

Management Presentation

Performance Highlights

Q1 FY 17

- ❖ Highest Domestic credit rating “AAA” from CRISIL, CARE, India Ratings & Research and ICRA
- ❖ International credit rating at par with sovereign rating of India “Baa3” from Moody’s & “BBB-” from FITCH



RURAL ELECTRIFICATION CORPORATION LIMITED
A Navratna PSU

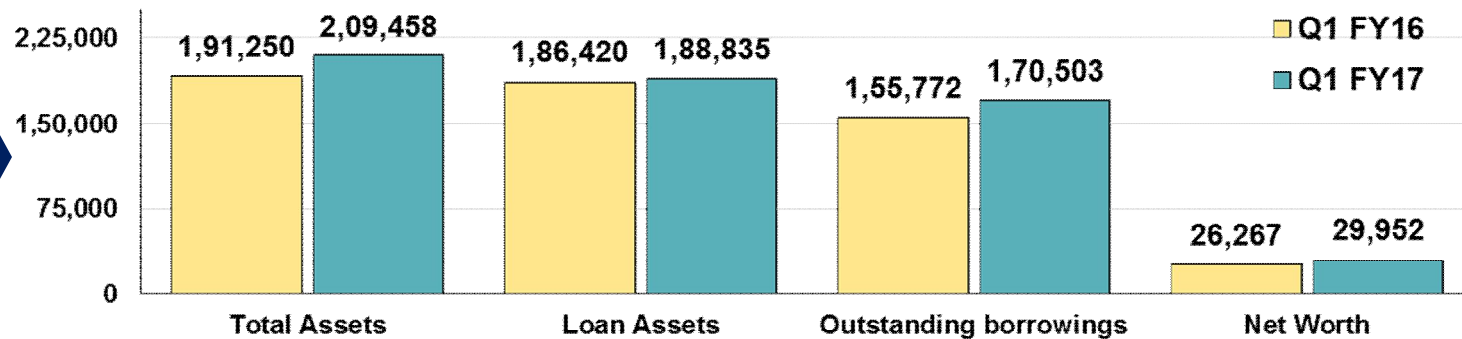
Powering India... towards Greener Future

Highlights – Q1 FY17 vs. Q1 FY16

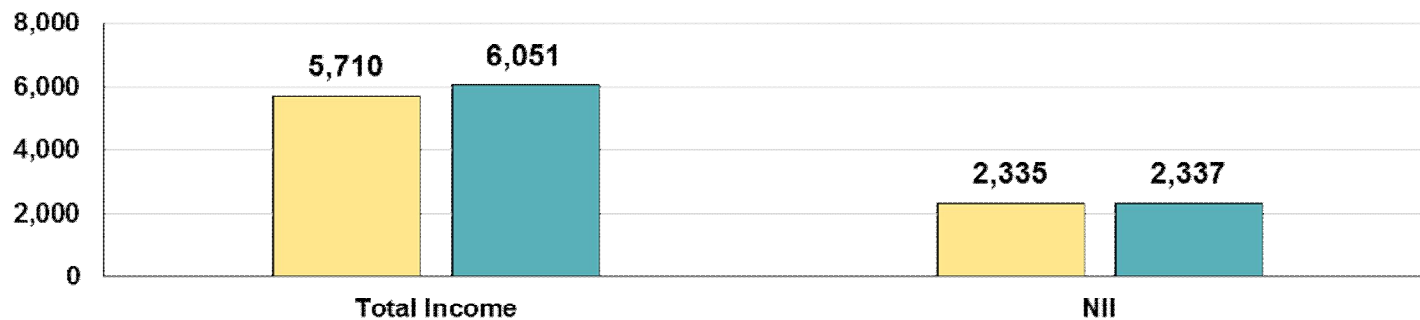


(Amounts in INR Crore)

