



**आर ई सी
REC**

असीमित ऊर्जा, अनन्त संभावनाएँ
Endless energy Infinite possibilities.

**रूरल इलेक्ट्रीफिकेशन कारपोरेशन लिमिटेड
Rural Electrification Corporation Limited**

(भारत सरकार का उद्यम) / (A Government of India Enterprise)

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CIN : L40101DL1969GOI005095 Website: www.recindia.nic.in



SEC-1/187(2)/2018/2943

Dated: September 17, 2018

| | |
|---|--|
| Listing Department, National Stock Exchange of India Limited Exchange Plaza, BandraKurla Complex, Bandra (East), Mumbai – 400 051. | Corporate Relationship Department BSE Limited 1 st Floor, PhirozeJeejeebhoy Towers Dalal Street, Fort, Mumbai – 400 001. |
| Scrip Code—RECLTD | Scrip Code—532955 |

Sub: Schedule of Investors' Conference Call to discuss financial results of the Company for the quarter ended June 30, 2018.

Dear Sir(s),

In compliance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that an Investors' Conference Call will be held on Tuesday, September 18, 2018, at 10.30 A.M. to discuss the financial results of the Company for the quarter ended June 30, 2018. A copy of the invite for the same is enclosed herewith.

Further, a copy of the presentation in respect of financial results of the Company for the quarter ended June 30, 2018 is enclosed herewith and the same is also available on the website of the Company at the link: <http://www.recindia.nic.in/uploads/files/Presntn-Q1-FY18-19-Dt140918.pdf>.

This is for your kind information and dissemination.

Thanking you,

Yours faithfully,

(J.S. Amitabh)
GM & Company Secretary

Encl.: as above

Zonal Offices : Hyderabad, Kolkata, Mumbai, Panchkula & Lucknow
Project Offices : Bangalore, Bhopal, Bhubaneswar, Chennai, Guwahati, Jaipur, Jammu, Patna, Ranchi, Shillong, Shimla, Thiruvananthapuram & Vadodara
Sub Offices : Dehradun, Raipur
Training Centre : Central Institute for Rural Electrification (CIRE), Hyderabad

RURAL ELECTRIFICATION CORPORATION**Hosted by Edelweiss Securities**

India Equity Research

September 17, 2018

We are organizing a conference call with the management of Rural Electrification Corporation, to discuss the company's Q1FY19 results on Tuesday, September 18, 2018, at 10.30 AM IST.

Dr. P.V. Ramesh - Chairman & Managing Director and Mr Ajeet Kumar Agarwal – Director (Finance), will represent Rural Electrification Corporation on the call.

Details of the conference call are as under:

Time : 10.30 AM IST on Tuesday, September 18, 2018

| | | |
|--------------------------------|----------|--------------------------|
| Conference dial-in: | | |
| | | |
| India | : | Mumbai |
| Primary access number | | + 91 22 6280 1123 |
| | | + 91 22 7115 8024 |
| | | |
| USA | : | 1 866 746 2133 |
| UK | : | 0 808 101 1573 |
| Singapore Toll Free No. | : | 800 101 2045 |
| Hong Kong Toll Free No. | : | 800 964 448 |

Call leader Mr. Kunal Shah

For further information please contact:

Kunal Shah

Edelweiss Securities Ltd.

Tel.: +91 22 4040 7579

Fax: +91 22 2286 4310

E-mail: kunal.shah@edelweissfin.com

Rural Electrification Corporation Limited

A Navratna PSU

Management Presentation
Performance Highlights
Q1 FY 19

THE FUNDING PARTNER FOR POWER SECTOR

Table of Contents

- ❑ India - Power Sector – Empowering India
- ❑ REC Overview
- ❑ Operational Performance
- ❑ Transition to Ind-AS
- ❑ Asset Quality
- ❑ Borrowing Profile
- ❑ Financial Highlights

Disclaimer :

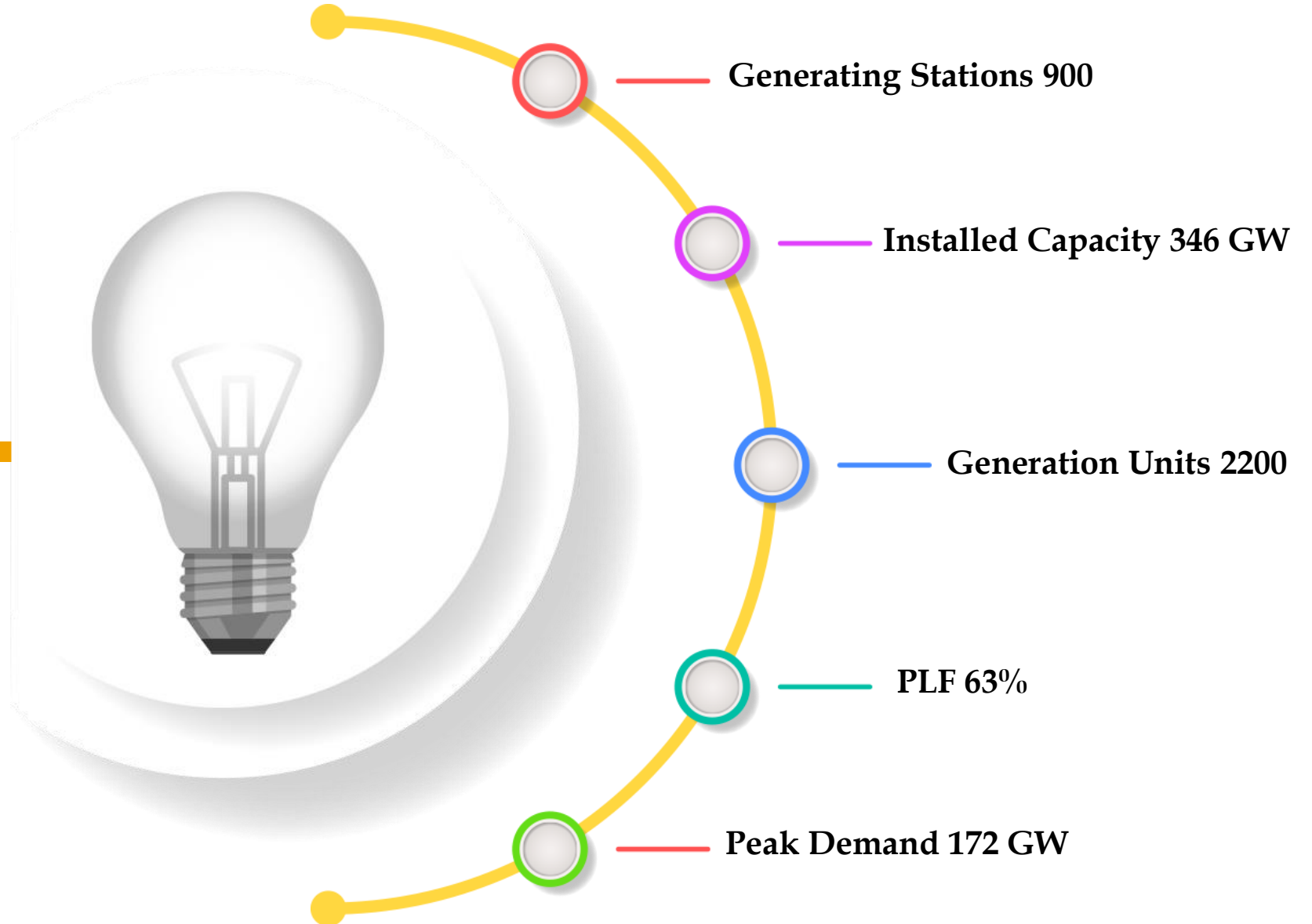
- This presentation is for information purposes only and is not to be construed as an offer or invitation or recommendation to buy or sell any securities of Rural Electrification Corporation Limited (“REC”), nor shall part, or all, of this presentation form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities of REC.
- The user of the information contained herein will be solely responsible for own assessment of the market and the market position of REC and to conduct own analysis and will be solely responsible for forming a view of the potential future performance of the business of REC.
- The information in this presentation is being provided by REC relying on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness.



