

REC Limited

(Formerly Rural Electrification Corporation Limited)

A Navratna Company

Investor Presentation
Performance Highlights
Q2 & H1 FY 20



Five decades of
RELENTLESS GROWTH

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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. 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 Chief Minister, Uttar Pradesh 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



**Mr. Aravamudan
Krishna Kumar**
Independent Director
>40 yrs of experience in
Banking Sector

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

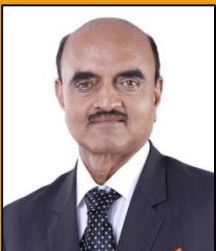
Was also on the Boards of SBICAP Securities, SBI Life Insurance, SBI General Insurance and SBI Credit Cards and subsidiaries of SBI. Is also an Independent Shareholder Director on the Board of Andhra Bank.



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.

Board of Directors

Experienced Team with sector experience



Professor T.T. Ram Mohan

Independent Director

Professor of Finance & Economics in IIM, Ahmedabad

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. Praveen Kumar Singh

PFC Nonminee Director

>34 years of experience in Power Sector

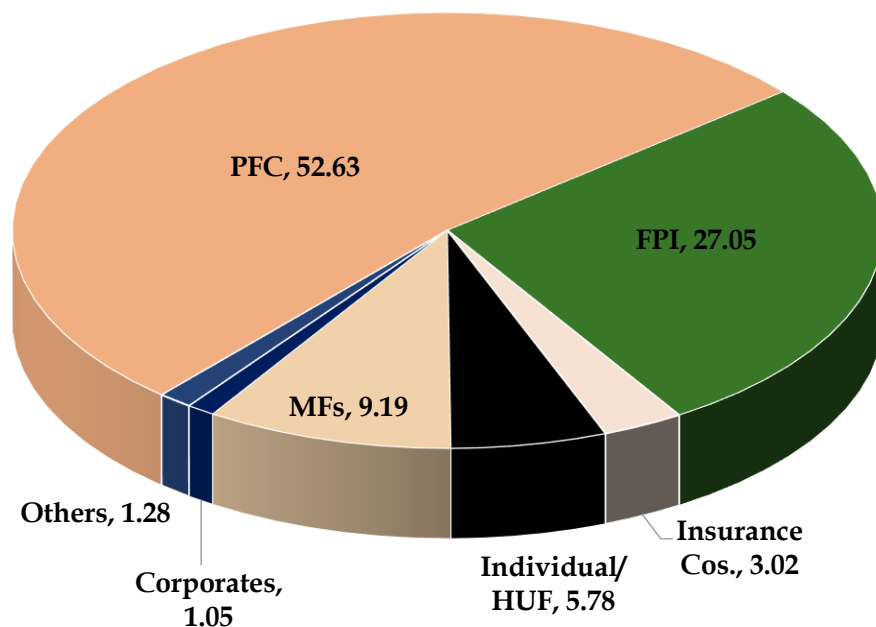
Director (Commercial) of PFC since August 10, 2018. On Board of REC since June 18, 2019.

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.

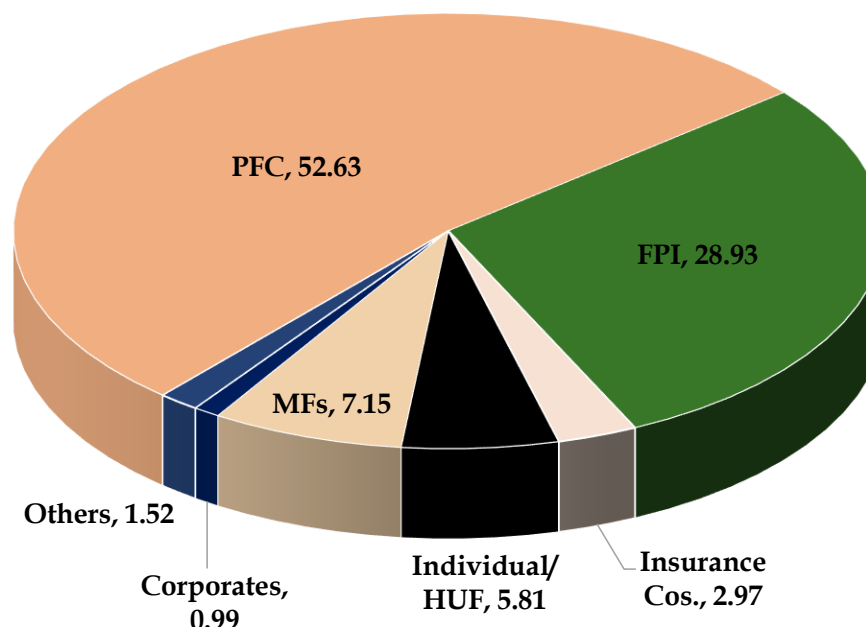
B. Tech. in Electrical Engineering from IIT-BHU & M.Tech. in Energy & Environment Management from IIT, Delhi. Completed "Global Energy MBA program" from Bayer College of Business, University of Houston, USA.

