

C E L E B R A T I N G



GLORIOUS PAST, INSPIRING FUTURE

REC Limited

(Formerly Rural Electrification Corporation Limited)

A Navratna Company

Investor Presentation
Performance Highlights
Q1 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.



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.

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.



**Mr. Praveen Kumar
Singh**
PFC Nonminee Director
>34 years of experience in
Power Sector

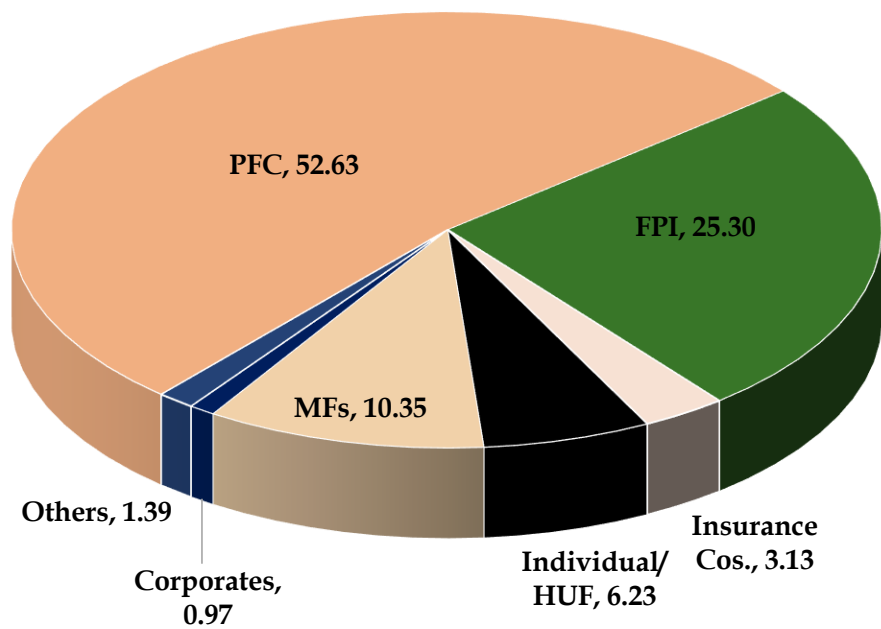
Director (Commercial) of PFC since August 10, 2018. On Board of REC since June 18, 2019.

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.

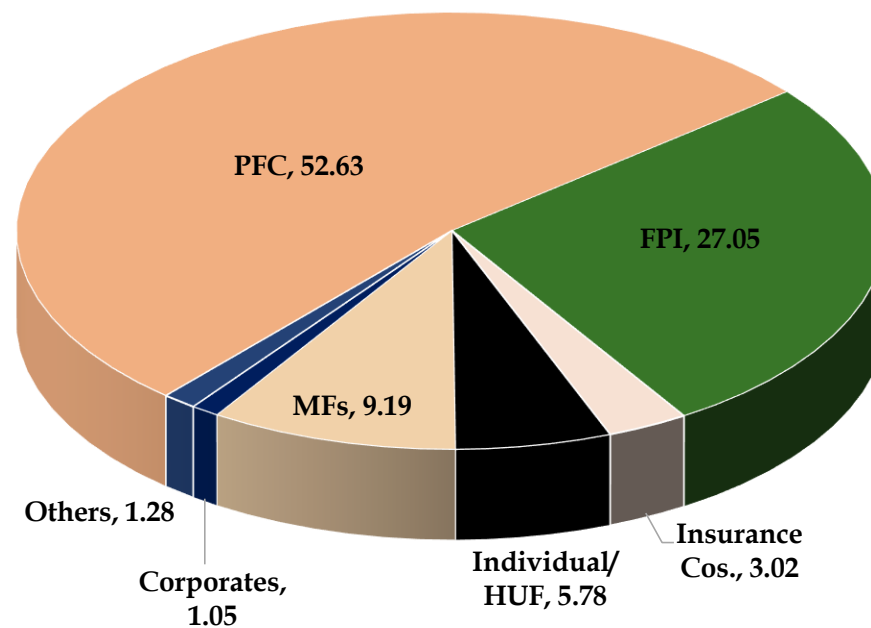
B. Tech. in Electrical Engineering from IIT-BHU & M.Tech. in Energy & Environment Management from IIT, Delhi. Completed "Global Energy MBA program" from Bayer College of Business, University of Houston, USA.