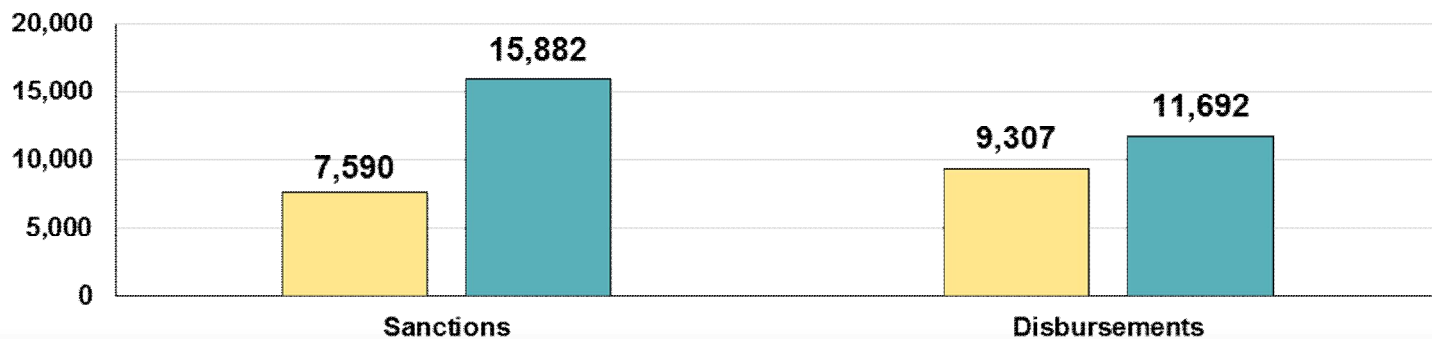
Balance Sheet



Income Statement



Business



Sanctions - Composition



(Amount in INR Crore)

| Discipline-wise | Q1 | | Q4 | 12M | | |
|--------------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|
| | FY 17 | FY 16 | FY 16 | FY16 | FY15 | FY 14 |
| Generation | 8,544 54% | 1,112 15% | 6,398 39% | 30,794 47% | 24,326 40% | 29,019 41% |
| T & D (including RGGVY / DDUGJY) # ^ | 4,763 30% | 5,978 79% | 7,561 47% | 31,377 48% | 35,135 57% | 39,446 56% |
| Short Term Loan | 2,575 16% | 500 6% | 2,250 14% | 3300 5% | 1960 3% | 2275 3% |
| Total | 15,882 | 7,590 | 16,209 | 65,471 | 61,421 | 70,740 |

Vide Ministry of Power notification dated 03.12.2014, the erstwhile Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme has been subsumed into Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

^ Includes Transitional Financing Loans (TFL) sanctioned as under:

| Particulars | Q1 FY17 | FY 16 | FY 15 | FY 14 | FY 13 | Total (till Q1 FY17) |
|-------------|---------|-------|-------|-------|--------|----------------------|
| TFL | - | 4,100 | 6,394 | 3,038 | 16,630 | 30,162 |

Disbursements - Composition



(Amount in INR Crore)

| Discipline-wise | Q1 | | Q4 | 12M | | |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | FY 17 | FY 16 | FY 16 | FY 16 | FY 15 | FY 14 |
| Generation | 4,075 35% | 2,428 26% | 4,762 40% | 13,124 29% | 14,123 33% | 12,989 37% |
| <i>Transmission</i> | <i>1,835</i> <i>16%</i> | <i>1,661</i> <i>18%</i> | <i>2,949</i> <i>25%</i> | <i>8,529</i> <i>19%</i> | <i>6,286</i> <i>15%</i> | <i>4,113</i> <i>12%</i> |
| <i>Distribution (including RGGVY/ DDUGJY) *</i> | <i>3,658</i> <i>31%</i> | <i>5,218</i> <i>56%</i> | <i>3,034</i> <i>25%</i> | <i>22,173</i> <i>48%</i> | <i>20,159</i> <i>47%</i> | <i>16,855</i> <i>47%</i> |
| Total Transmission & Distribution | 5,493 47% | 6,879 74% | 5,983 50% | 30,702 67% | 26,445 62% | 20,968 59% |
| Short Term Loan | 2,125 18% | - - | 1,250 10% | 2,200 5% | 2,250 5% | 1589 4% |
| Total | 11,692 | 9,307 | 11,995 | 46,026 | 42,818 | 35,546 |