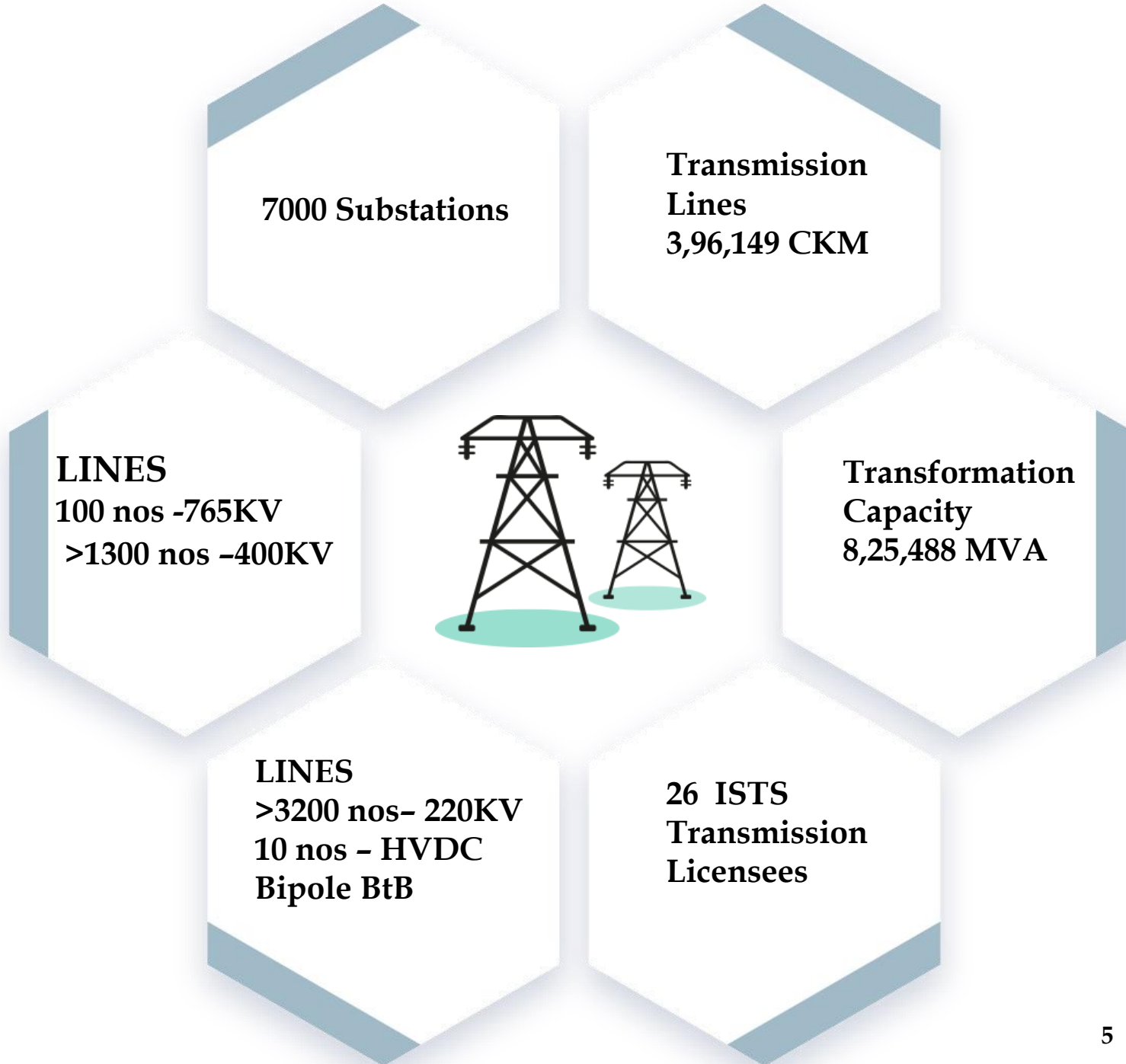
India Power Sector Empowering India



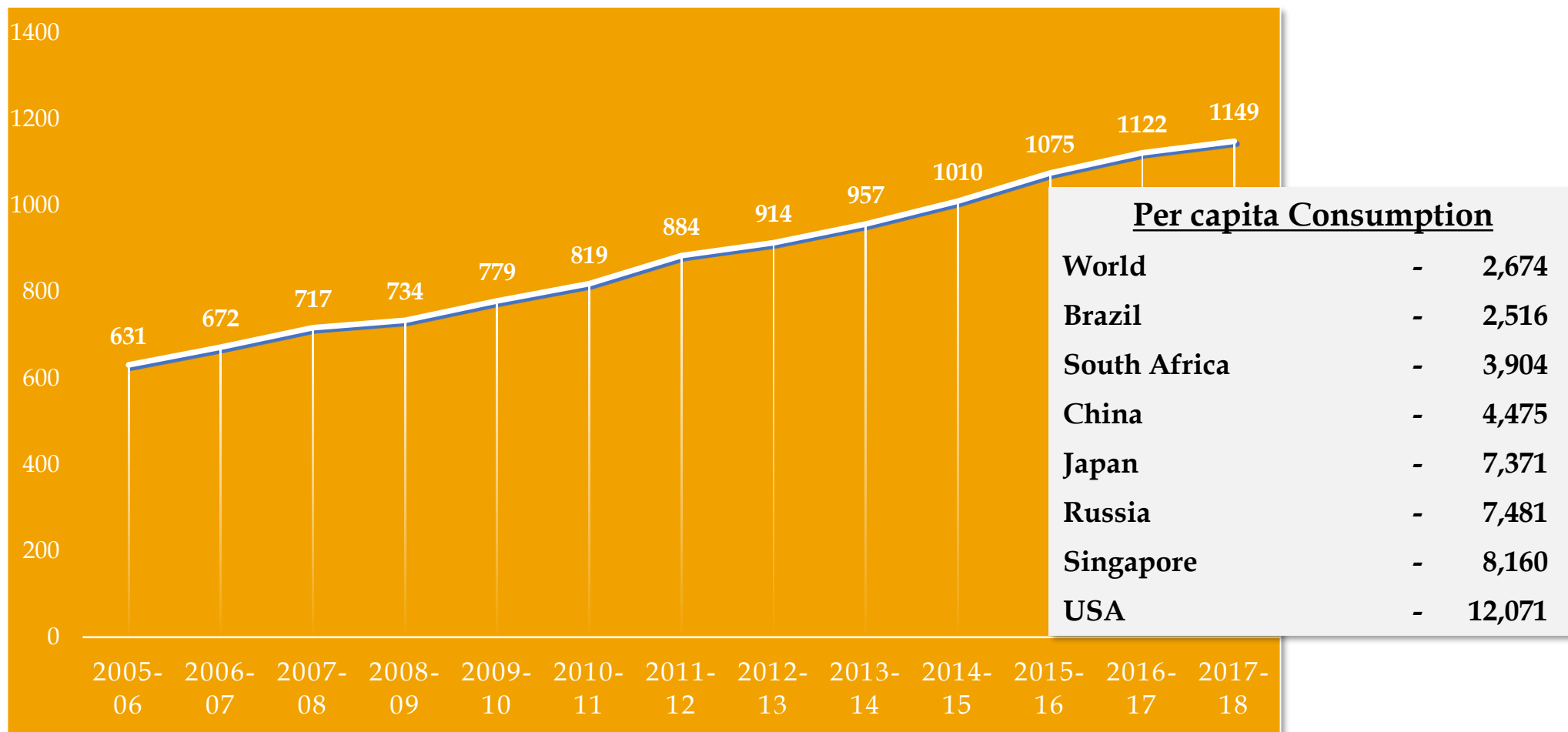
Generation



Transmission

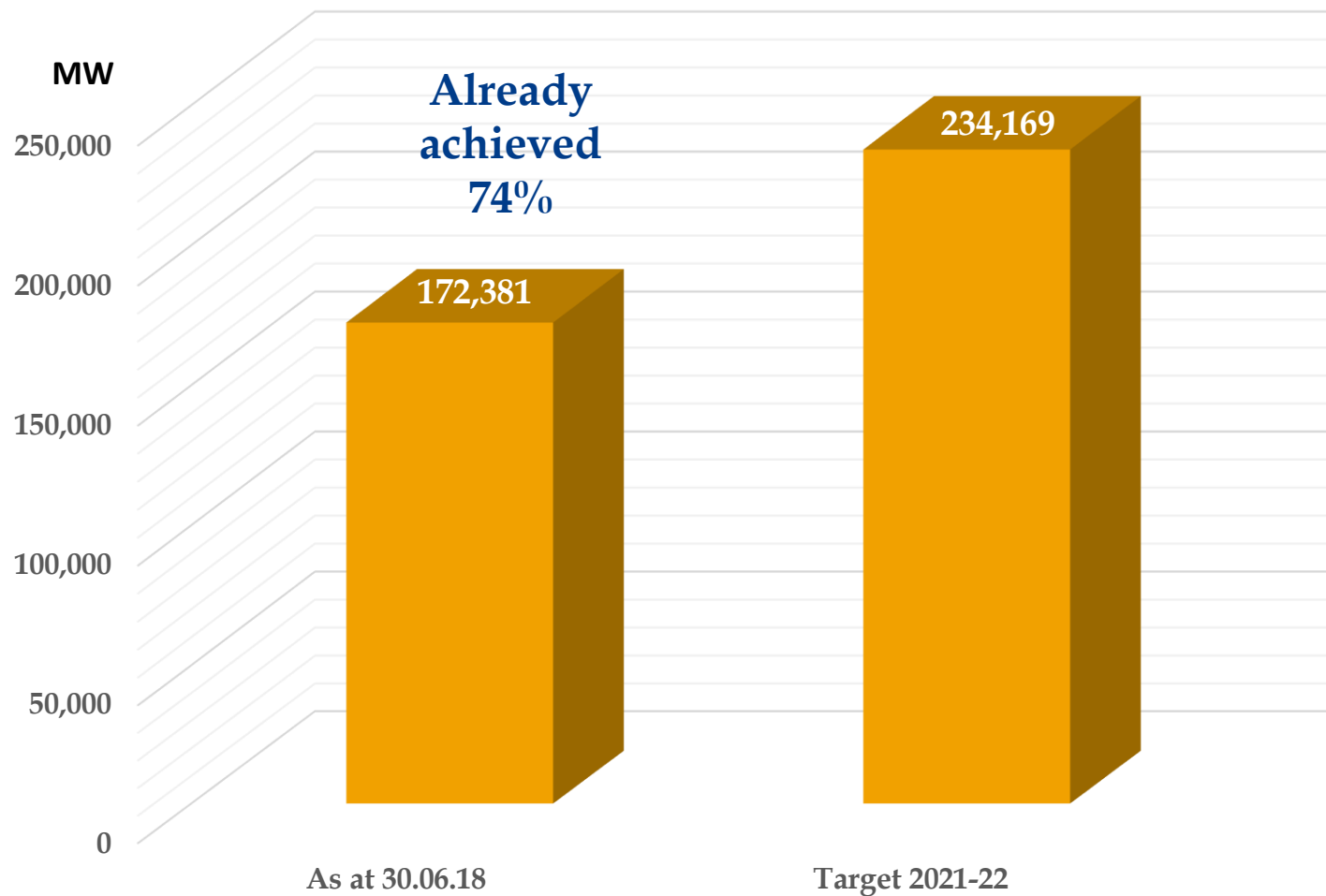


Annual Per Capita Consumption of Electricity (kwh)



