at ₹ 7,903 crores (↑ 29% YoY).
- ❑ Loan book reached to ₹ 3.87 lakh crores (↑ 11% YoY)
- ❑ Assets Quality improved with Net Credit impaired Assets at 1.52% (vs. 2.73% YoY)
- ❑ Provision Coverage Ratio against Credit impaired assets stands at 67.63%
- ❑ Net-worth stands at ₹ 47,767 crores (↑ 19% YoY)
- ❑ Capital Adequacy Ratio at 21.15% (Tier – I : 17.95% & Tier – II : 3.20%)

Standalone Statement of Profit & Loss

₹ in Crores

| Particulars | Q2 | | H1 | |
|--|--------------|--------------|--------------|--------------|
| | FY 21 | FY 22 | FY 21 | FY 22 |
| Interest Income on Loan assets | 8,745 | 9,671 | 16,732 | 19,063 |
| Less: Finance Costs | 5,412 | 5,564 | 10,605 | 11,160 |
| Net Interest Income | 3,333 | 4,107 | 6,127 | 7,903 |
| Other Operating Income | 138 | 243 | 261 | 438 |
| Net notional gain/ (loss) on fair value changes | (104) | 125 | 208 | 44 |
| Other Income | 12 | 40 | 13 | 44 |
| Total Income (Net of Finance Cost) | 3,379 | 4,515 | 6,609 | 8,429 |
| Less: Translation/transaction exchange loss/(gain) | (264) | (78) | 140 | 213 |
| Less: Other costs * | 77 | 92 | 227 | 176 |
| Less: Impairment on financial instruments | 793 | 1,119 | 992 | 1,900 |
| Profit Before Tax | 2,773 | 3,382 | 5,250 | 6,140 |
| Less: Tax Expense | 583 | 643 | 1,221 | 1,155 |
| Profit After Tax | 2,190 | 2,739 | 4,029 | 4,985 |
| Add: Other Comprehensive Income/(Loss) | 112 | (12) | 272 | 47 |
| Total Comprehensive Income/(Loss) | 2,302 | 2,727 | 4,301 | 5,033 |

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

Statement of Assets and Liabilities

₹ in Crores

| Particulars | As at 31.03.2021 | As at 30.06.2021 | As at 30.09.2021 |
|---|------------------|------------------|------------------|
| Assets | | | |
| (A) Financial Assets | 396,951 | 402,707 | 410,576 |
| Cash and bank balances | 3,070 | 6,201 | 6,685 |
| Derivative financial instruments | 2,311 | 2,983 | 3,604 |
| Loans (Ind-AS) | 365,261 | 366,701 | 373,726 |
| Investments | 1,910 | 2,116 | 2,075 |
| Other financial assets | 24,399 | 24,706 | 24,486 |
| (B) Non-Financial Assets | 3,282 | 3,516 | 3,718 |
| Current tax assets (net) | 160 | 160 | 160 |
| Deferred tax assets (net) | 2,438 | 2,679 | 2,879 |
| Fixed Assets | 603 | 617 | 624 |
| Other non-financial assets | 81 | 60 | 55 |
| Total Assets (A+B) | 400,233 | 406,223 | 414,294 |
| Liabilities | | | |
| (C) Financial Liabilities | 356,572 | 359,952 | 365,904 |
| Derivative financial instruments | 846 | 1,071 | 948 |
| Borrowings (Ind-AS) | 329,783 | 333,227 | 339,969 |
| Other financial liabilities | 25,943 | 25,654 | 24,987 |
| (D) Non-Financial Liabilities | 235 | 581 | 623 |
| (E) Net Worth | 43,426 | 45,690 | 47,767 |
| Equity Share Capital | 1,975 | 1,975 | 1,975 |
| Instruments entirely equity in nature | 558 | 558 | 558 |
| Other equity | 40,893 | 43,157 | 45,234 |
| Total Equity & Liabilities (C+D+E) | 400,233 | 406,223 | 414,294 |

Key Ratios

| Particulars | Q2 | | H1 | |
|---|--------|--------|--------|--------|
| | FY 21 | FY 22 | FY 21 | FY 22 |
| Yield on Loan Assets (%) | 10.99 | 10.59 | 10.67 | 10.47 |
| Cost of Funds (%) | 7.17 | 6.73 | 7.38 | 6.88 |
| Interest Spread (%) | 3.82 | 3.86 | 3.29 | 3.59 |
| Net Interest Margin (%) | 4.19 | 4.50 | 3.90 | 4.29 |
| Return on Net Worth (%) | 22.57 | 23.44 | 21.39 | 21.87 |
| Interest Coverage Ratio (Times) | 1.51 | 1.61 | 1.49 | 1.55 |
| Debt Equity Ratio (Times) | 7.38 | 6.84 | 7.38 | 6.84 |
| Earnings per Share (Annualised) (Face Value ₹ 10 per share) | 44.36 | 55.48 | 40.80 | 50.48 |
| Book Value Per Share (Face Value ₹ 10 per share) | 203.85 | 241.87 | 203.85 | 241.87 |

Yield = Ratio of interest income on Loan Asset to average interest earning loan assets

Cost of funds = Ratio of finance costs + (gain)/ loss on Translation/transaction + Fees & Commission Expenses to average borrowings.

Interest Spread = Yield minus Cost of Funds

Net Interest Margin = Ratio of net interest income + gain/ (loss) on Translation/transaction to average interest earning loan assets

Interest Coverage Ratio = Ratio of PBIT to Finance Cost + Fee & Commission Expense

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

Thank You

Glorious Past - Inspiring Future



YEARS AND BEYOND...