* Includes Transitional Financing Loan (TFL) disbursed as under:

| Particulars | Q1 FY17 | FY16 | FY 15 | FY 14 | FY 13 | Total (till Q1 FY17) |
|-------------|----------|--------------|--------------|--------------|--------------|----------------------|
| TFL | - | 3,920 | 5,169 | 6,018 | 9,570 | 24,677 |

Outstanding Loan - Composition



(Amount in INR Crore)

| Discipline-wise | Q1 | | | | Q4 & 12M | | | | | |
|-----------------|----------|-----|----------|-----|----------|-----|----------|-----|----------|-----|
| | FY 17 | | FY 16 | | FY 16 | | FY 15 | | FY 14 | |
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| State | 1,39,394 | 74 | 1,38,834 | 74 | 1,53,941 | 77 | 1,33,712 | 75 | 1,11,179 | 75 |
| Joint | 17,770 | 9 | 14,875 | 8 | 16,808 | 8 | 14,629 | 8 | 13,302 | 9 |
| Private | 31,671 | 17 | 32,711 | 18 | 30,529 | 15 | 31,306 | 17 | 24,160 | 16 |
| Total | 1,88,835 | 100 | 1,86,420 | 100 | 2,01,278 | 100 | 1,79,647 | 100 | 1,48,641 | 100 |
| Generation | 83,625 | 44 | 78,150 | 42 | 83,417 | 41 | 76,388 | 42 | 65,417 | 44 |
| T & D | 1,01,329 | 54 | 1,07,552 | 57 | 1,15,939 | 58 | 1,02,162 | 57 | 82,100 | 55 |
| Others * | 3,881 | 2 | 718 | 1 | 1,922 | 1 | 1,097 | 1 | 1,124 | 1 |

* Others includes short-term loans, debt refinancing and bridge loans

Average maturity period of outstanding loans as at Q1 FY17 is approx. 5.87 years

Loan Quality



(Amount in INR Crore)

| Particulars | Q1 | | Q4 & 12M | | |
|------------------------------------|-----------|----------|----------|----------|----------|
| | FY 17 | FY 16 | FY 16 | FY 15 | FY 14 |
| Loan outstanding * | 1,88,835 | 1,86,420 | 2,01,278 | 1,79,647 | 1,48,641 |
| Gross NPA | 4,816 *** | 1,577 | 4,243*** | 1,335 | 490 |
| Provision ⁽¹⁾ | 1,266 *** | 390 | 1,013*** | 365 | 137 |
| Net NPA | 3,550 | 1,187 | 3,230 | 970 | 353 |
| % of Gross NPA to loan outstanding | 2.55% | 0.85% | 2.11% | 0.74% | 0.33% |
| % of Net NPA to loan outstanding | 1.88% | 0.64% | 1.60% | 0.54% | 0.24% |

Total Provisions against Outstanding Loan assets

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Provision for Bad and Doubtful Debts as at ⁽¹⁾ above | 1,266 | 390 | 1,013 | 365 | 137 |
| Contingent Provision against Standard Loan Assets | 590 | 524 | 543 | 491 | 370 |
| Provision against Restructured Standard Loans ** | 879 | 591 | 821 | 452 | - |
| Reserve for Bad & Doubtful Debts | 2,089 | 1,717 | 2,012 | 1,622 | 1,269 |
| Total | 4,824 | 3,222 | 4,389 | 2,930 | 1,776 |

* Loan outstanding as at Q1 FY17 is lower on account of pre-payments under UDAY amounting to INR 30,053 crores (Q4 FY16 – INR 9,015 crores and Q1 FY17 – INR 21,038 crores)

** No new loans have been Restructured during Q1 FY17 except for fresh disbursements in the existing Restructured Loans (Restructured loans comprise of loans to Public Sector INR 12,538 crores + loans to Private Sector INR 9,109 crores, totaling INR 21,647 crores).