Shareholding Pattern

As at 30.06.2019



As at 30.09.2019



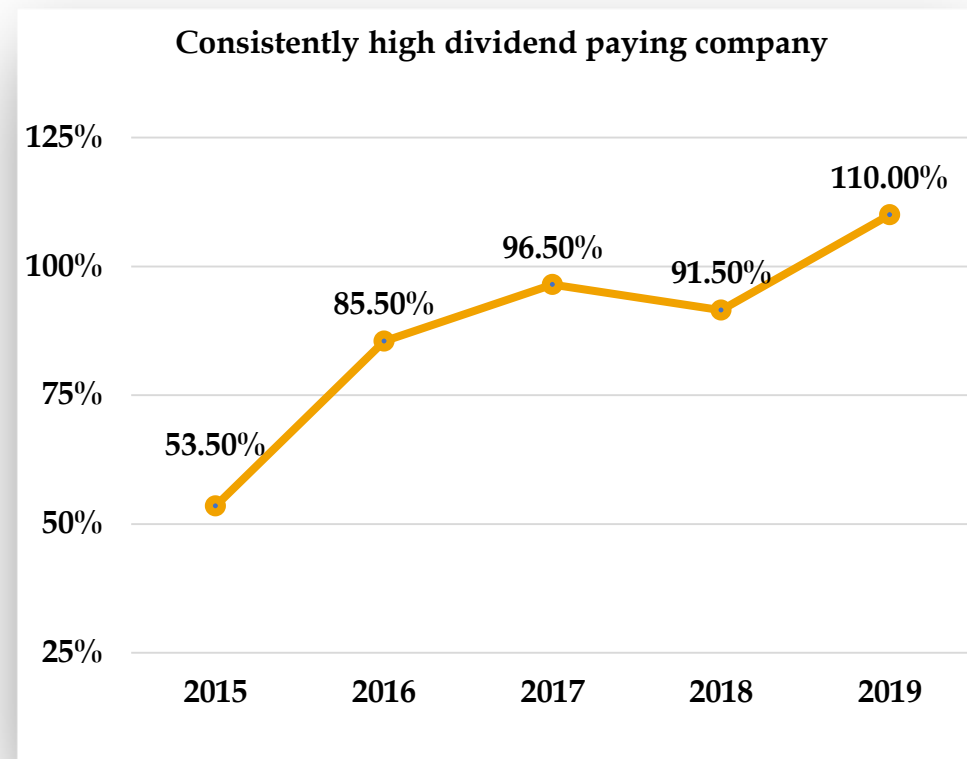
FPIs have consistently held more than 20% of the Shares since IPO of REC in 2008
and their holding has increased from 27.05% as at June 30, 2019 to 28.93% as at September 30, 2019.

Shareholders Outlook

Top 10 Share holders as at Sept 30, 2019

Rank	Particulars	Shareholding (%)
1	Power Finance Corporation Ltd	52.63
2	HDFC Trustee Company Ltd. A/C HDFC Balanced Advantage Fund	2.31
3	Life Insurance Corporation Of India	2.30
4	HDFC Trustee Company Limited - HDFC Equity Fund	2.00
5	The Prudential Assurance Company Limited	1.45
6	Eastspring Investments - Developed And Emerging Asia Equity Fund	1.16
7	India Capital Fund Limited	1.01
8	HDFC Trustee Company Ltd. A/c HDFC Top 100 Fund	0.79
9	HDFC Trustee Company Ltd. A/C HDFC Cap Opportunities Fund	0.77
10	Eastspring Investments-asia Pacific Equity Fund	0.70
	TOTAL	65.12

Dividend Payout as a % of Equity Share Capital



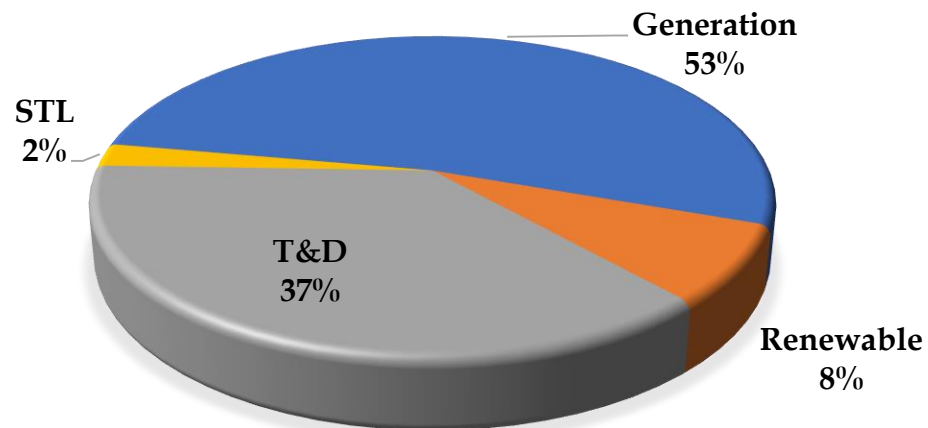
Dividend pay-out adjusted for bonus share issue of 1:1 in Sep'2016