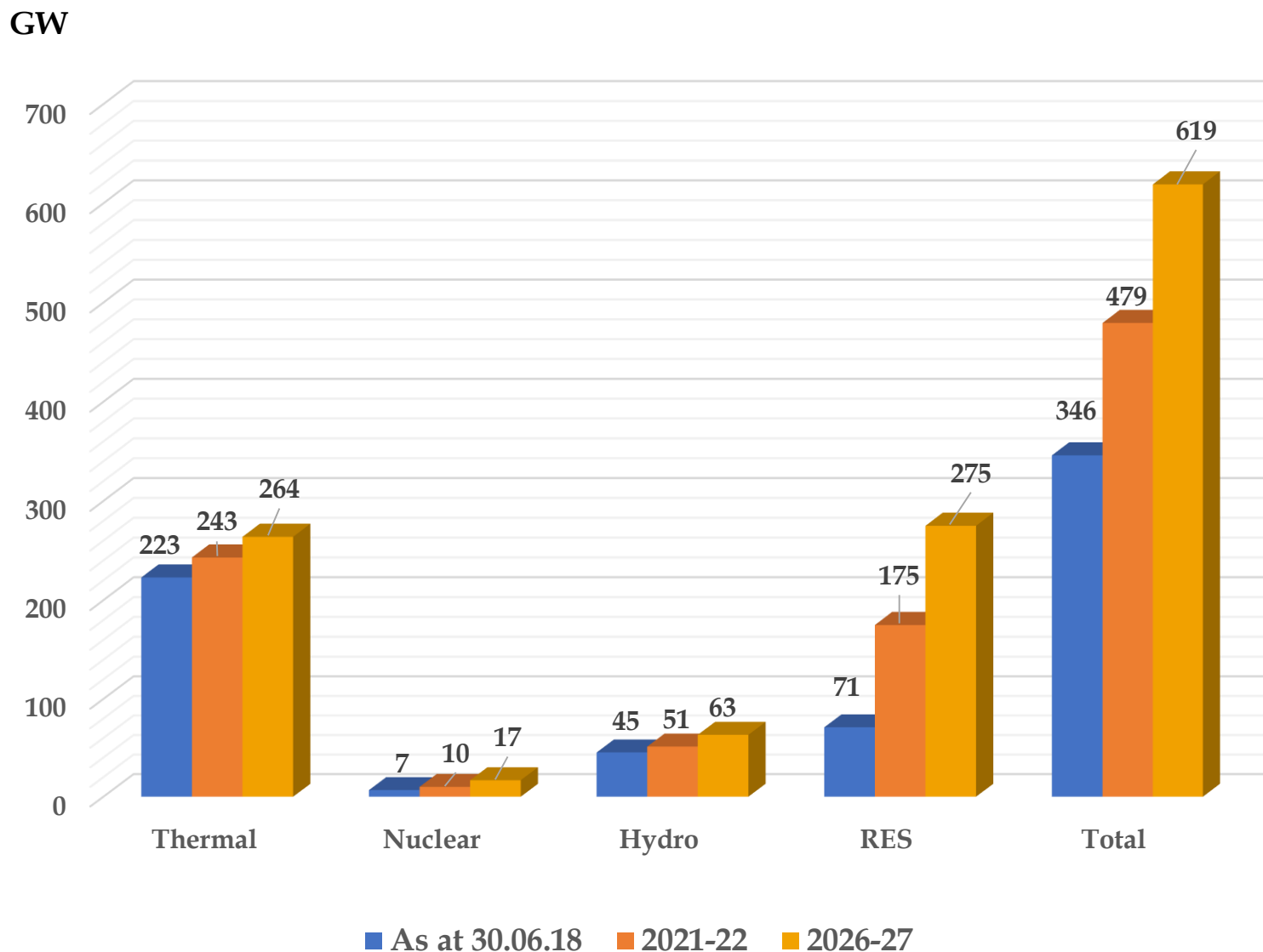
Source : CEA & Wikipedia

Estimated Demand by 2021-22 (MW)



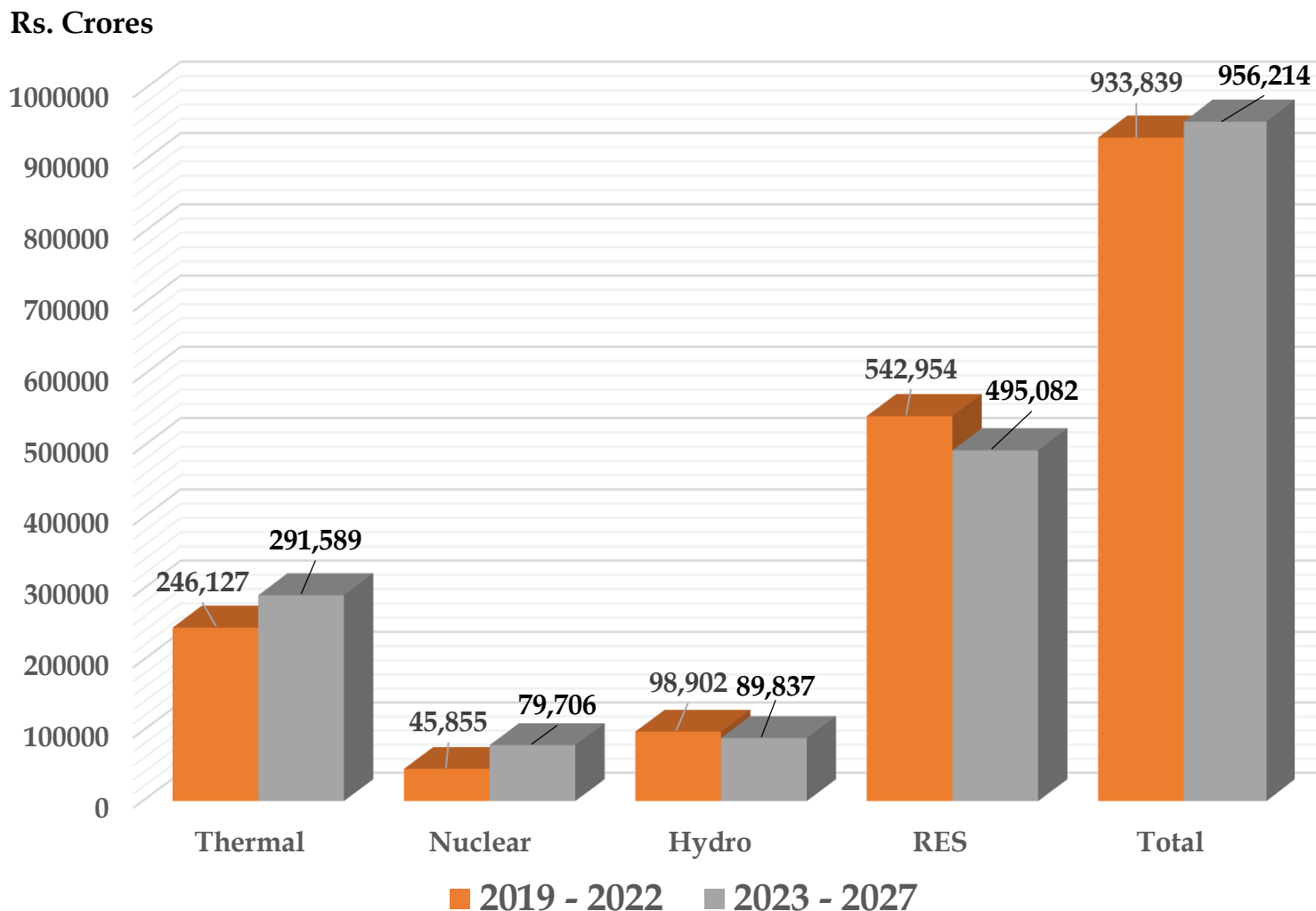
Source : CEA

Generation Capacity by 2026-27 (GW)



Source : CEA, National Electricity Policy

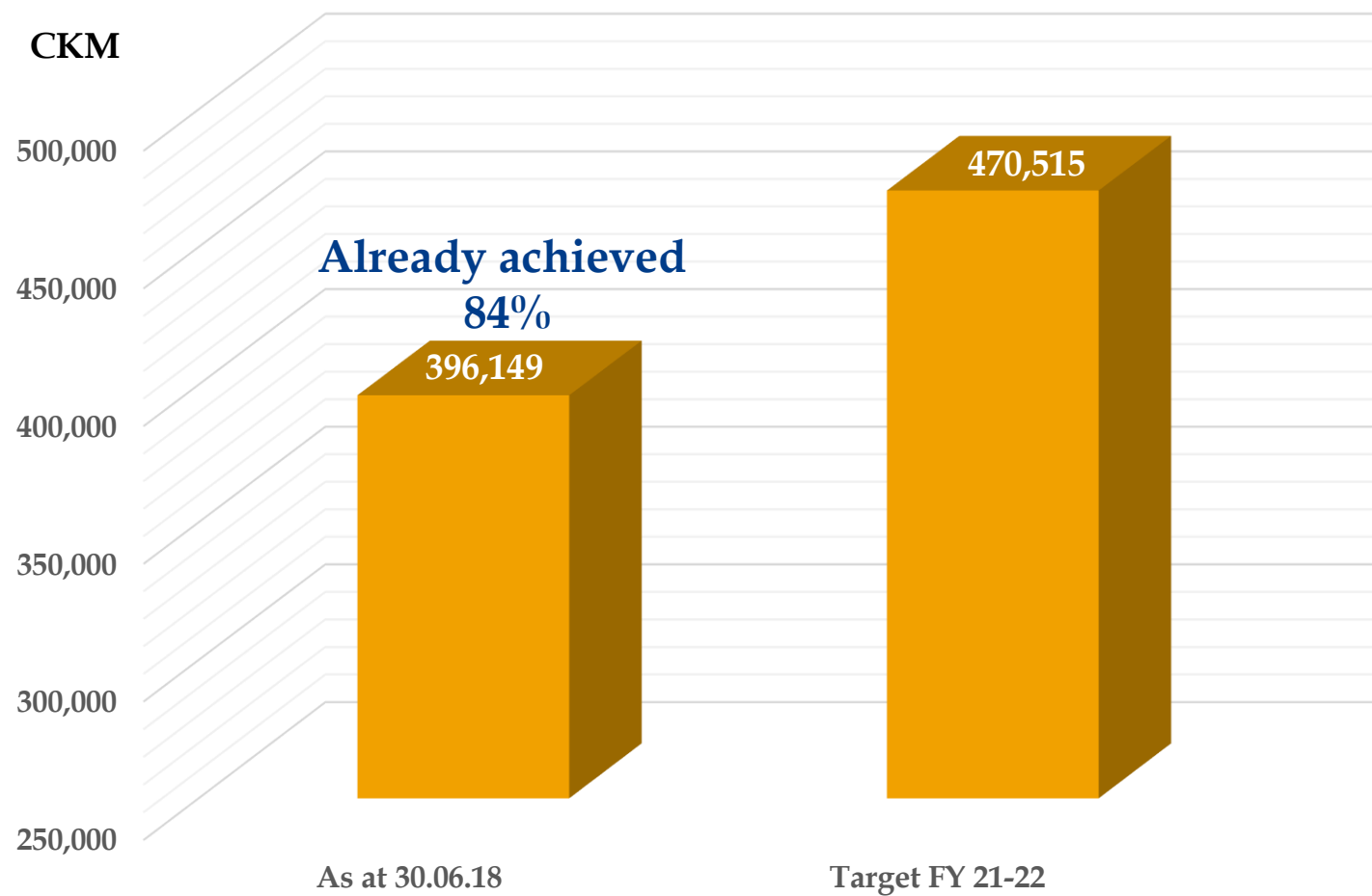
Fund Requirement (Generation) by 2026-27 (Rs. Crores)