Shareholding Pattern

As at 31.03.2019



As at 30.06.2019



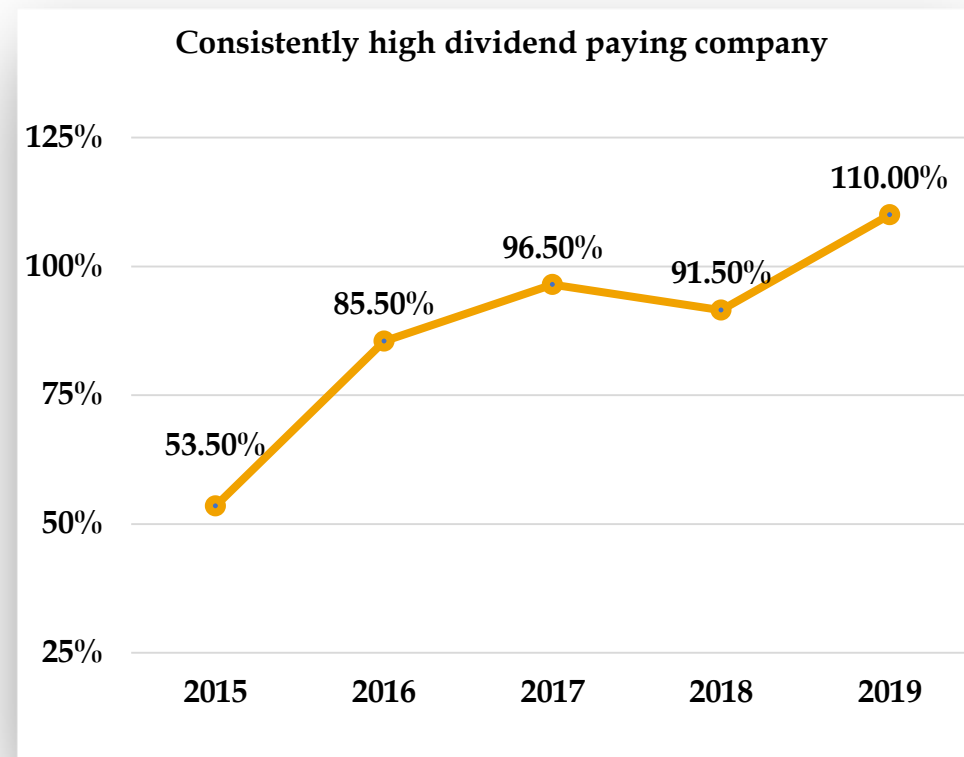
FPIs have consistently held more than 20% of the Shares since IPO of REC in 2008 and their holding has increased from 25.30% as at March 31, 2019 to 27.05% as at June 30, 2019 .

Shareholders Outlook

Top 10 Share holders as at June 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 | CPSE ETF | 2.02 |
| 5 | HDFC Trustee Company Limited - HDFC Equity Fund | 1.85 |
| 6 | India Capital Fund Limited | 0.95 |
| 7 | HDFC Trustee Company Ltd. A/C HDFC Top 100 Fund | 0.79 |
| 8 | The Prudential Assurance Company Limited | 0.78 |
| 9 | HDFC Trustee Company Ltd. A/C HDFC CAP OPPORTUNITIES Fund | 0.77 |
| 10 | Eastspring Investments - Developed And Emerging Asia Equity Fund | 0.53 |
| | TOTAL | 64.93 |

Dividend Payout as a % of Equity Share Capital



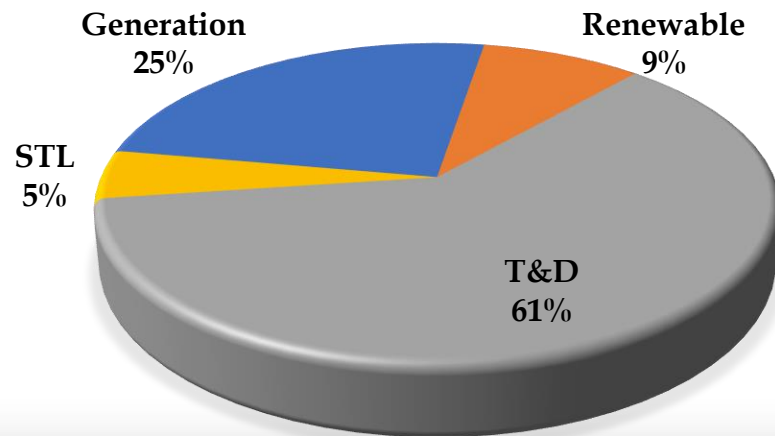
Dividend pay-out adjusted for bonus share issue of 1:1 in Sep'2016

Operational Performance



Sanctions - Composition

Sector-wise breakup of Sanctions in Q1 FY20



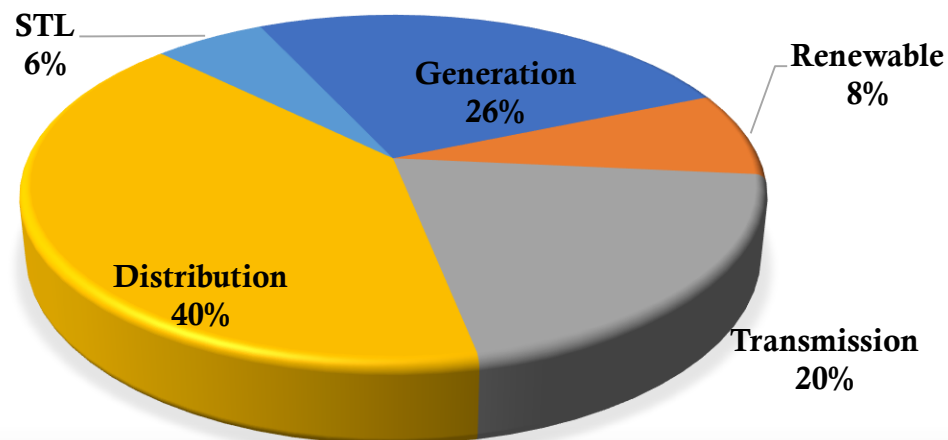
27% Project Loans
Q1 FY20
vs
Q1 FY19



| Discipline-wise | 12M | | | | | | Q1 | | | |
|-----------------------------|---------------|------------|----------------|------------|----------------|------------|---------------|------------|---------------|------------|
| | FY17 | % | FY 18 | % | FY 19 | % | FY 19 | % | FY 20 | % |
| Generation | 28,209 | 34 | 53,224 | 49 | 43,282 | 37 | 2,739 | 15 | 6,034 | 25 |
| Renewable Energy | 2,090 | 2 | 7,034 | 7 | 11,875 | 10 | 3,041 | 16 | 2,175 | 9 |
| Transmission & Distribution | 49,047 | 59 | 40,541 | 38 | 56,610 | 49 | 12,387 | 66 | 14,884 | 61 |
| Total Project Loans | 79,346 | 95 | 100,799 | 94 | 111,767 | 96 | 18,167 | 97 | 23,093 | 95 |
| <i>Growth</i> | 28% | | 27% | | 11% | | | | 27% | |
| Short Term Loan | 4,525 | 5 | 6,735 | 6 | 4,190 | 4 | 600 | 3 | 1,195 | 5 |
| Total Sanctions | 83,871 | 100 | 107,534 | 100 | 115,957 | 100 | 18,767 | 100 | 24,288 | 100 |
| <i>Growth</i> | 28% | | 28% | | 8% | | | | 29% | |