Operational Performance



Sanctions - Composition

Sector-wise breakup of Sanctions in Q2 & H1 FY20

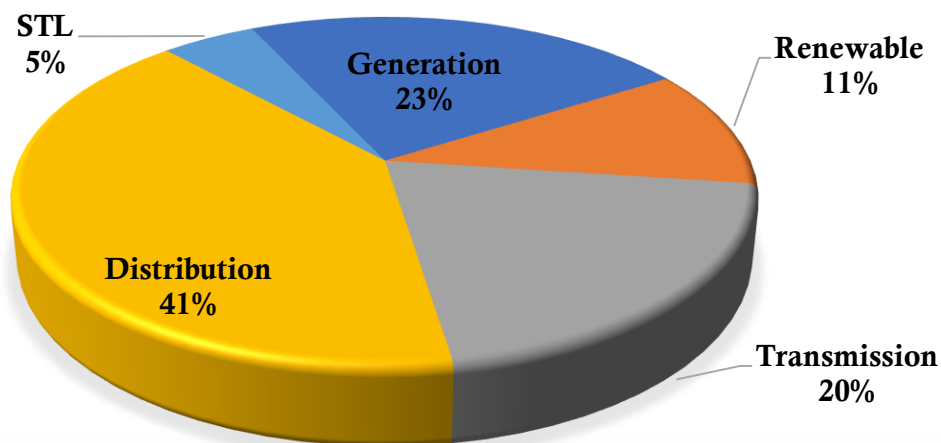


Project Loans
Sanctioned in
H1 FY20 : Rs. 64,098 cr

Discipline-wise	12M						Q2				H1			
	FY17	%	FY 18	%	FY 19	%	FY 19	%	FY 20	%	FY 19	%	FY 20	%
Generation	28,209	34	53,224	49	43,282	37	18,642	38	28,442	69	21,530	32	34,476	53
Renewable Energy	2,090	2	7,034	7	11,875	10	2,341	5	3,037	7	5,383	8	5,212	8
Transmission & Distribution	49,047	59	40,541	38	56,610	49	25,370	52	9,526	23	37,607	55	24,410	37
Total Project Loans	79,346	95	100,799	94	111,767	96	46,353	95	41,005	99	64,520	95	64,098	98
Short Term Loan	4,525	5	6,735	6	4,190	4	2,650	5	295	1	3,250	5	1,490	2
Total Sanctions	83,871	100	107,534	100	115,957	100	49,003	100	41,300	100	67,770	100	65,588	100

Disbursements – Composition

Sector-wise breakup of Disbursements in Q2 & H1 FY20

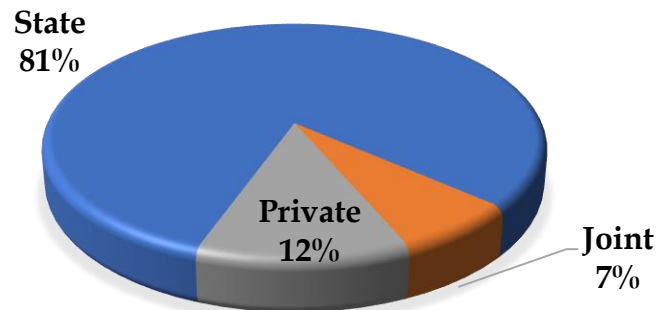


7% growth in
Project Loans
H1 FY20 vs H1 FY19

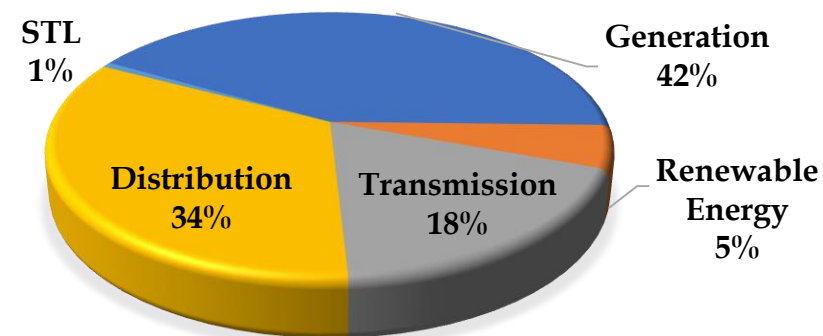
Discipline-wise	12M						Q2				H1			
	FY 17	%	FY18	%	FY19	%	FY 19	%	FY 20	%	FY 19	%	FY 20	%
Generation	21,697	37	18,086	29	20,462	29	8,809	36	3,737	21	10,844	33	7,739	23
Renewable Energy	1,618	3	5,403	9	6,628	9	2,634	11	2,483	14	4,109	13	3,706	11
Transmission	10,520	18	6,668	11	10,911	15	2,949	12	3,677	20	4,002	12	6,858	20
Distribution	19,429	34	24,920	40	30,324	42	7,834	33	7,344	41	10,887	34	13,663	41
Total Transmission & Distribution	29,949	52	31,588	51	41,235	57	10,783	45	11,021	61	14,889	46	20,521	61
Total Project Loans	53,264	92	55,077	89	68,325	95	22,226	92	17,241	96	29,842	92	31,966	95
Short Term Loan	4,775	8	6,635	11	3,840	5	2,000	8	740	4	2,700	8	1,640	5
Total Disbursements	58,039	100	61,712	100	72,165	100	24,226	100	17,981	100	32,542	100	33,606	100