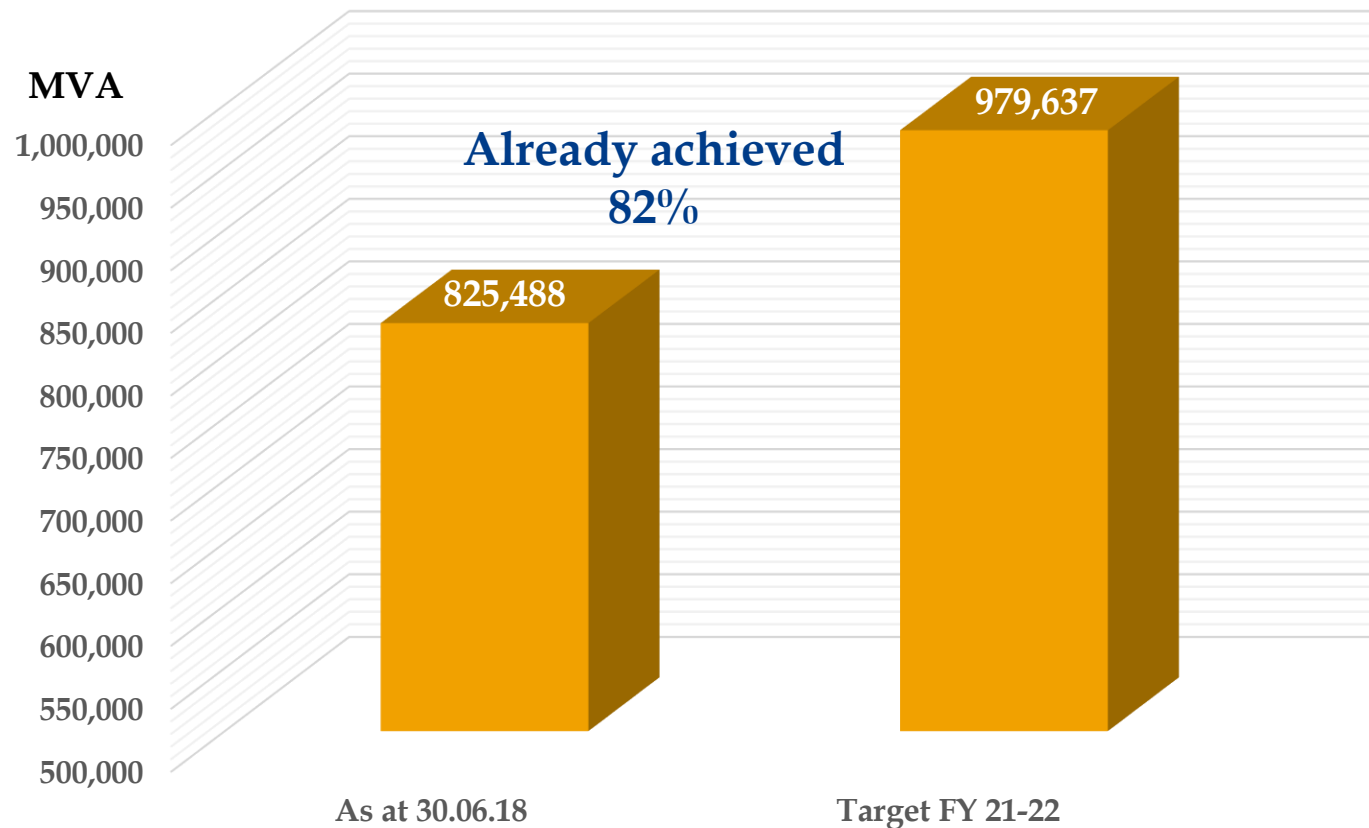
Estimated fund requirement for generation capacity
 addition – **INR 18,90,053 Crores** from 2018-19 to 2026-27

Source : CEA, National Electricity Policy

Transmission Line Capacity by 2021-22 (CKM)



Transformation Capacity by 2021-22 (MVA)



**Estimated fund requirement for Transmission capacity
addition including Transformation – INR 2,60,000
Crores during the period 2017-22**

Renewable Energy in India

| Sources | Potential (%) | Potential (GW) |
|--|---------------|----------------|
| Wind Power (Onshore) | 11% | 103 |
| Solar | 83% | 749 |
| Small Hydro | 2% | 20 |
| Biomass/Bagasse | 3% | 23 |
| Waste to Energy | 1% | 2.7 |
| Total Potential (GW) | 100% | 897.7 |
| Wind Power (Offshore) | | 127 |
| Grand Total Potential (GW) | | 1024.7 |
| Source : Wind Energy Mission Doc, C-Wet , NISE estimates, MNRE | | |

- Voluntary commitment to reduce emission intensity by 33% - 35% from 2005 levels by 2030.
- To achieve about 40% cumulative electric power installed capacity from non-fossil fuel based energy resources by 2030
- Core drivers for renewable energy being Energy security (reducing dependence on fossil fuels); Electricity shortages (to meet the growing requirements) and Energy Access for all

| Particulars | Installed Capacity 31.03.2018 | Installed Capacity 30.06.2018 | Target 2022 | | Expected 2027 (NEP) | |
|--------------------------------------|-------------------------------|-------------------------------|----------------|-------------|---------------------|-------------|
| Solar >1 MW | 21,651 | 23,023 | 100,000 | 57% | 1,50,000 | 55% |
| Wind | 34,046 | 34,293 | 60,000 | 24% | 1,00,000 | 36% |
| Small Hydro Power | 4,486 | 4,494 | 5,000 | 3% | 8,000 | 3% |
| Biomass/Other | 8,839 | 8,839 | 10,000 | 6% | 17,000 | 6% |
| Total Installed Capacity (MW) | 69,022 | 70,649 | 175,000 | 100% | 2,75,000 | 100% |

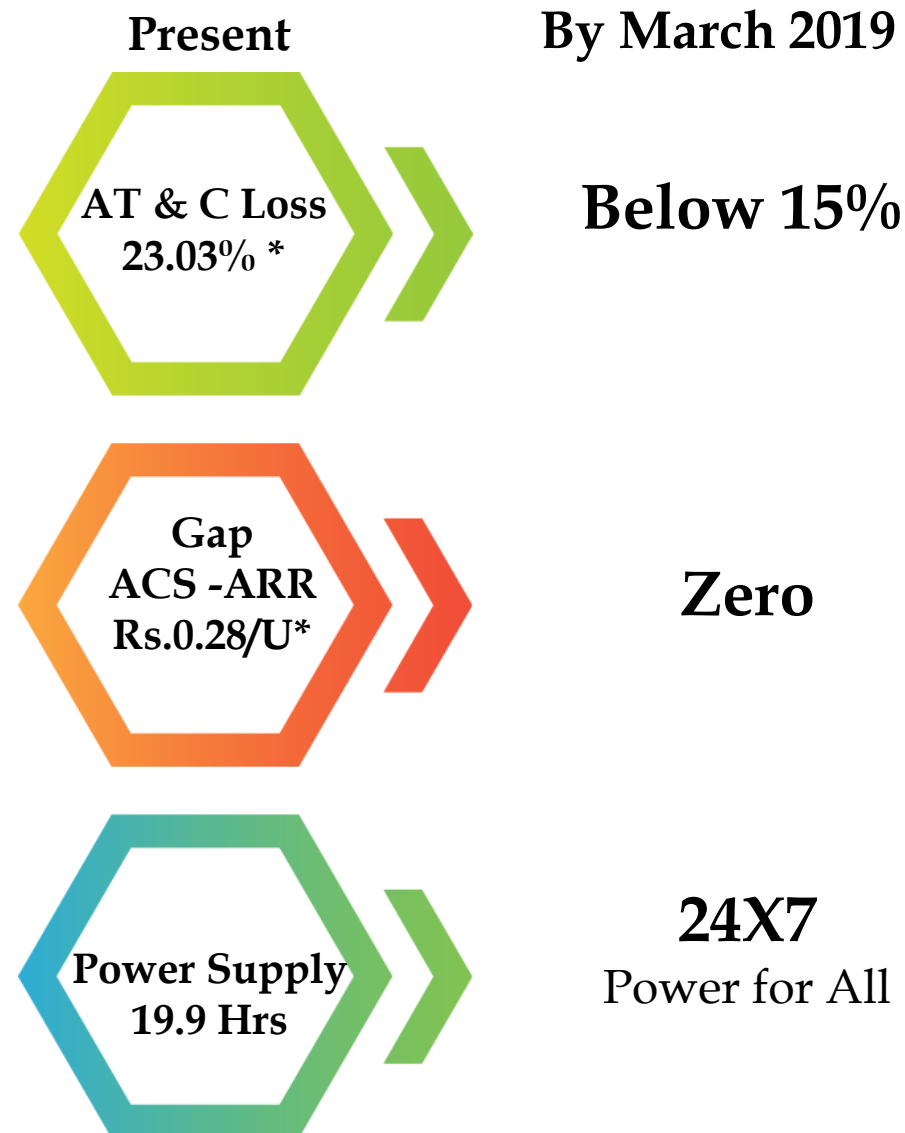
Target 2022 of 175 GW
< 20% of total potential
and estimated 2027
< 30% of total potential



Distribution Modernization by 2019

Does not include data of Mizoram, Nagaland, Andaman and Nicobar Islands, Lakshadweep

* Source : <https://www.uday.gov.in>



Overview

- W.e.f 11th October 2017, Govt. of India launched Rs. 16,350 crores household electrification scheme named Pradhan Mantri Sahaj Bijli Har Ghar Yojana (translated as the Prime Minister's Programme to provide easy electricity access to all households), or 'Saubhagya')
- Objective of the 'Saubhagya' is to provide energy access to all by last mile connectivity and electricity connections to all remaining un-electrified households in rural as well as urban areas estimated to be around 3.96 crores households.
- Projects under the scheme are sanctioned based on the Detailed Project Reports to be submitted by the States, prepared by the State DISCOMs / Power Department and sanctioned by an inter-ministerial Monitoring Committee headed by the Secretary (Power), Government of India
- Considering an average load of 1 KW per household and average uses of load for 8 hours in a day, estimated rise in demand for power after inclusion of all households will be about 28,000 MW. With the enhancement of income and habit of using electricity, the demand of electricity is bound to increase
- Access to electricity is also expected to boost power-based ancillary economic and business activities, which will further increase the demand for power