Disbursements – Composition

Sector-wise breakup of Disbursements in Q1 FY20



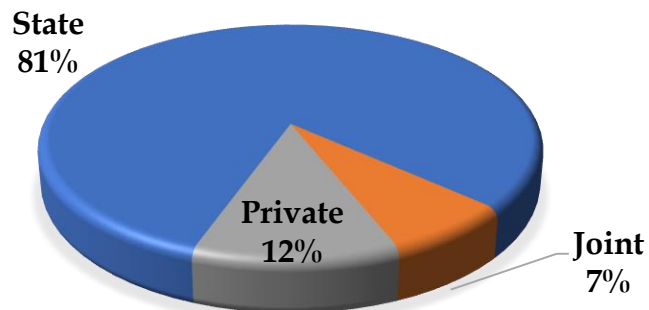
93% Project Loans
Q1 FY20
vs
Q1 FY19



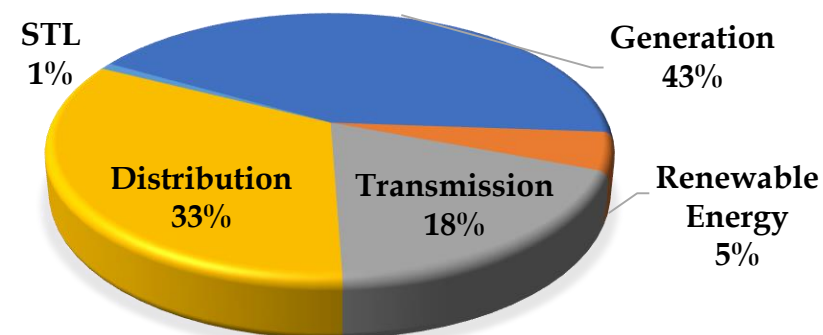
| Discipline-wise | 12M | | | | | | Q1 | | | |
|-----------------------------------|--------|-----|--------|-----|--------|-----|-------|-----|--------|-----|
| | FY 17 | % | FY18 | % | FY19 | % | FY 19 | % | FY 20 | % |
| Generation | 21,697 | 37 | 18,086 | 29 | 20,462 | 29 | 2,035 | 24 | 4,002 | 26 |
| Renewable Energy | 1,618 | 3 | 5,403 | 9 | 6,628 | 9 | 1,475 | 18 | 1,223 | 8 |
| Transmission | 10,520 | 18 | 6,668 | 11 | 10,911 | 15 | 1,053 | 13 | 3,181 | 20 |
| Distribution | 19,429 | 34 | 24,920 | 40 | 30,324 | 42 | 3,053 | 37 | 6,319 | 40 |
| Total Transmission & Distribution | 29,949 | 52 | 31,588 | 51 | 41,235 | 57 | 4,106 | 50 | 9,500 | 60 |
| Total Project Loans | 53,264 | 92 | 55,077 | 89 | 68,325 | 95 | 7,616 | 92 | 14,725 | 94 |
| Growth | 22% | | 3% | | 24% | | | | 93% | |
| Short Term Loan | 4,775 | 8 | 6,635 | 11 | 3,840 | 5 | 700 | 8 | 900 | 6 |
| Total Disbursements | 58,039 | 100 | 61,712 | 100 | 72,165 | 100 | 8,316 | 100 | 15,625 | 100 |
| Growth | 26% | | 6% | | 17% | | | | 88% | |

Outstanding Loans – Composition

**Customer-wise
breakup
of Loans as at
30th June 2019**



**Category-wise
breakup of
Loans as at
30th June 2019**



| Discipline-wise | As at | | | | | | | |
|------------------|-----------------------------|------------|-----------------------------|------------|-----------------------------|------------|----------------------------|------------|
| | 31 st March 2017 | | 31 st March 2018 | | 31 st March 2019 | | 30 th June 2019 | |
| | Amt | % | Amt | % | Amt | % | Amt | % |
| State | 151,976 | 75 | 186,445 | 78 | 226,681 | 81 | 235,699 | 81 |
| Joint | 16,728 | 8 | 19,798 | 8 | 21,035 | 7 | 21,311 | 7 |
| Private | 33,225 | 17 | 33,206 | 14 | 33,494 | 12 | 34,059 | 12 |
| Total | 201,929 | 100 | 239,449 | 100 | 281,210 | 100 | 291,069 | 100 |
| Growth | 0% | | 19% | | 17% | | 4% | |
| Generation | 100,441 | 50 | 108,442 | 46 | 121,912 | 43 | 124,514 | 43 |
| Renewable Energy | 2,447 | 1 | 7,506 | 3 | 12,895 | 5 | 13,759 | 5 |
| Transmission | 42,520 | 21 | 45,558 | 19 | 52,068 | 19 | 54,189 | 18 |
| Distribution | 52,933 | 26 | 72,295 | 30 | 92,147 | 32 | 96,282 | 33 |
| Total T&D | 95,453 | 47 | 117,853 | 49 | 144,215 | 51 | 150,471 | 51 |
| Short Term Loans | 3,588 | 2 | 5,648 | 2 | 2,188 | 1 | 2,325 | 1 |