Outstanding Loans – Composition

Customer-wise
breakup
of Loans as at
30th Sept 2019



Category-wise
breakup of
Loans as at
30th Sept 2019



Discipline-wise	As at							
	31 st March 2017		31 st March 2018		31 st March 2019		30 th Sept 2019	
	Amt	%	Amt	%	Amt	%	Amt	%
State	151,976	75	186,445	78	226,681	81	2,43,282	81
Joint	16,728	8	19,798	8	21,035	7	21,323	7
Private	33,225	17	33,206	14	33,494	12	36,111	12
Total	201,929	100	239,449	100	281,210	100	3,00,716	100
Growth	0%		19%		17%		7%	
Generation	100,441	50	108,442	46	121,912	43	1,26,302	42
Renewable Energy	2,447	1	7,506	3	12,895	5	15,745	5
Transmission	42,520	21	45,558	19	52,068	19	55,714	18
Distribution	52,933	26	72,295	30	92,147	32	1,01,067	34
Total T&D	95,453	47	117,853	49	144,215	51	1,56,781	52
Short Term Loans	3,588	2	5,648	2	2,188	1	1,888	1

Outstanding Loans - Asset Diversification

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

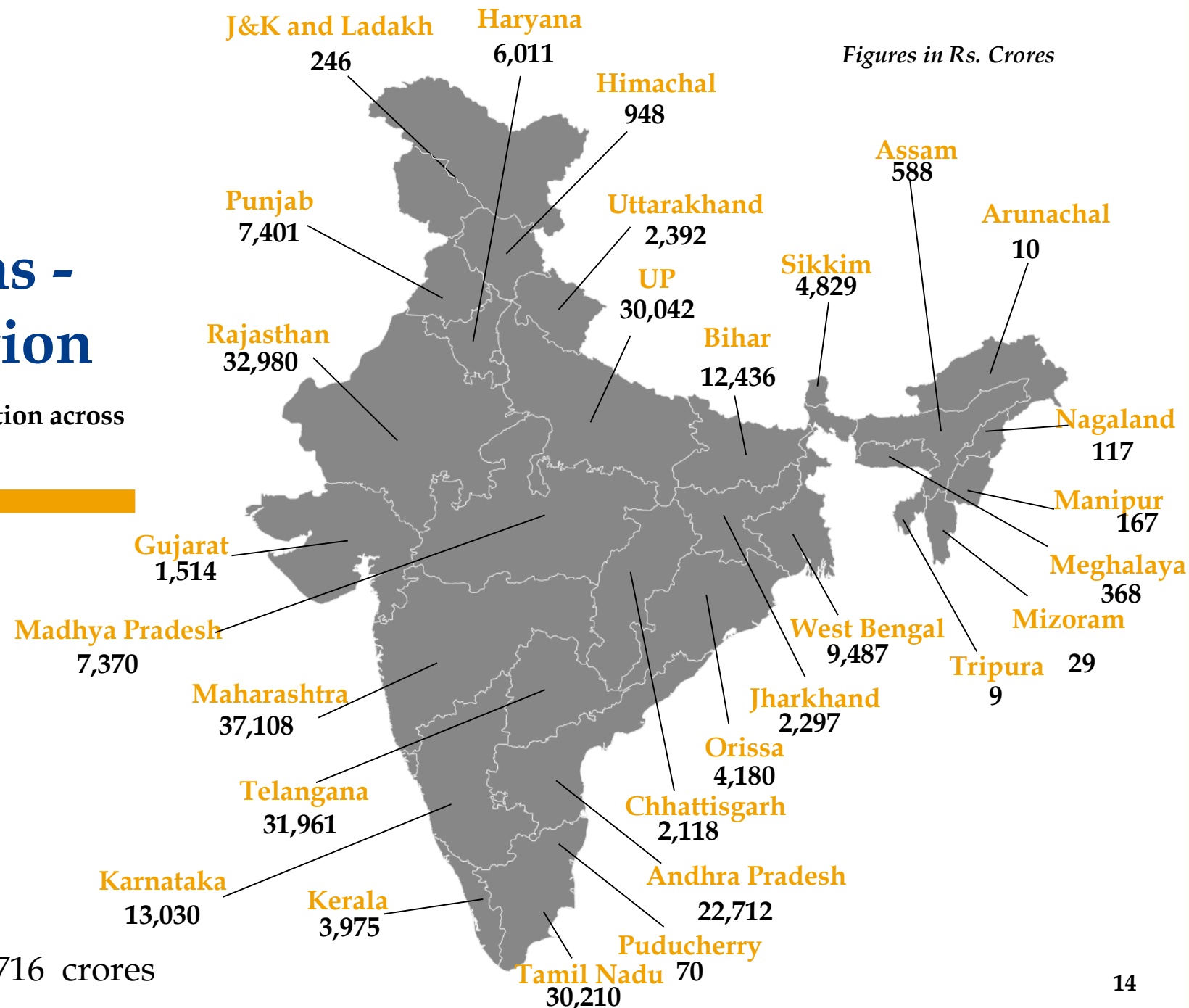
State Sector Borrowers

2,64,605

Private Sector Borrowers

36,111

Total Loan Outstanding – Rs. 3,00,716 crores



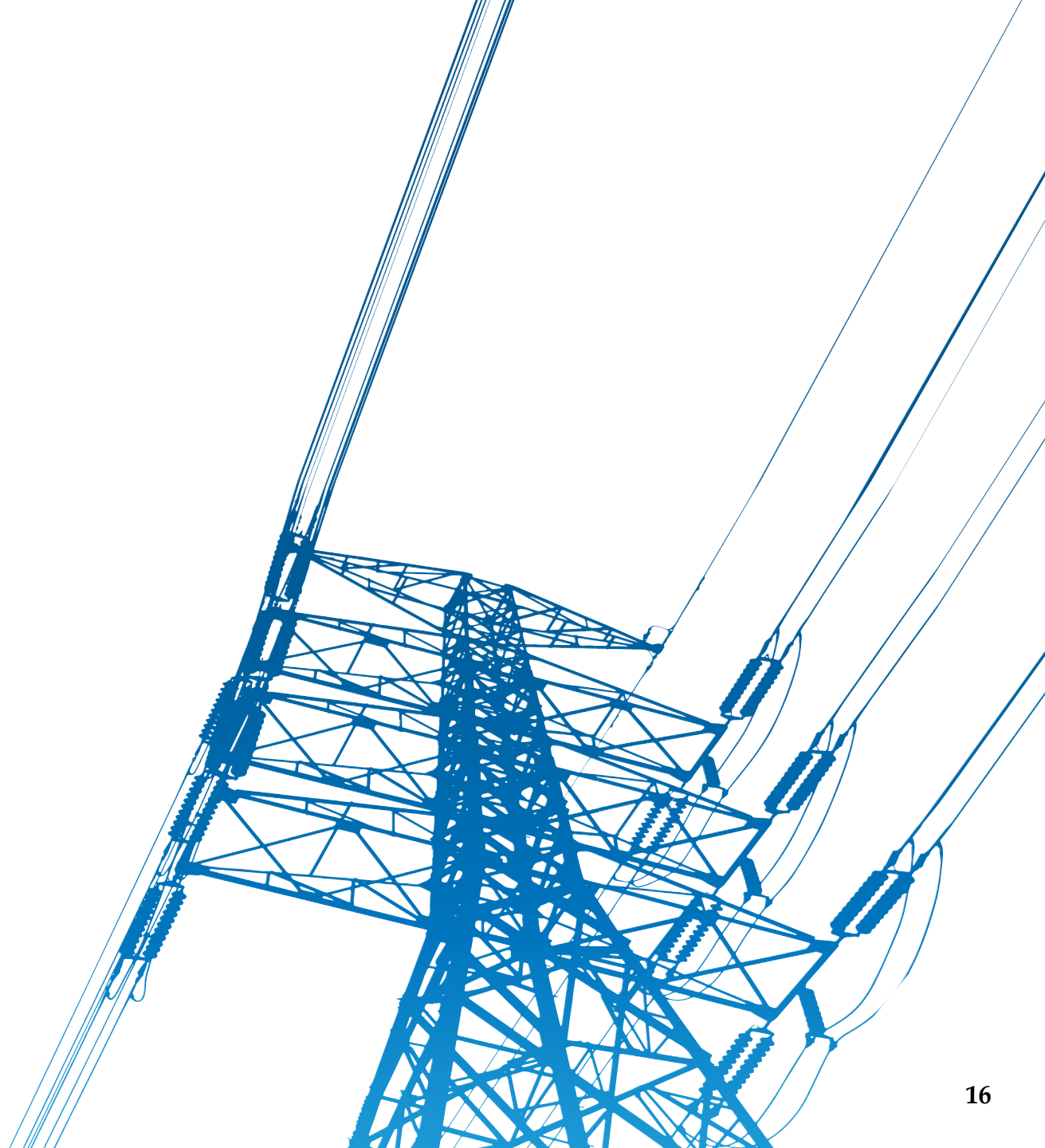
Outstanding Loans -Loan Concentration

Major Borrowers (as on Sept 30, 2019)

S.No.	Top Ten Borrowers	Amount Outstanding (Rs Cr.)	% of Total Loan Assets
1	Maharashtra State Electricity Distribution Company Limited	20,102	6.68%
2	Tamil Nadu Generation and Distribution Corporation	15,865	5.28%
3	Maharashtra State Power Generation Company Limited	13,078	4.35%
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	12,205	4.06%
5	Telangana Power Generation Corporation	11,390	3.79%