Financial Support under the Saubhagya Scheme

| Agency | Nature of Support | Quantum of Support (% of Project Cost) | |
|---|-------------------|--|-------------------------|
| | | Other than Special Category States | Special Category States |
| Government of India | Grant | 60% | 85% |
| Utility / State Contribution | Own Fund | 10% | 5% |
| Loan (FIs/Banks) | Loan | 30% | 10% |
| Additional Grant from GoI on achievement of prescribed milestones | Grant | 50% of loan component | 50% of loan component |
| Maximum Grant by GoI (including additional grant on achievement of prescribed milestones) | Grant | 75% | 90% |

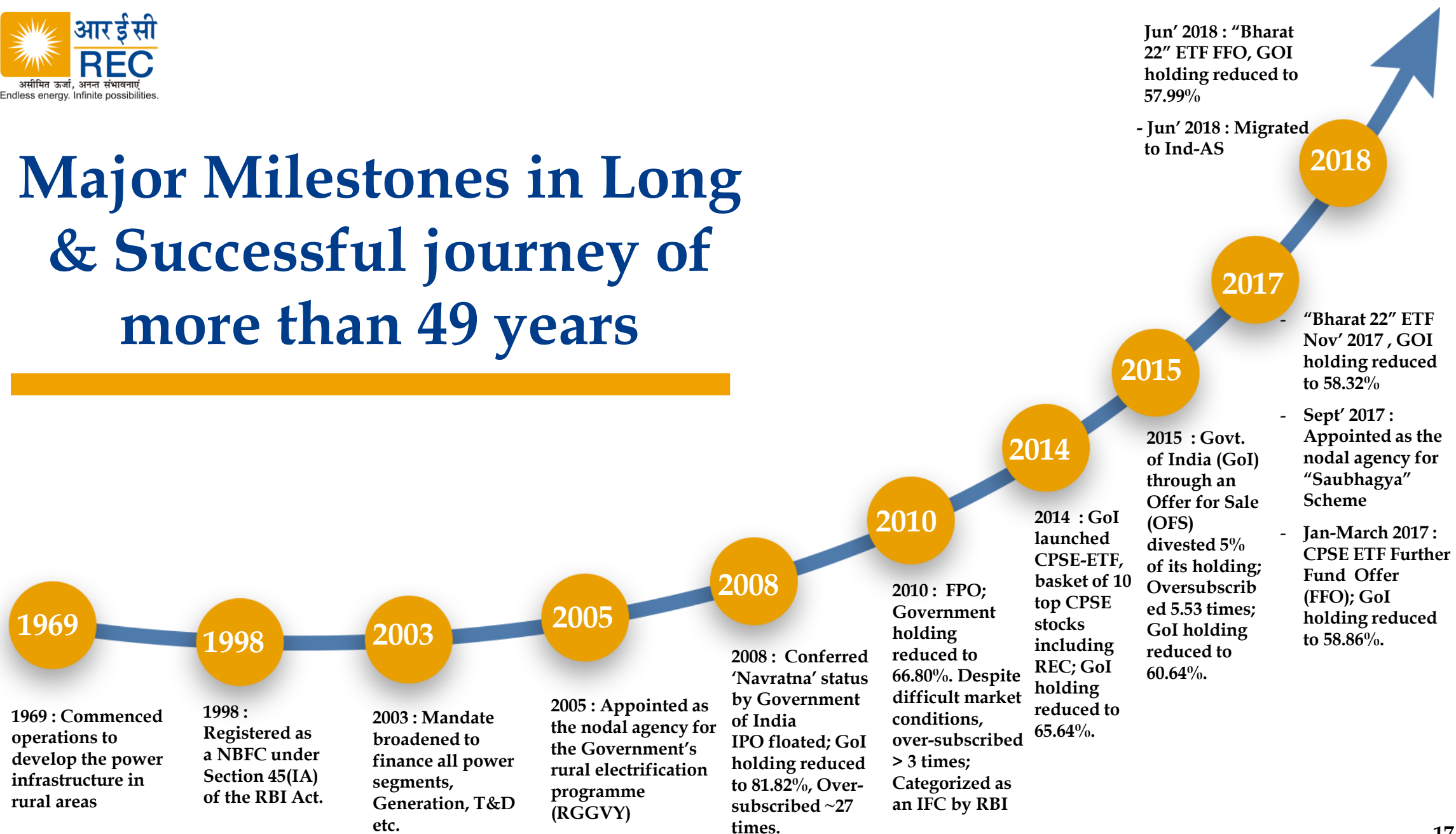
REC Overview



Key Strengths



Major Milestones in Long & Successful journey of more than 49 years



Board of Directors

Experienced Team with sector experience



Dr. P.V. Ramesh, IAS
Chairman & Managing Director

IAS officer (1985 batch)
with rich and varied
experience of > 33 years

- Was Principal Finance Secretary / Additional Chief Secretary and Development Commissioner to Government of Andhra Pradesh for five years.
- Substantial expertise & experience in development assistance management (Government, UNOPS, UNFPA, IFAD, World Bank, DFID, DANIDA, UNICEF, etc.), resource mobilisation, financial management; delivering high quality technical assistance (UNDP, UNICEF, UNCTAD, UNIDO, World Bank, DANIDA, DFID etc.); effective management of international procurement and efficient contract administration (World Bank, UNOPS, UNOIP, Government), and international development agencies, governments, financial institutions, corporate enterprises, NGOs, and research institutions.
- Held senior diplomatic assignments including, UNFPA Country Representative in Afghanistan; Director UNOPS; UNOPS / World Bank Senior Advisor; UNOPS / IFAD Senior Country Programme Manager; UNOPS Senior Portfolio Manager; Staff Officer in IFAD and UNOPS HQ; represented UNOPS in UNDG at New York and IFAD in consultative group meetings.
- Physician with distinction in medicine and surgery from CMC Vellore, Tamil Nadu, India.



Mr. Ajeet Kumar Agarwal
Director (Finance)

> 34 years experience
in Finance Sector

- 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.

Board of Directors

Experienced Team with sector experience



Mr. Sanjeev Kumar Gupta

Director (Technical)

> 34 years 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.



Dr. Arun Kumar Verma

Govt nominee Director

JS(RE), MoP
>29 years of
administrative &
management experience

- Previously, posted as Member Secretary of Gujarat Ecology Commission, and Project Director of World Bank funded Integrated Coastal Zone Management.
- Holds Master's degree in Physics, Ph.D. in Tribal Development Policy. Post Graduate in Public Policy & Management (PGPPM) from IIM, Bengaluru & Maxwell School of Citizenship and International Affairs, Syracuse University, USA
- Part of the Indian Forest Services (IFS) since 1986 in the Gujarat cadre and has over 29 years of administrative and management experience.

Board of Directors

Experienced Team with sector experience



Professor T.T. Ram Mohan

Independent Director

Professor of Finance & Accounting 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. Aravamudan Krishna Kumar

Independent Director

> 40 years experience in all facets of Banking Sector

- Served SBI for >39 yrs, where 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.

Board of Directors

Experienced Team with sector experience



Ms. Asha Swarup
Independent Director

IAS officer (1973 batch) Retd. 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.



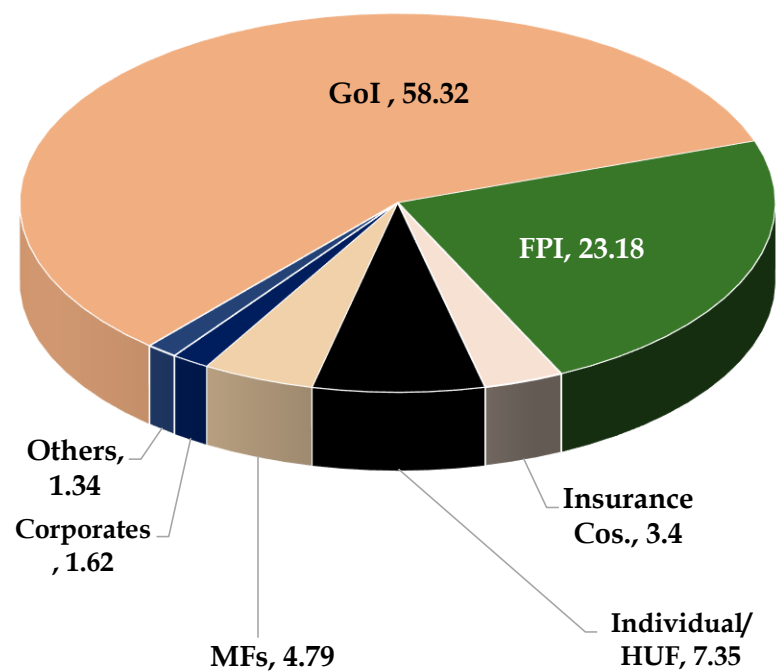
Dr. Bhagvat Kishanrao Karad

Independent Director
Medical practitioner with business acumen

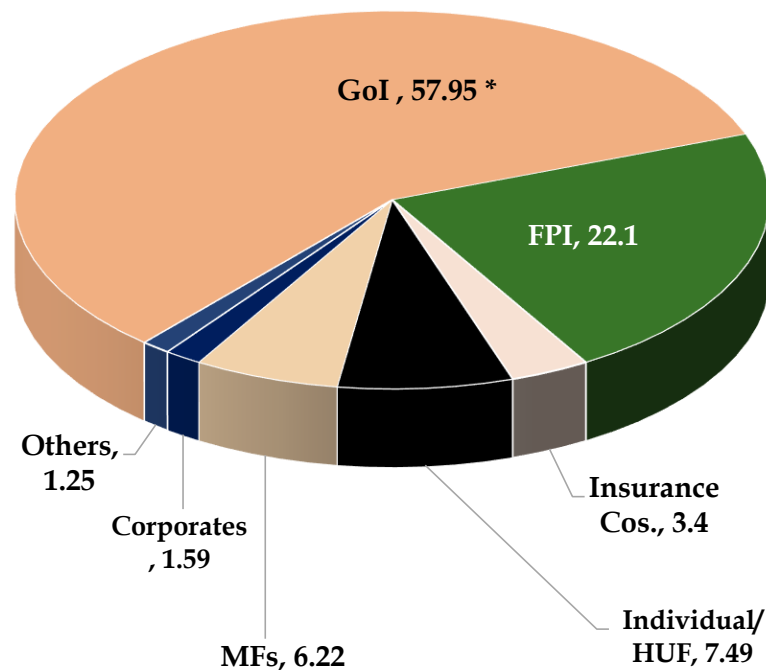
- Independent Director on the Board of REC since July 17, 2018.
- Has been on advisory Board of Wockhardt Foundation & Aurangabad Airport Authority and advisory member for the Govt Medical College and Hospital, Aurangabad. Has been Mayor of Aurangabad Municipal Corporation twice. Due to his business acumen to run commercial organizations and experience to handle various social responsibilities, especially in Rural Maharashtra, he has gained knack in addressing socio-economic issues and writing as well as recommending policies to the concerned departments in the State Government especially 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).