Outstanding Loans - Asset Diversification

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

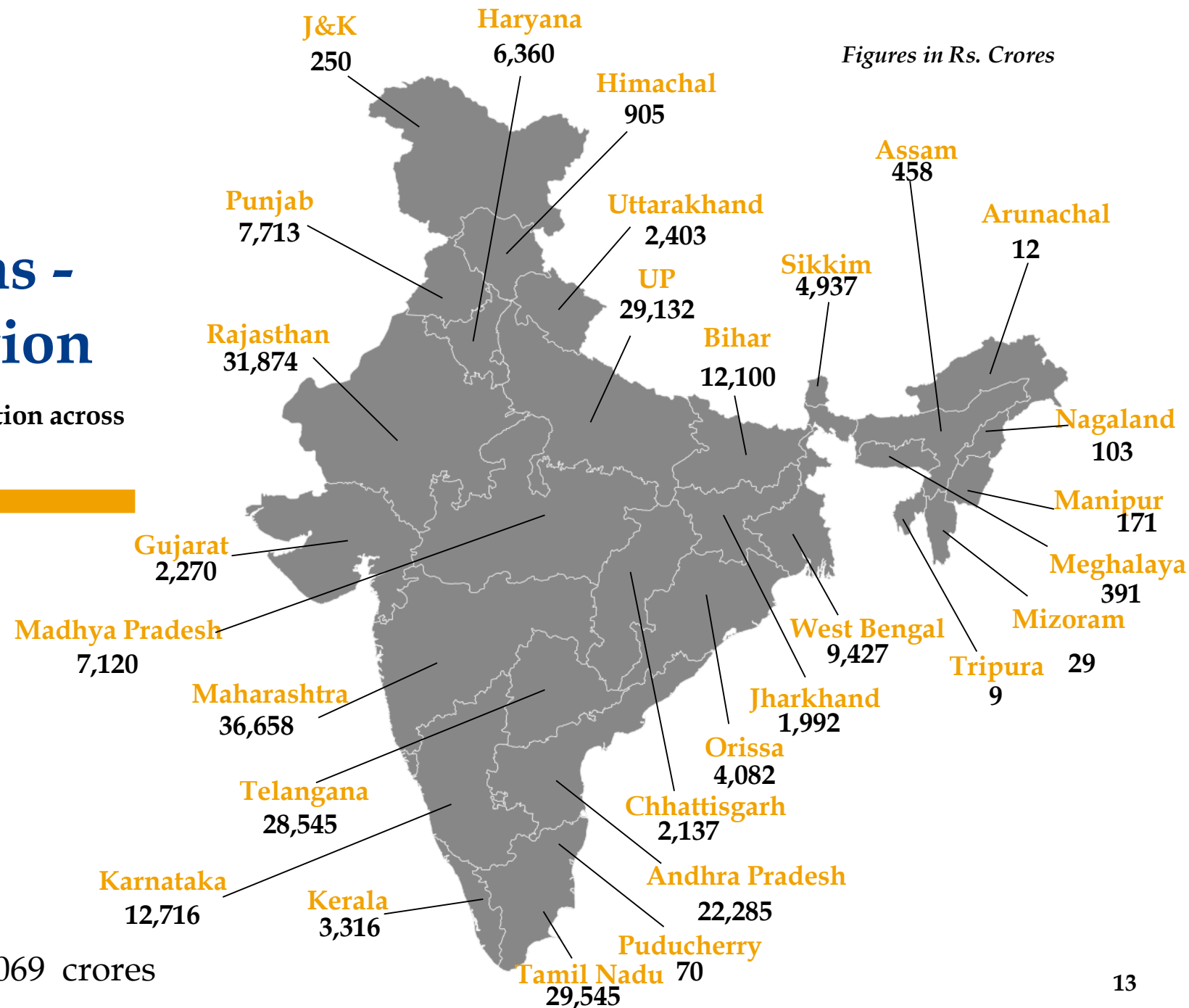
State Sector Borrowers

2,57,010

Private Sector Borrowers

34,059

Total Loan Outstanding – Rs. 2,91,069 crores



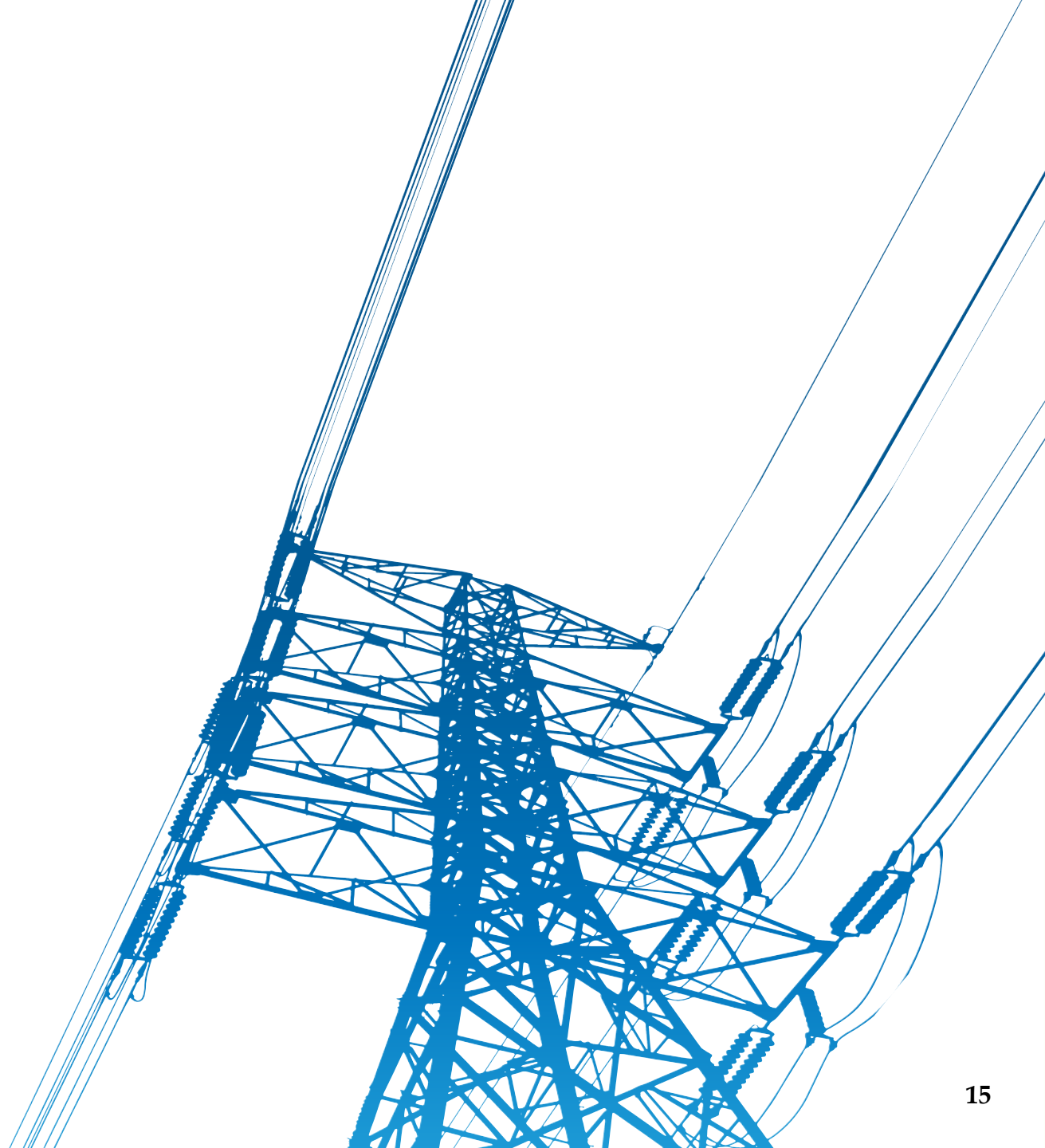
Outstanding Loans -Loan Concentration

Major Borrowers (as on June 30, 2019)

| S.No. | Top Ten Borrowers | Amount Outstanding (Rs Cr.) | % of Total Loan Assets |
|-------|--|-----------------------------|------------------------|
| 1 | Maharashtra State Electricity Distribution Company Limited | 19,442 | 6.68% |
| 2 | Tamil Nadu Generation and Distribution Corporation | 15,566 | 5.35% |
| 3 | Maharashtra State Power Generation Company Limited | 12,854 | 4.42% |
| 4 | Rajasthan Rajya Vidyut Utpadan Nigam Limited | 12,211 | 4.20% |
| 5 | Telangana Power Generation Corporation | 10,679 | 3.67% |
| 6 | Andhra Pradesh Power Generation Corporation (APGENCO) | 9,344 | 3.21% |
| 7 | Tamil Nadu Transmission Corporation (TANTRANSCO) | 9,213 | 3.17% |
| 8 | Nabinagar Power Generating Co. Pvt Ltd | 8,775 | 3.01% |
| 9 | Uttar Pradesh Power Corporation Limited | 7,857 | 2.70% |
| 10 | Uttar Pradesh Power Transmission Corporation Limited | 6,823 | 2.34% |