6	Tamil Nadu Transmission Corporation (TANTRANSCO)	9,693	3.22%
7	Andhra Pradesh Power Generation Corporation (APGENCO)	9,610	3.20%
8	Nabinagar Power Generating Co. Pvt Ltd	8,775	2.92%
9	Uttar Pradesh Power Corporation Limited	7,705	2.56%
10	Uttar Pradesh Power Transmission Corporation Limited	7,092	2.36%
	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 7% of total loan book.
No slippage in Top 10 accounts*

Asset Quality



Asset Quality & Provision Coverage

As at Sept 30, 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	99,722	-	-	-	99,722	64	0.06	64
- Renewables	8,248	-	-	-	8,248	4	0.05	4
- Transcos	53,680	-	-	-	53,680	14	0.03	14
- Discoms	1,02,955	-	-	-	1,02,955	275	0.27	275
Total State Sector	2,64,605	-	-		2,64,605	357	0.13	357
Private Sector								
- Genco	26,580	18,515	9,755	52.69	8,065	1,024	12.69	10,779
- Transcos	2,034	2,034	403	19.81	-	-	-	403
- Renewables	7,497	87	36	41.38	7,410	81	1.10	117
Total Private Sector	36,111	20,636	10,194	49.40	15,475	1,105	7.14	11,299
Grand Total	3,00,716	20,636	10,194	49.40	2,80,080	1,462	0.52	11,656

NPAs	As at 30 th Sept 2019	%	As at 30 th June 2019	%
Gross	20,636**	6.86	20,892	7.18
Net	10,442	3.47	10,819	3.72

* 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. 4,409 crores

** During Q2FY20, pursuant to order of NCLT Hyderabad, approving resolution plan in respect of one of the borrower resulting in recoveries amounting to Rs. 124 crores and the balance amount, equivalent to ECL provision earlier created, of Rs. 112 crores has been written off.