Shareholding Pattern

As at 31.03.2018



As at 30.06.2018



* During Q1 FY 19, President of India, acting through MoP has transferred 72,22,395 equity shares of the Company, in connection with Follow-on Fund offer of Bharat-22 ETF. However, 7,49,151 equity shares were transferred back to Govt. of India in July 2018. Accordingly, as on date, the shareholding of Govt. of India stands at 57.99%.

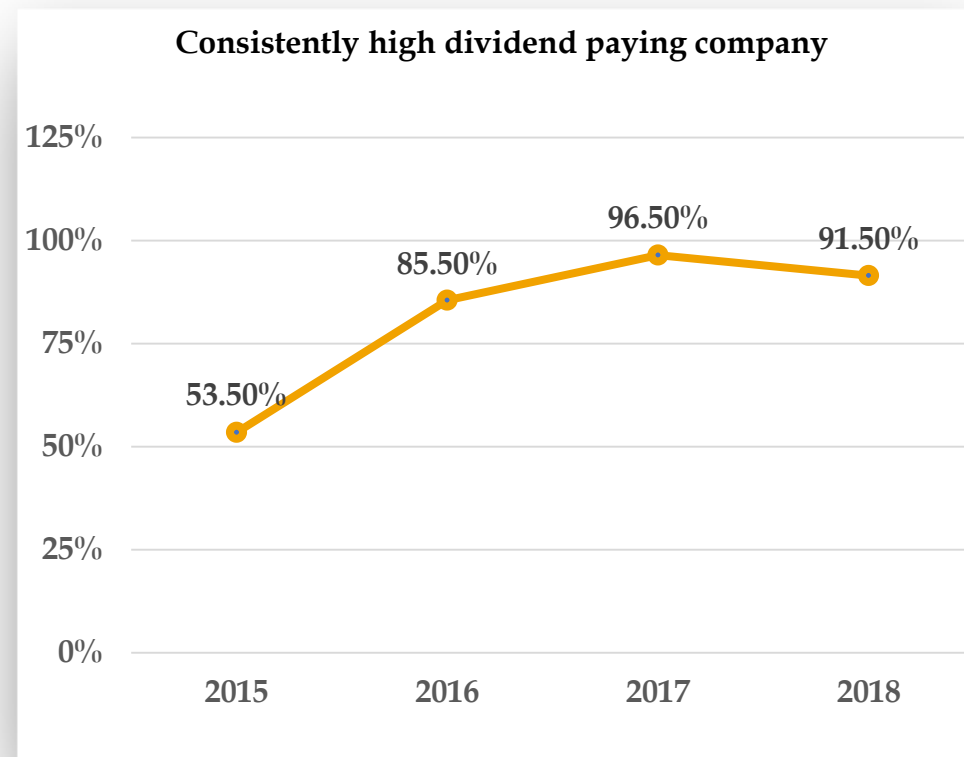
Shareholders Outlook

Top 10 Share holders as at June 30, 2018

| Rank | Particulars | Shareholding (%) | Category |
|------|--|------------------|----------|
| 1 | President of India | 57.95 | POI |
| 2 | Life Insurance Corporation of India | 2.30 | INS |
| 3 | The Prudential Assurance Company Limited | 1.95 | FPI |
| 4 | HDFC Trustee Company Limited - HDFC Prudence Fund | 1.20 | MUT |
| 5 | HDFC Trustee Company Limited - HDFC Equity Fund | 0.99 | MUT |
| 6 | Eastspring Investments - Developed and Emerging Asia Equity Fund | 0.97 | FPI |
| 7 | CPSE ETF | 0.92 | MUT |
| 8 | SBI Magnum Taxgain Scheme | 0.61 | MUT |
| 9 | Vanguard Emerging Markets Stock Index Fund | 0.60 | FPI |
| 10 | India Capital Fund Limited | 0.58 | FPI |
| | TOTAL | 68.06 | |

POI = President of India; INS = Insurance Companies ; FPI = Foreign Portfolio Investors;
MUT = Mutual Fund

Dividend Payout as a % of Equity Share Capital



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

RBI circular dated 31st May 2018 - Impact

RBI vide its circular dated 31st May 2018 withdrew the exemption available to Govt. NBFCs on applying Prudential Norms. REC is already complying with the norms and the position of the same is as below :

| Particulars | RBI circular dated 31 st May 2018 | Present Status of REC | Impact |
|-------------------------------------|---|--|------------|
| Asset Classification | NPA recognition norms 120 days by March 31, 2019, 90 days by March 31, 2020 | REC already implemented 90 days norm for asset classification w.e.f April 01, 2017. | No Impact |
| Capital adequacy | CRAR – 15% within minimum Tier-I of 10% by March 31 , 2022 | REC being a NBFC-IFC is already following RBI norms of 15% (minimum Tier-I of 10%). REC's Capital adequacy as at June 30, 2018 is 16.66% (Tier - I being 14.35%). | No Impact. |
| Concentration of credit/ investment | Credit Concentration norms - For Govt. NBFCs as per specific approval given by RBI | RBI has exempted REC from applicability of RBI's concentration of Credit/ Investment norms, in respect of its exposure to Central/ State Government entities up to 31st March, 2022. | No Impact |
| Section 45 IC of RBI Act 1934 | By March 31, 2019 NBFC to transfer 20% of its net profit every year as disclosed in the profit and loss account and before any dividend is declared to Reserve Fund, in compliance of Section 45IC of RBI Act 1934. | Complied. Section 45IC reserve fund created starting from quarter ended June 30, 2018 amounting to Rs. 294 cr. | Complied |

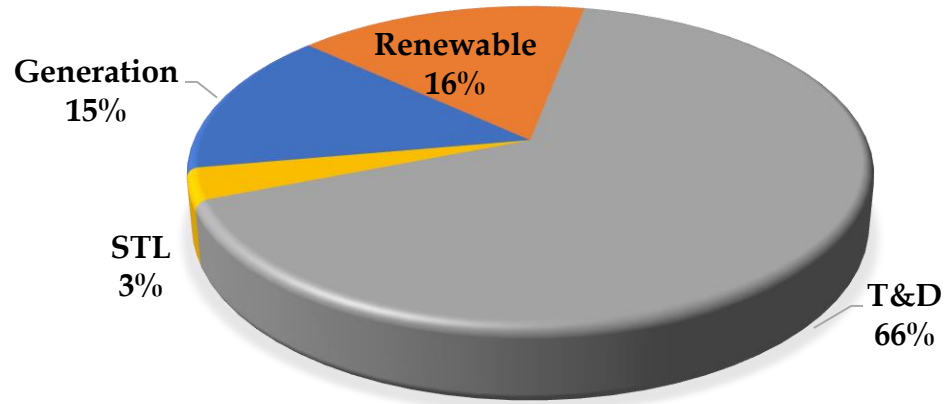
**No impact on REC of RBI circular dated 31st May 2018.
Even complying with the RBI directions, suo moto, well before the deadline.**

Operational Performance



Sanctions - Composition

Sector-wise breakup of Sanctions in Q1 FY19

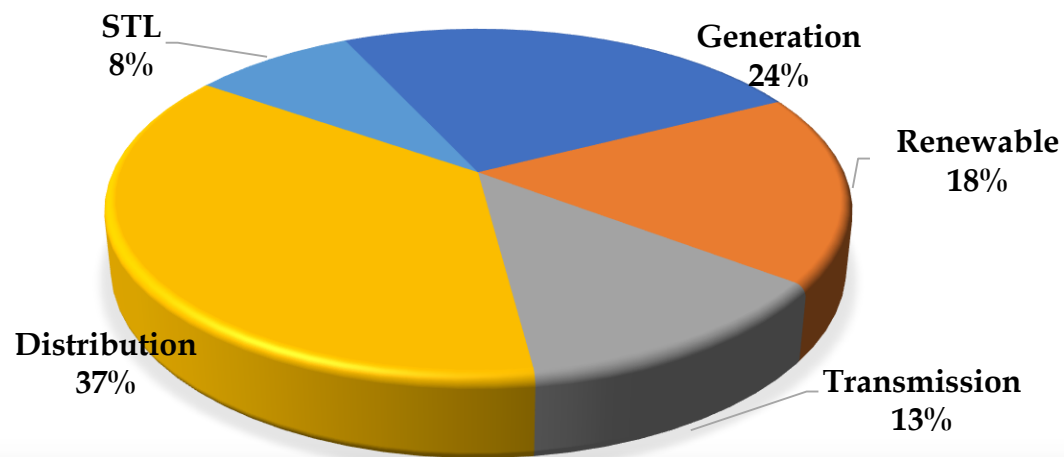


Consistent growth
in renewables

| Discipline-wise | 12M | | | | | | Q1 | | | |
|-----------------------------|---------------|------------|---------------|------------|---------------|------------|----------------|------------|---------------|------------|
| | FY15 | % | FY16 | % | FY17 | % | FY 18 | % | FY 19 | % |
| Generation | 23,778 | 39 | 27,828 | 43 | 28,209 | 34 | 53,224 | 49 | 2,739 | 15 |
| Renewable Energy | 548 | 1 | 2,966 | 5 | 2,090 | 2 | 7,034 | 7 | 3,041 | 16 |
| Transmission & Distribution | 35,135 | 57 | 31,377 | 47 | 49,047 | 59 | 40,541 | 38 | 12,387 | 66 |
| Total Project Loans | 59,461 | 97 | 62,171 | 95 | 79,346 | 95 | 100,799 | 94 | 18,167 | 97 |
| <i>Growth</i> | - | | 5% | | 28% | | 27% | | | |
| Short Term Loan | 1,960 | 3 | 3,300 | 5 | 4,525 | 5 | 6,735 | 6 | 600 | 3 |
| Total Sanctions | 61,421 | 100 | 65,471 | 100 | 83,871 | 100 | 107,534 | 100 | 18,767 | 100 |
| <i>Growth</i> | - | | 7% | | 28% | | 28% | | | |