| | Total | 112,765 | 38.74% |

*Well-diversified asset portfolio with Top 10 borrowers accounting for ~39% 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 June 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 | 76,948 | - | - | - | 76,948 | 22 | 0.03 | 22 |
| - Renewables | 8,639 | - | - | - | 8,639 | 2 | 0.02 | 2 |
| - Transcos | 50,391 | - | - | - | 50,391 | 10 | 0.02 | 10 |
| - Discoms | 1,21,032 | - | - | - | 1,21,032 | 281 | 0.23 | 281 |
| Total State Sector | 2,57,010 | - | - | - | 2,57,010 | 315 | 0.12 | 315 |
| Private Sector | | | | | | | | |
| - Genco | 26,884 | 18,769 | 9,638 | 51.35 | 8,115 | 1,022 | 12.60 | 10,660 |
| - Transcos | 2,034 | 2,034 | 399 | 19.62 | - | - | - | 399 |
| - Renewables | 5,141 | 89 | 36 | 40.45 | 5,052 | 59 | 1.17 | 95 |
| Total Private Sector | 34,059 | 20,892 | 10,073 | 48.22 | 13,167 | 1,082 | 8.21 | 11,154 |
| Grand Total | 2,91,069 | 20,892 | 10,073 | 48.22 | 2,70,177 | 1,397 | 0.52 | 11,470 |

| NPAs | Value | % |
|-------|--------|------|
| Gross | 20,892 | 7.18 |
| Net | 10,819 | 3.72 |

* In addition to the above, Reserves available in the form of 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. 4,276 crores