Borrowing Profile

Domestic Ratings

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

International Ratings

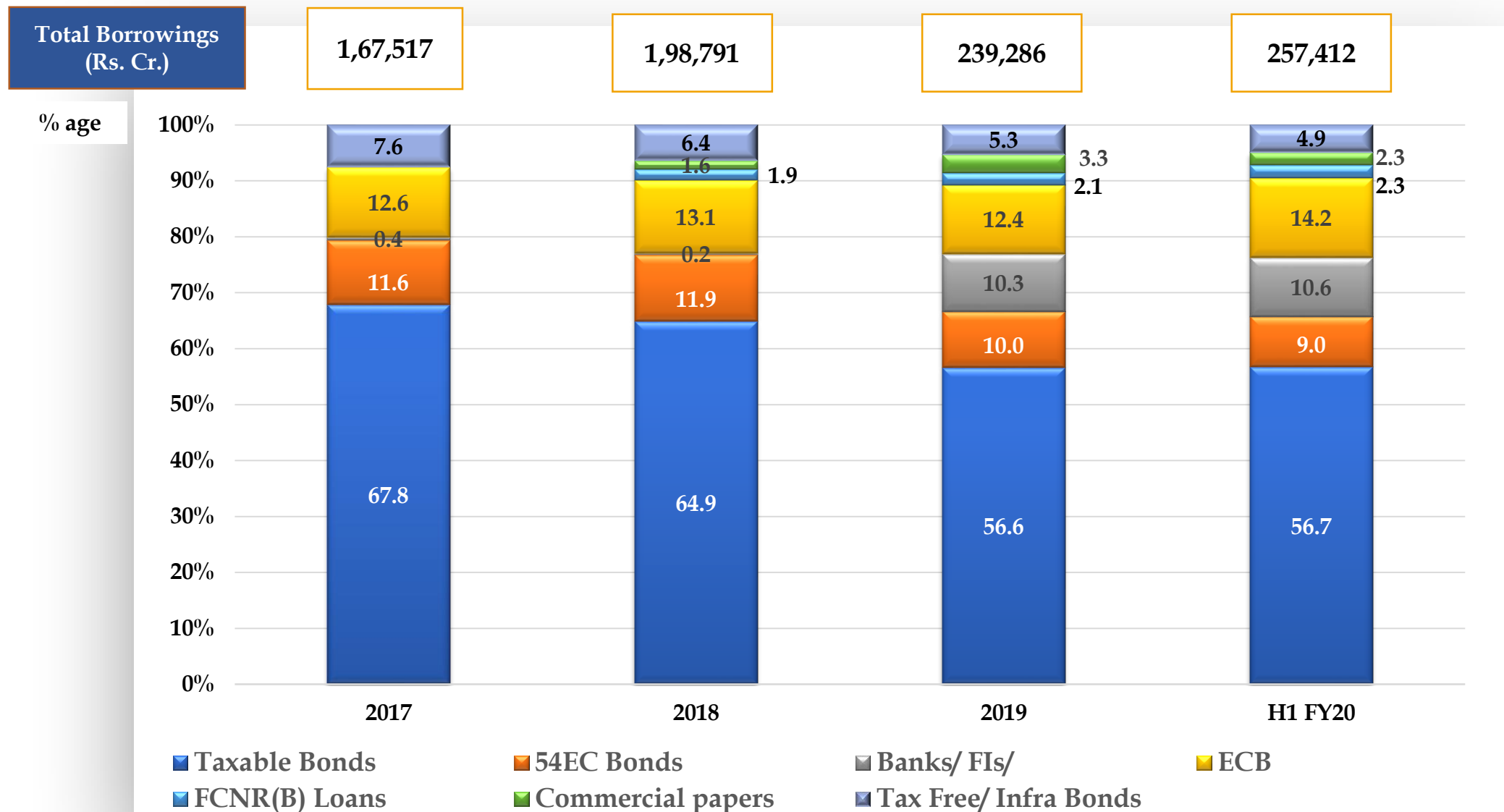
	
"BBB - "	"Baa3"

Outstanding Borrowings

Rs. Crores

Particulars	As at			
	31 st March 2017	31 st March 2018	31 st March 2019	30 th Sept 2019
Institutional, Subordinate & Zero Coupon Bonds	113,449	128,871	135,184	1,45,672
Foreign Currency Borrowings	21,081	25,996	29,710	36,603
FCNR (B) Loans	-	3,811	5,048	6,008
Capital Gain Bonds	19,477	23,705	23,880	23,191
Tax Free Bonds	12,648	12,648	12,648	12,648
Commercial Papers	-	3,250	7,975	5,850
Banks, FIs, Govt., etc.	750	400	24,750	27,349
Infra Bonds	112	110	91	91
Grand Total	167,517	198,791	239,286	257,412
Average annualized Cost of Funds	8.13%	7.53%	7.16%	7.48%