Disbursements – Composition

Sector-wise breakup of Disbursements in Q1 FY19

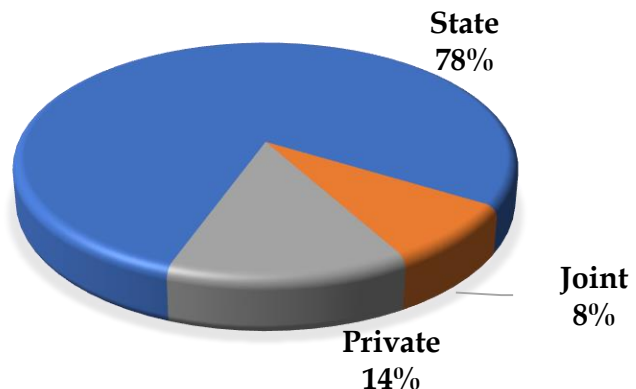


Renewables major driver of the growth

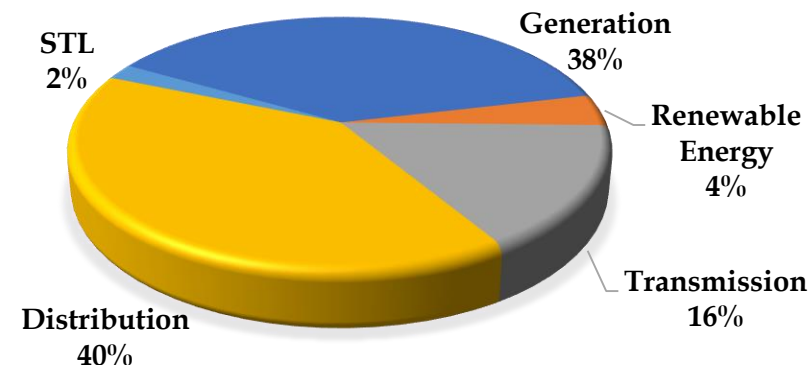
| Discipline-wise | 12M | | | | | | | | Q1 | |
|-----------------------------------|--------|-----|--------|-----|--------|-----|--------|-----|-------|-----|
| | FY 15 | % | FY 16 | % | FY 17 | % | FY18 | % | FY19 | % |
| Generation | 13,828 | 32 | 12,820 | 27 | 21,697 | 37 | 18,086 | 29 | 2,035 | 24 |
| Renewable Energy | 295 | 1 | 304 | 1 | 1,618 | 3 | 5,403 | 9 | 1,475 | 18 |
| Transmission | 6,286 | 15 | 8,529 | 19 | 10,520 | 18 | 6,668 | 11 | 1,053 | 13 |
| Distribution | 20,159 | 47 | 22,173 | 48 | 19,429 | 34 | 24,920 | 40 | 3,053 | 37 |
| Total Transmission & Distribution | 26,445 | 62 | 30,702 | 67 | 29,949 | 52 | 31,588 | 51 | 4,106 | 50 |
| Total Project Loans | 40,568 | 95 | 43,826 | 95 | 53,264 | 92 | 55,077 | 89 | 7,616 | 92 |
| Growth | - | | 8% | | 22% | | 3% | | | |
| Short Term Loan | 2,250 | 5 | 2,200 | 5 | 4,775 | 8 | 6,635 | 11 | 700 | 8 |
| Total Disbursements | 42,818 | 100 | 46,026 | 100 | 58,039 | 100 | 61,712 | 100 | 8,316 | 100 |
| Growth | - | | 7% | | 26% | | 6% | | | |

Outstanding Loans – Composition

**Customer-wise
breakup
of Loans as at
30.06.2018**



**Category-wise
breakup of
Loans as at
30.06.2018**



| Discipline-wise | 12M | | | | | | | | Q1 | |
|------------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
| | FY 15 | | FY 16 | | FY 17 | | FY18 | | FY19 | |
| | Amt | % | Amt | % | Amt | % | Amt | % | Amt | % |
| State | 133,712 | 75 | 153,941 | 77 | 151,976 | 75 | 186,445 | 78 | 189,067 | 78 |
| Joint | 14,629 | 8 | 16,808 | 8 | 16,728 | 8 | 19,798 | 8 | 19,905 | 8 |
| Private | 31,306 | 17 | 30,529 | 15 | 33,225 | 17 | 33,206 | 14 | 32,941 | 14 |
| Total | 179,647 | 100 | 201,278 | 100 | 201,929 | 100 | 239,449 | 100 | 241,913 | 100 |
| Growth | | | 12% | | 0% | | 19% | | 1% | |
| Generation | 75,632 | 41 | 86,980 | 43 | 100,441 | 50 | 108,442 | 46 | 94,207 | 38 |
| Renewable Energy | 756 | 1 | 1,000 | 1 | 2,447 | 1 | 7,506 | 3 | 8,503 | 4 |
| Transmission | 28,372 | 16 | 35,289 | 18 | 42,520 | 21 | 45,558 | 19 | 38,918 | 16 |
| Distribution | 73,790 | 41 | 76,087 | 37 | 52,933 | 26 | 72,295 | 30 | 95,746 | 40 |
| Total T&D | 102,162 | 57 | 111,376 | 55 | 95,453 | 47 | 117,853 | 49 | 134,664 | 56 |
| Short Term Loans | 1,097 | 1 | 1,922 | 1 | 3,588 | 2 | 5,648 | 2 | 4539 | 2 |

Outstanding Loans - Asset Diversification

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

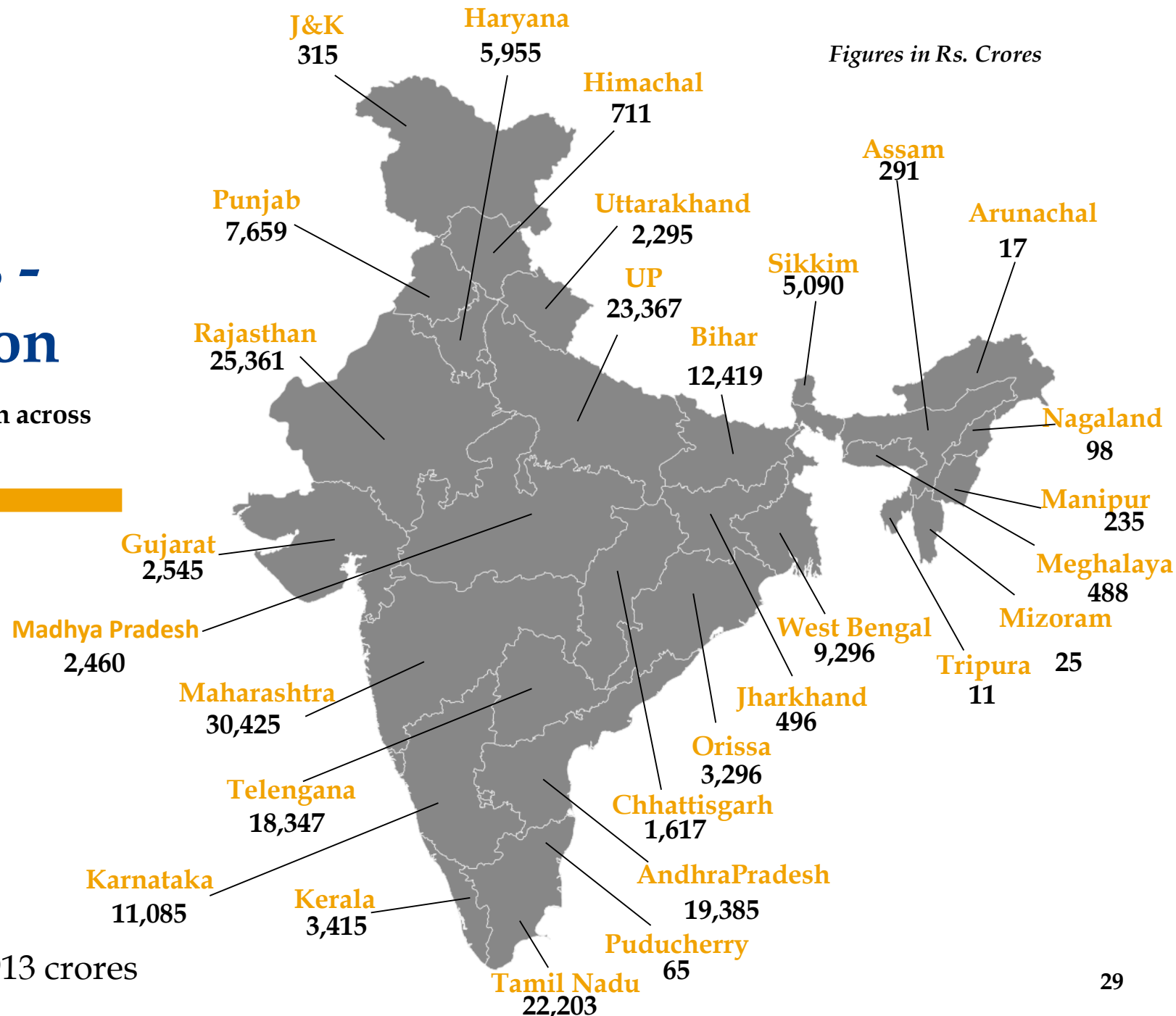
State Sector Borrowers

2,08,972

Private Sector Borrowers

32,941

Total Loan Outstanding – Rs. 2,41,913 crores



Outstanding Loans -Loan Concentration

Major Borrowers (as on June 30, 2018)

| S.No. | Top Ten Borrowers | Amount Outstanding (Rs Cr.) | % of Total Loan Assets |
|-------|--|-----------------------------|------------------------|
| 1 | Maharashtra State Electricity Distribution Company Limited | 13,062 | 5.40% |
| 2 | Maharashtra State Power Generation Company Limited | 12,532 | 5.18% |
| 3 | Rajasthan Rajya Vidyut Utpadan Nigam Limited | 10,648 | 4.40% |
| 4 | Tamil Nadu Generation and Distribution Corporation | 8,872 | 3.67% |
| 5 | Tamil Nadu Transmission Corporation (TANTRANSCO) | 8,220 | 3.40% |
| 6 | Nabinagar Power Generating Co. Pvt Ltd | 8,163 | 3.37% |
| 7 | Uttar Pradesh Power Transmission Corporation Limited | 7,068 | 2.92% |
| 8 | Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) | 6,484 | 2.68% |
| 9 | Andhra Pradesh Power Generation Corporation (APGENCO) | 6,385 | 2.64% |
| 10 | Uttar Pradesh Power Corporation Limited | 5,788 | 2.39% |
| | Total | 87,222 | 36.05% |