*** Includes an amount of INR 811 crores in respect of Restructured Sub-Standard Assets which have fallen into category of NPA on account of extension of CoD, provision standing against then being INR 81 crores

The borrower wise - Incremental Provision against Bad and Doubtful Debts created during Q1 FY17.

| Borrower | Loan O/s | Provisioning |
|---------------------------------------|--------------|--------------|
| (A) Fresh NPA during Q1 FY17 | | |
| Alaknanda Hydro Power Company Limited | 573 | 57 |
| Sub-Total (A) | 573 | 57 |
| (B) Existing NPA prior to Q1 FY17 | | |
| Konaseema Gas Power Limited | 223 | 45 |
| Corporate Power limited | 812 | 150 |
| Jas infrastructure & Power Ltd | 33 | 1 |
| Sub-Total (B) | 1,068 | 196 |
| Total (A + B) | 1,641 | 253 |

Funds Raised During The Period



(Amount in INR Crore)

| Category | Q1 | | Q4 | 12 M | | |
|---|-----------------------|-----------------------|-----------------------|------------------------|------------------------|------------------------|
| | FY 17 | FY 16 | FY 16 | FY16 | FY15 | FY 14 |
| (A) Long Term | | | | | | |
| Capital Gains Bonds | 1,626 6.00% | 1,181 6.00% | 2,251 6.00% | 6,477 6.00% | 5,338 6.00% | 5,350 6.00% |
| Tax Free Bonds | - - | - - | - - | 1,000 7.20% | - - | 6,000 8.48% |
| Institutional Bonds/ Subordinate Debt | - - | 2,396 8.30% | 2,895 8.28% | 15,526 8.25% | 29,200 8.81% | 17,403 9.12% |
| Banks, FIs, etc. | - - | - - | - - | - - | - - | 1,195 10.47% |
| Foreign Currency Borrowings | - - | 96 1.66% | 2,516 5.42% | 8,252 5.44% | 6,652 6.48% | 2,000 7.50% |
| Total (A) | 1,626 6.00% | 3,673 7.39% | 7,662 6.67% | 31,255 7.01% | 41,190 8.07% | 31,948 8.43% |
| (B) Short Term | | | | | | |
| Funds raised through Commercial papers | 6,057 | 4,192 | 13,139 | 20,772 | 5,894 | 4,986 |
| Total (A + B) | 7,683 | 7,865 | 20,801 | 52,027 | 47,084 | 36,934 |

% denotes average annualized cost of borrowings mobilized.

Borrowing Profile as at end of the Period



(Amount in INR Crore)

| Particulars | Q1 | | | | Q4 & 12M | | | | | |
|--|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|------------|
| | FY 17 | | FY 16 | | FY 16 | | FY 15 | | FY 14 | |
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Institutional, Subordinate & Zero Coupon Bonds | 1,09,698 | 65 | 99,286 | 64 | 1,09,678 | 65 | 97,068 | 64 | 75,289 | 60 |
| Foreign Currency Borrowings * | 23,698 | 14 | 24,213 | 16 | 21,924 | 13 | 24,028 | 16 | 17,621 | 14 |
| Capital Gain Bonds | 17,657 | 10 | 15,771 | 10 | 17,164 | 11 | 15,591 | 10 | 15,493 | 13 |
| Tax Free Bonds | 12,648 | 7 | 11,649 | 7 | 12,648 | 7 | 11,649 | 8 | 11,649 | 9 |
| Commercial Papers | 4,300 | 3 | 3,025 | 2 | 5,600 | 3 | 0 | 0 | 2,540 | 2 |
| Banks, FIs, etc. ** | 2,260 | 1 | 1,452 | 1 | 1,850 | 1 | 2,312 | 2 | 3,272 | 2 |
| Infra Bonds | 242 | 0 | 376 | 0 | 242 | 0 | 376 | 0 | 376 | 0 |
| Grand Total | 1,70,503 | 100 | 1,55,772 | 100 | 1,69,106 | 100 | 1,51,024 | 100 | 1,26,240 | 100 |
| Average annualized Cost of Funds | 8.21% | | 8.31% | | 8.50% | | 8.36% | | 8.31% | |