Borrowing Profile

Domestic Ratings

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

International Ratings

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

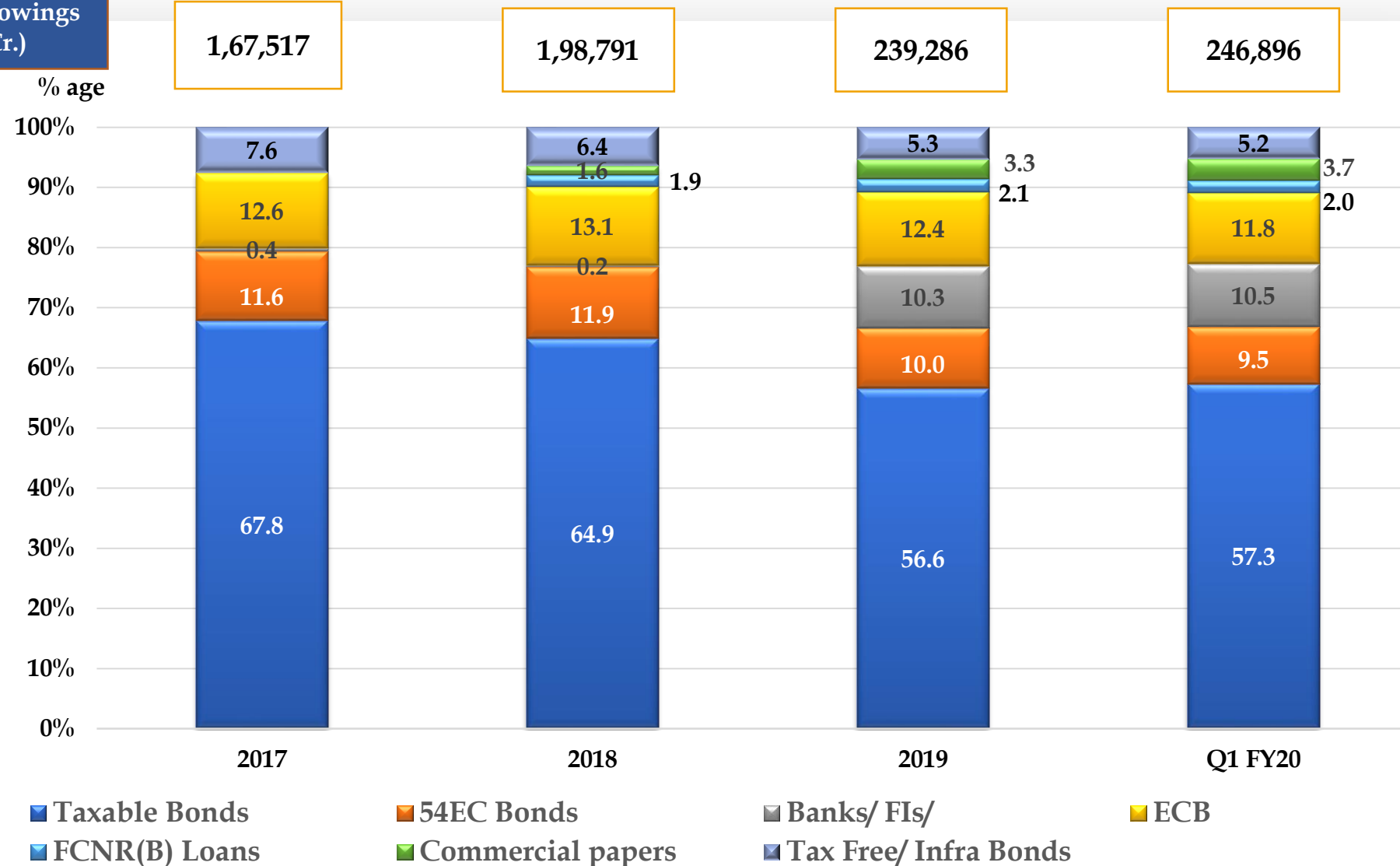
Outstanding Borrowings

Rs. Crores

| Particulars | As at | | | |
|--|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| | 31 st March 2017 | 31 st March 2018 | 31 st March 2019 | 30 th June 2019 |
| Institutional, Subordinate & Zero Coupon Bonds | 113,449 | 128,871 | 135,184 | 141,542 |
| Foreign Currency Borrowings | 21,081 | 25,996 | 29,710 | 29,073 |
| FCNR (B) Loans | - | 3,811 | 5,048 | 4,824 |
| Capital Gain Bonds | 19,477 | 23,705 | 23,880 | 23,518 |
| Tax Free Bonds | 12,648 | 12,648 | 12,648 | 12,648 |
| Commercial Papers | - | 3,250 | 7,975 | 9,225 |
| Banks, FIs, Govt., etc. | 750 | 400 | 24,750 | 25,975 |
| Infra Bonds | 112 | 110 | 91 | 91 |
| Grand Total | 167,517 | 198,791 | 239,286 | 2,46,896 |
| Average annualized Cost of Funds | 8.13% | 7.53% | 7.16% | 7.54% |