Outstanding Borrowings



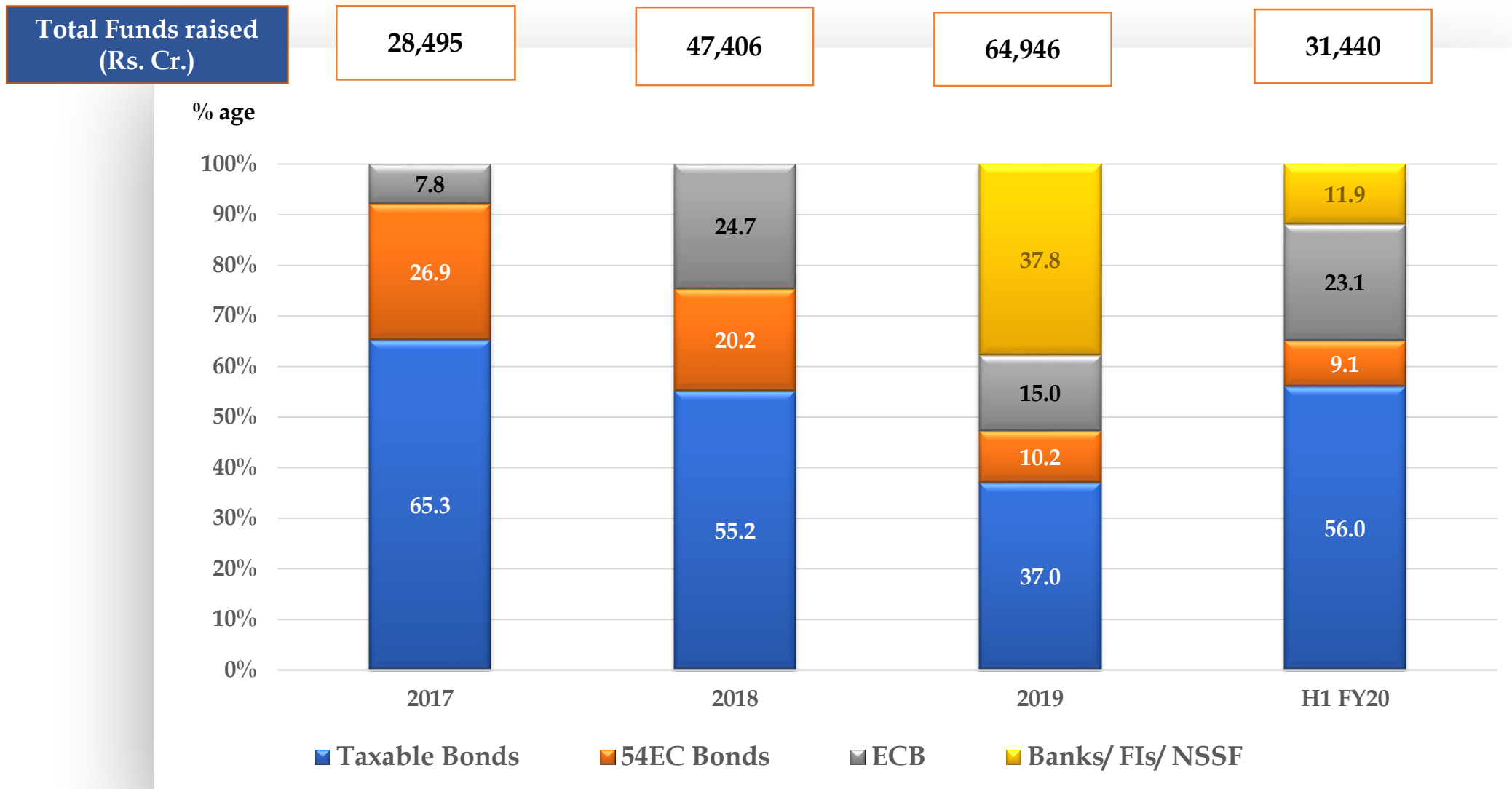
Funds Raised During The Period

Rs. Crores

Category	12M			Q2		H1	
	FY17	FY18	FY19	FY19	FY20	FY19	FY20
(A) Long Term							
Capital Gains Bonds	7,663	9,565	6,652	1,677	1,592	2,899	2,856
Institutional Bonds/ Subordinate Debt	18,600	26,145	24,010	5,000	9,581	5,000	17,613
Term Loans from Banks/ FIs/ NSSF	-	-	24,550	2,300	3,250	2,300	3,725
Foreign Currency Borrowings	2,232	11,696	9,734	3,864	6,722	3,864	7,246
Total (A)	28,495	47,406	64,946	12,841	21,145	14,063	31,440
<i>Annualised Cost of Borrowings</i>	6.85%	6.17%	8.13%	7.79%	6.59%	7.67%	6.51%
(B) Short Term							
FCNR (B) Loan	-	3,759	4,437	-	2,117	-	2,639
Commercial papers	19,917	12,115	19,393	7,876	-	7,876	3,808
Total (B)	19,917	15,874	23,830	7,876	2,117	7,876	6,447
Total (A + B)	48,412	63,280	88,776	20,717	23,262	21,939	37,887