* Approx. 82% of the foreign currency borrowings are hedged till maturity

** Includes Short Term Working Capital Loan availed from Banks

Average maturity period of Borrowings outstanding as at Q1 FY17 is approx. 4.10 years

Statement of Assets & Liabilities (Standalone)



(Amount in INR Crore)

| Particulars | Q1 | | Q4 & 12 M | | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | FY 17 | FY 16 | FY 16 | FY 15 | FY 14 |
| <u>Liabilities</u> | | | | | |
| Shareholders Funds | 29,952 | 26,267 | 28,618 | 24,857 | 20,669 |
| Borrowings | 1,70,503 | 1,55,772 | 1,69,106 | 1,51,024 | 1,26,240 |
| Deferred Tax Liabilities (Net) | 15 | 131 | 50 | 107 | 174 |
| Other Liabilities | 8,988 | 9,080 | 8,579 | 7,187 | 5,770 |
| Total Liabilities | 2,09,458 | 1,91,250 | 2,06,353 | 1,83,175 | 1,52,853 |
| <u>Assets</u> | | | | | |
| Fixed Assets (Net) | 152 | 118 | 150 | 81 | 82 |
| Investments | 3,034 | 877 | 2,467 | 1,613 | 1708 |
| Loan Assets (Net of Provisions) | 1,87,569 | 1,86,031 | 2,00,265 | 1,79,282 | 1,48,504 |
| Deferred Tax Assets (Net) | - | - | - | - | - |
| Other Assets | 18,703 | 4,224 | 3,471 | 2,199 | 2,559 |
| Total Assets | 2,09,458 | 1,91,250 | 2,06,353 | 1,83,175 | 1,52,853 |

Previous periods figures have been reclassified/ rearranged wherever necessary so as to make them comparable.

Income Statement (Standalone)



(Amount in INR Crore)

| Particulars | Q1 | | Q4 | 12M | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | FY 17 | FY 16 | FY 16 | FY16 | FY15 | FY14 |
| Interest Income | 5,890 | 5,641 | 6,015 | 23,471 | 20,072 | 16,806 |
| Less: Finance Costs | 3,553 | 3,306 | 3,753 | 14,283 | 11,845 | 10,039 |
| Net Interest Income | 2,337 | 2,335 | 2,262 | 9,188 | 8,227 | 6,767 |
| Other Operating Income | 64 | 22 | 49 | 168 | 157 | 212 |
| Other Income | 97 | 47 | 20 | 118 | 159 | 103 |
| Operating costs | 51 | 51 | 61 | 210 | 210 | 201 |
| Corporate Social Responsibility Expenses | 37 | 32 | 33 | 129 | 103 | 38 |
| Provision for Diminution in Investments | - | - | - | 16 | - | - |
| (A) Provision for Bad & Doubtful debts | | | | | | |
| - New | 57 | 24 | 78 | 1,074 | 803 | 312 |
| - Existing | 196 | - | 235 | | | |
| Sub Total | 253 | 24 | 313 | | | |
| (B) Provision for restructured Standard Loans | 58 | 140 | 121 | | | |
| (C) Provision for Standard Loans | 46 | 33 | 30 | | | |
| Total Provision against loans (A+B+C) | 357 | 197 | 464 | 1,074 | 803 | 312 |
| Profit Before Tax | 2,053 | 2,124 | 1,773 | 8,045 | 7,427 | 6,531 |
| Current Tax | 621 | 622 | 628 | 2,478 | 2,232 | 1,704 |
| Deferred tax Liability/ (Asset) | 11 | 23 | -18 | -58 | -66 | 129 |
| Earlier Years Tax Expense/ (Refunds) | - | - | 3 | -3 | 1 | 14 |
| Profit After Tax | 1,421 | 1,479 | 1,160 | 5,628 | 5,260 | 4,684 |
| Dividend (incl. interim) | - | - | 504 | 1,689 | 1,057 | 938 |
| Dividend Distribution Tax | - | - | 102 | 341 | 212 | 159 |
| Total (Dividend + Dividend Distribution Tax) | - | - | 606 | 2,030 | 1,269 | 1097 |