Outstanding Borrowings

**Total Borrowings
(Rs. Cr.)**



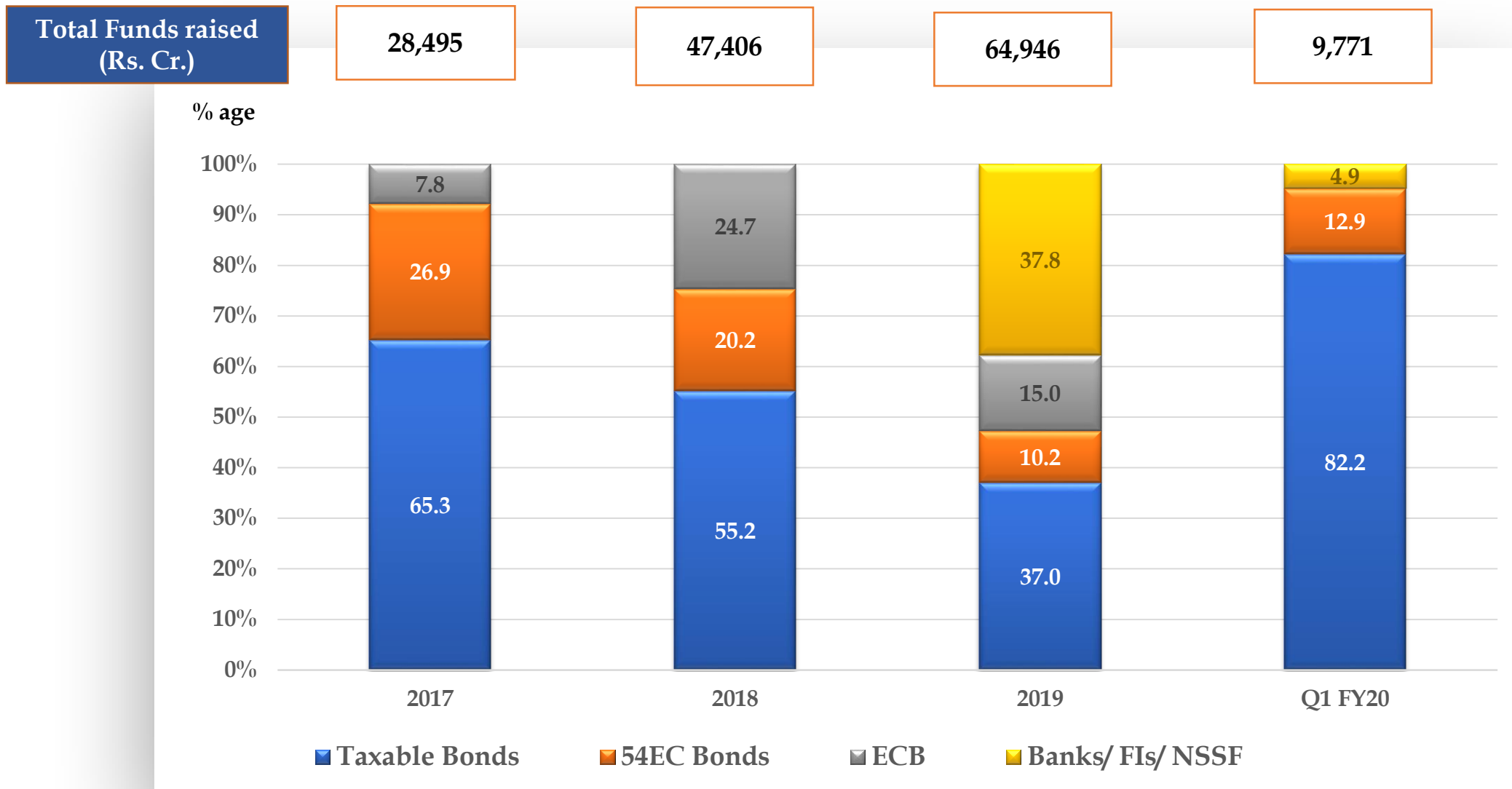
Funds Raised During The Period

Rs. Crores

| Category | 12M | | | Q4 | Q1 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | FY17 | FY18 | FY19 | FY19 | FY20 |
| (A) <u>Long Term</u> | | | | | |
| Capital Gains Bonds | 7,663 | 9,565 | 6,652 | 2,199 | 1,264 |
| Tax Free Bonds | - | - | - | - | - |
| Institutional Bonds/ Subordinate Debt | 18,600 | 26,145 | 24,010 | 9,161 | 8,032 |
| Term Loans from Banks/ FIs/ NSSF | - | - | 24,550 | 10,550 | 475 |
| Foreign Currency Borrowings | 2,232 | 11,696 | 9,734 | 2,239 | - |
| Total (A) | 28,495 | 47,406 | 64,946 | 24,149 | 9,771 |
| | 6.85% | 6.17% | 8.13% | 7.97% | 6.31% |
| (B) <u>Short Term</u> | | | | | |
| FCNR (B) Loan | - | 3,759 | 4,437 | 986 | 1,047 |
| Commercial papers | 19,917 | 12,115 | 19,393 | 4,919 | 3,808 |
| Total (B) | 19,917 | 15,874 | 23,830 | 5,905 | 4,855 |
| Total (A + B) | 48,412 | 63,280 | 88,776 | 30,054 | 14,626 |

%age denotes annualized cost of borrowings mobilized

Funds Raised During The Period (Long Term)



Financial Highlights



Key Financial Highlights

- ❑ Total Income for Q1 FY20 stands at Rs. 6,989 crores (up 11% Y-o-Y) as against Rs. 6,319 crores for Q1 FY19.
- ❑ PAT for Q1 FY19 stands at Rs. 1,501 crores (up 2% Y-o-Y) as against Rs. 1,468 crores for Q1 FY19.
- ❑ Loan book as at 30th June 2019 stands at Rs. 2,91,069 crores as against Rs. 2,41,913 crores as at 30th June 2018, growth of 20% 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 48.22% as at June 30, 2019. Provision of Rs. 1,396 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 June 30, 2019 stands at Rs. 35,913 crores as against Rs 32,506 crores as at June 30, 2018, an increase of 10% Y-o-Y.
- ❑ Capital Adequacy Ratio as at June 30, 2019 stands at 17.90% (Tier – I : 14.85% & Tier – II : 3.05%)