%age denotes annualized cost of borrowings mobilized

Funds Raised During The Period (Long Term)



Financial Highlights



Key Financial Highlights

- ❑ Total Income for H1 FY20 and Q2 FY20 stands at Rs. 14,414 crores (up 20% Y-o-Y) and Rs. 7,425 crores (up 19% Y-o-Y) respectively.
- ❑ PAT for H1 FY20 and Q2 FY20 stands at Rs. 2,808 crores and Rs. 1,307 crores respectively.
- ❑ Loan book as at 30th Sept 2019 stands at Rs. 3,00,716 crores as against Rs. 2,56,968 crores as at 30th Sept 2018, growth of 17% 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 49.40% as at Sept 30, 2019. Provision of Rs. 1,462 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 Sept 30, 2019 stands at Rs. 36,837 crores as against Rs 32,755 crores as at Sept 30, 2018, an increase of 12% Y-o-Y.
- ❑ Capital Adequacy Ratio as at Sept 30, 2019 stands at 17.70% (Tier – I : 14.75% & Tier – II : 2.95%)

Standalone Statement of Profit & Loss

Rs. Crores

Particulars	12M		Q2		H1	
	FY 18	FY 19	FY19	FY 20	FY19	FY 20
Interest Income on Loan assets	21797	24,728	5,998	7,347	11,667	14,266
Less: Finance Costs	13362	15,676	3,783	4,725	7,413	9,298
Net Interest Income	8,435	9,052	2,215	2,622	4,254	4,968
Other Operating Income	658	582	242	75	311	142
Other Income	12	31	13	3	14	6
Total Income	22,467	25,341	6,253	7,425	11,992	14,414
Translation/transaction exchange loss	19	521	782	630	1,115	672
Net notional (gain)/loss on fair value changes	574	349	(1,045)	(175)	(1,626)	15
Other costs *	331	454	143	104	258	214
Impairment loss on financial instruments	2297	240	64	301	196	273
Profit Before Tax	5,884	8,101	2,526	1,840	4,636	3,942
Tax Expense **	1464	2,337	761	533	1,403	1,134
Profit After Tax	4,420	5,764	1,765	1,307	3,233	2,808
Other Comprehensive Income/(Loss)	4	(61)	(16)	(55)	(88)	(78)
Total Comprehensive Income/(Loss)	4,424	5,703	1,749	1,252	3,145	2,730
Net Notional Gain/ (Loss) on Fair value changes after adjusting Translation/ Transaction Exchange Loss						
Net notional (gain)/loss on fair value changes	574	349	(1,045)	(175)	(1,626)	15
Translation/transaction exchange (gain)/loss	19	521	782	630	1,115	672
Net notional (gain)/ loss	593	870	(263)	455	(511)	687

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

** REC has exercised the option under Section 115BAA of the Income Tax Act, 1961 and accordingly, has recognised the Provision for Income Tax (current tax) for Q2 and H1 FY 20 on annualised basis. Also, Deferred Tax Assets/ Liability has been re-measured on the basis of rate prescribed under section 115BAA and recognised the effect of change over the FY by revising the annual effective income tax rate. Due to such remeasurement of deferred tax, the Profit after Tax for Q2 and H1 FY 20 is lower by Rs. 330 crores.

Statement of Assets and Liabilities

Rs. Crores

Particulars	As at 31.03.2019	As at 30.09.2019
Assets		
(A) Financial Assets	<u>2,94,590</u>	<u>3,16,700</u>
Cash and Bank	343	3,397
Other Bank Balances	1,253	416
Derivative financial instruments	1,803	2,214
Loans	2,70,451	2,89,986
Investments	2,398	2,398
Other financial assets	18,342	18,289
(B) Non-Financial Assets	<u>3,127</u>	<u>2,875</u>
Current tax assets (net)	276	286
Deferred tax assets (net)	2,358	2,062
Fixed Assets (as per Ind-AS)	361	414
Other non-financial assets	132	113
Total Assets (A+B)	<u>2,97,717</u>	<u>3,19,575</u>
Liabilities		
(C) Financial Liabilities	<u>2,63,232</u>	<u>2,82,572</u>
Derivative financial instruments	159	591
Debt Securities	1,92,840	2,06,252
Borrowings (other than debt securities)	46,662	52,357
Subordinated Liabilities	4,819	4,815
Other financial liabilities	18,752	18,557
(D) Non-Financial Liabilities	<u>182</u>	<u>166</u>
(E) Equity	<u>34,303</u>	<u>36,837</u>
Equity Share Capital	1,975	1,975
Other equity	32,328	34,862
Total Liabilities (C+D+E)	<u>2,97,717</u>	<u>3,19,575</u>

Key Ratios

Particulars	Q2	H1	
	FY 20	FY 19	FY 20
Yield on Interest bearing Loan Assets (%)	10.78	10.27	10.65
Cost of Funds (%)	7.48	7.16	7.48
Interest Spread (%)	3.30	3.11	3.17
Net Interest Margin (%)	3.86	3.80	3.73
Interest Coverage Ratio (Times)	1.39	1.63	1.42
Debt Equity Ratio (Times)	6.99	6.58	6.99
Earning per Share (Face Value Rs. 10 per share) (Annualised)	26.48	32.74	28.44
Book Value Per Share (Face Value Rs. 10 per share)	186.52	165.85	186.52

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