Previous periods figures have been reclassified/ rearranged wherever necessary so as to make them comparable.

Key Indicators



| Particulars | Q1 | | Q4 | 12 M | | |
|--|--------|--------|--------|--------|--------|--------|
| | FY 17 | FY16 | FY 16 | FY16 | FY15 | FY14 |
| Yield on Loan (%) (Annualised) | 12.08 | 12.33 | 11.91 | 12.32 | 12.23 | 12.18 |
| Cost of Funds (%) (Annualised) | 8.21 | 8.31 | 8.44 | 8.50 | 8.36 | 8.31 |
| Interest Spread (%) | 3.87 | 4.02 | 3.47 | 3.82 | 3.87 | 3.87 |
| Net Interest Margin (%) (Annualised) | 4.85 | 5.10 | 4.48 | 4.82 | 5.01 | 4.90 |
| Interest Coverage Ratio (times) | 1.58 | 1.64 | 1.47 | 1.56 | 1.63 | 1.65 |
| Return on Average Net Worth (%) (Annualised) | 19.41 | 23.14 | 16.39 | 21.05 | 23.11 | 24.57 |
| Debt Equity Ratio (times) | 5.69 | 5.93 | 5.91 | 5.91 | 6.08 | 6.11 |
| Capital Adequacy ratio (%) | 20.63 | 20.41 | 20.38 | 20.38 | 19.56 | 19.35 |
| Net Worth (INR Crore) | 29,952 | 26,267 | 28,618 | 28,618 | 24,857 | 20,669 |
| Book Value in INR per Share of INR 10 | 303.32 | 266.01 | 289.81 | 289.81 | 251.73 | 209.31 |
| EPS in INR (Non-Annualised) | 14.39 | 14.97 | 11.75 | 56.99 | 53.27 | 47.43 |

Shareholding Pattern



| As on => | 30.06.16 | 31.03.16 | 31.03.15 | 31.03.14 |
|-----------------------------|---------------|---------------|---------------|---------------|
| Description | % | % | % | % |
| President of India | 60.64 | 60.64 | 65.64 | 65.64 |
| Foreign Portfolio Investors | 18.25 | 21.37 | 20.86 | 18.68 |
| Resident Individual/ HUF | 6.10 | 4.46 | 3.00 | 2.86 |
| Mutual Funds | 2.74 | 2.10 | 3.19 | 3.46 |
| Bodies Corporate | 2.25 | 1.75 | 2.94 | 2.73 |
| Insurance Companies | 8.54 | 8.46 | 3.89 | 5.71 |
| Banks/ Indian FI | 0.89 | 0.85 | 0.28 | 0.69 |
| Non Resident Indian | 0.22 | 0.17 | 0.09 | 0.06 |
| Clearing Members | 0.21 | 0.07 | 0.06 | 0.14 |
| Trust | 0.16 | 0.13 | 0.05 | 0.03 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 |

Thank You