Standalone Statement of Profit & Loss

Rs. Crores

| Particulars | 12M | | Q4 | Q1 |
|--|--------|--------|-------|-------|
| | FY 18 | FY 19 | FY19 | FY 20 |
| Interest Income on Loan assets | 21797 | 24,728 | 6,493 | 6,919 |
| Less: Finance Costs | 13362 | 15,676 | 4,173 | 4,573 |
| Net Interest Income | 8,435 | 9,052 | 2,320 | 2,346 |
| Other Operating Income | 658 | 582 | 117 | 67 |
| Translation/transaction exchange gain | - | - | 62 | - |
| Net notional gain on fair value changes | - | - | - | - |
| Other Income | 12 | 31 | 14 | 3 |
| Total Income | 22,467 | 25,341 | 6,686 | 6,989 |
| Translation/transaction exchange loss | 19 | 521 | - | 42 |
| Net notional loss on fair value changes * | 574 | 349 | 762 | 190 |
| Other costs ** | 331 | 454 | 99 | 110 |
| Impairment loss on financial instruments | 2297 | 240 | 18 | (28) |
| Profit Before Tax | 5,884 | 8,101 | 1,634 | 2,102 |
| Tax Expense | 1464 | 2,337 | 378 | 601 |
| Profit After Tax | 4,420 | 5,764 | 1,256 | 1,501 |
| Other Comprehensive Income/ (Loss) | 4 | (61) | (39) | (22) |
| Total Comprehensive Income/(Loss) | 4,424 | 5,703 | 1,217 | 1,479 |
| Net Notional Gain/ (Loss) on Fair value changes after adjusting Translation/ Transaction Exchange Loss | | | | |
| Net notional (gain)/loss on fair value changes | 574 | 349 | 762 | 190 |
| Translation/transaction exchange (gain)/loss | 19 | 521 | (62) | 42 |
| Net notional (gain)/ loss | 593 | 870 | 700 | 232 |

* Net notional loss on fair value changes for Q1 FY20 includes Premiums paid towards derivative contracts of Rs. 196 cr (Q4 FY19 - Rs. 194 cr).

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

REC is fully compliant with Ind-AS

Statement of Assets and Liabilities

Rs. Crores

| Particulars | As at 30.06.2018 | As at 31.03.2019 | As at 30.06.2019 |
|---|------------------------|------------------------|------------------------|
| Assets | | | |
| (A) Financial Assets | <u>2,42,245</u> | <u>2,94,590</u> | <u>3,06,353</u> |
| Cash and Bank | 363 | 343 | 1,341 |
| Other Bank Balances | 2,472 | 1,253 | 1,984 |
| Derivative financial instruments | 1,137 | 1,803 | 1,375 |
| Loans | 2,31,165 | 2,70,451 | 2,80,869 |
| Investments | 2,791 | 2,398 | 2,428 |
| Other financial assets | 4,317 | 18,342 | 18,356 |
| (B) Non-Financial Assets | <u>2,969</u> | <u>3,127</u> | <u>2,868</u> |
| Current tax assets (net) | - | 276 | 8 |
| Deferred tax assets (net) | 2,605 | 2,358 | 2,351 |
| Fixed Assets (as per Ind-AS) | 290 | 361 | 386 |
| Other non-financial assets | 74 | 132 | 123 |
| Total Assets (A+B) | <u>2,45,214</u> | <u>2,97,717</u> | <u>3,09,221</u> |
| Liabilities | | | |
| (C) Financial Liabilities | <u>2,12,375</u> | <u>2,63,232</u> | <u>2,73,118</u> |
| Derivative financial instruments | - | 159 | - |
| Debt Securities | 1,79,537 | 1,92,840 | 2,01,116 |
| Borrowings (other than debt securities) | 24,129 | 46,662 | 47,100 |
| Subordinated Liabilities | 2,516 | 4,819 | 4,716 |
| Other financial liabilities | 6,193 | 18,752 | 20,186 |
| (D) Non-Financial Liabilities | <u>333</u> | <u>182</u> | <u>190</u> |
| (E) Equity | <u>32,506</u> | <u>34,303</u> | <u>35,913</u> |
| Equity Share Capital | 1,975 | 1,975 | 1,975 |
| Other equity | 30,531 | 32,328 | 33,938 |
| Total Liabilities (C+D+E) | <u>2,45,214</u> | <u>2,97,717</u> | <u>3,09,221</u> |

Key Ratios

| Particulars | 12M | | Q4 | Q1 |
|--|--------|--------|--------|--------|
| | FY 18 | FY 19 | FY 19 | FY 20 |
| Yield on Interest bearing Loan Assets (%) | 10.51 | 10.40 | 10.29 | 10.54 |
| Cost of Funds (%) | 7.30 | 7.16 | 7.16 | 7.52 |
| Interest Spread (%) | 3.21 | 3.24 | 3.13 | 3.02 |
| Net Interest Margin (%) | 4.10 | 3.85 | 3.68 | 3.59 |
| Return on Net Worth (%) | 14.06 | 17.31 | 14.42 | 17.11 |
| Interest Coverage Ratio (Times) | 1.44 | 1.52 | 1.39 | 1.46 |
| Debt Equity Ratio (Times) | 6.15 | 6.98 | 6.98 | 6.87 |
| Earning per Share (Face Value Rs. 10 per share) (Annualised) | 22.38 | 29.18 | 25.44 | 30.40 |
| Book Value Per Share (Face Value Rs. 10 per share) | 163.57 | 173.69 | 173.69 | 181.85 |

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

Thank You