Well diversified asset portfolio with Top 10 borrowers accounting for ~36% of current loans and no single borrower accounting for more than 6% of total loan book

Transition to Ind-AS



IGAAP vs Ind-AS - Material accounting changes

| S. No. | Particulars | Accounting under the earlier AS (IGAAP) | Accounting as per Ind-AS |
|--------|--|--|--|
| 1. | Loan-related fees based Income | Recognized as income on accrual basis | Recognized as per Effective Interest Rate (EIR) method, whereby fee is recognized along with the interest over the tenor of the loan. |
| 2. | Provisioning on Loans | Made on the basis of RBI Master Directions, as per the classification of loans and ageing of the Non-Performing assets (NPAs) | Made on the basis of Expected Credit Loss (ECL) Model, which considers the probability of default and the expected loss to the Company. |
| 3. | Fund-raising Costs | Charged as expense as and when the expense was incurred, except for discount on issue of bonds and one-time arrangement fee which was amortised over the period of such borrowings | Recognised as per Effective Interest Rate (EIR) method, whereby the fund raising costs are recognized along with the interest over the tenor of the loan. |
| 4. | Foreign Exchange Fluctuation Differences | Amortised over the tenor of the long-term borrowings | For existing borrowings as on 01-04-18 - Amortized over the tenor of the long-term borrowings For fresh borrowings after 01-04-18 - Charged to Statement of Profit & Loss in the same period. |
| 5. | Derivative Accounting on Forward Contracts | Restatement gains/ losses on derivatives were amortised over the period of such contracts, in line with the treatment adopted for underlying borrowings | Mark-to-Market gains and losses recognized in the Statement of Profit & Loss in the same period in which it occurs. |
| 6. | Fair Value of Equity Instruments | Long term Equity Investments were recorded at cost. Further, provision for diminution was only done for permanent decline in the value. Current investments were recorded at cost or fair value, whichever is lower. | Changes in fair value of the equity investments is to be recognized in the Statement of Profit & Loss or Other Comprehensive Income (OCI). |

Expected Credit Loss Model – Ind AS 109

REC is a NBFC and as per current regulatory developments, NBFCs need to comply with Ind-AS for financial reporting instead of RBI prudential norms.

Ind AS 109 introduces a new model of provisioning of credit losses, based on the concept of Expected Credit Losses (ECL), thus requiring future expected losses to be estimated using reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Provision for impairment = Exposure at default (EAD) × Probability of default (PD) × Loss given default (LGD)

- EAD is balance outstanding for each loan asset as on reporting date
- PD is probability of whether borrowers will default in their obligations in the future..
- LGD is an estimate of the loss from a transaction given that a default occurs.

Expected Credit Loss Model – Ind AS 109

The period for which expected credit loss to be recognised depends on the type of loan assets which is classified in different stages as below:

Stage 1 – Loan assets with low credit risk or where credit risk has not increased significantly since initial recognition (Performing)

Stage 2 – Loan assets with significantly increased credit risk since initial recognition but do not have objective evidence of a credit loss event (Under-performing)

Stage 3 – Loan assets with objective evidence of impairment at the reporting date (Non-performing assets)

For Stage 1 assets, Losses from defaults expected in next 12 months from reporting date is provided.
For Stage 2 and Stage 3, Lifetime expected losses is provided

IMPACT:

Following this approach, loss allowance has been increased as previously LGD was considered as per RBI prudential norms though for application of ECL model, LGD is based on expected realisation for respective accounts.

Key impacts of transition to Ind AS

Ind-AS implemented from Financial Year 2018-19, with transition date as April 01, 2017.

Provision has been made in respect of all loans assets including credit impaired assets (NPAs) in accordance with the Expected Credit Loss (ECL) methodology, evaluation & calculation as per Ind-AS, undertaken by an independent agency IRR Advisory Service Pvt. Ltd., 100% subsidiary of Fitch Ratings group.

No Stage III Credit Impaired Assets (NPAs) in Government Sector.

Net Stage III Assets (NPA) dropped to 4.27% in Q1FY19 from 5.68% as per IGAAP in Q4FY18.

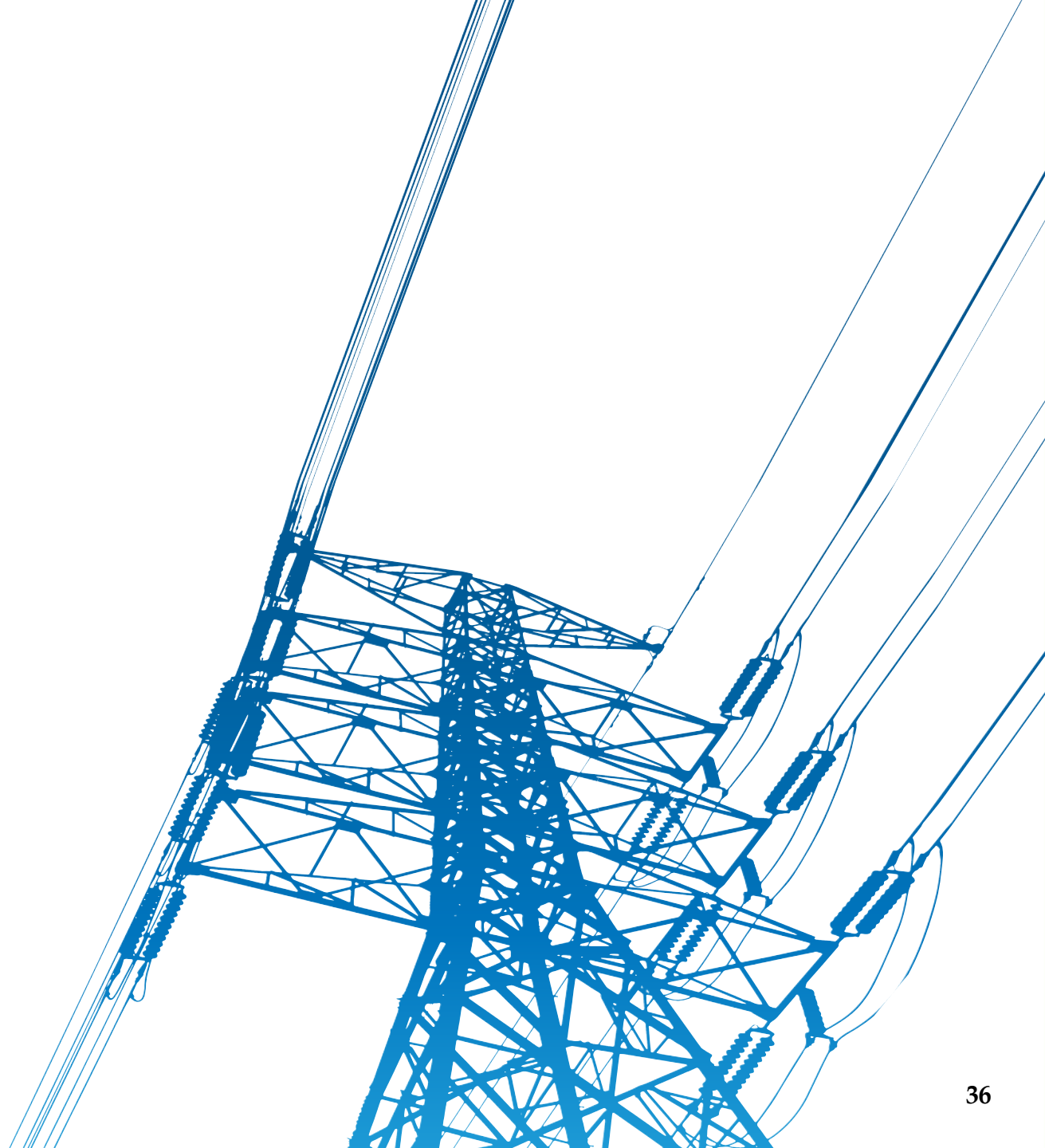
Provision Coverage Ratio against Credit impaired assets improved to 47.41% as at June 30, 2018

Provision of Rs. 2,090 crores, 0.94% created on the Standard Assets (Stage I and Stage II) higher than prescribed by RBI Prudential norms

Post implementation of Ind-AS Net worth stands at Rs. 32,478 crores as at June 30, 2018.

Capital Adequacy Ratio as at June 30, 2018 stands at 16.66% (Tier - I : 14.35%; Tier - II : 2.31%)

Asset Quality



Asset Quality & Provision Coverage

As at June 30, 2018

Figures : Rs. Crores

| Utility | Total Loan Outstanding | Credit Impaired Assets (NPAs) | | | Standard Assets | | | Total Provision |
|-----------------------------|------------------------|-------------------------------|--------------|------------------------------|-----------------|--------------|------------------------------|-----------------|
| | | Outstanding | Provision | Provision coverage ratio (%) | Outstanding | Provision | Provision coverage ratio (%) | |
| State Sector | | | | | | | | |
| - Gencos | 66,625 | - | - | - | 66,625 | 107 | 0.16 | 107 |
| - Renewables | 5,270 | - | - | - | 5,270 | 9 | 0.16 | 9 |
| - Transcos | 36,792 | - | - | - | 36,792 | 12 | 0.03 | 12 |
| - Discoms | 100,285 | - | - | - | 100,285 | 261 | 0.26 | 261 |
| Total State Sector | 208,972 | - | - | - | 208,972 | 389 | 0.19 | 389 |
| Private Sector | | | | | | | | |
| - Genco | 27,582 | 18,483 | 9,012 | 48.76 | 9,099 | 1,332 | 14.64 | 10,344 |
| - Transcos | 2,126 | 1,112 | 278 | 25.00 | 1,014 | 332 | 32.74 | 610 |
| - Renewables | 3,233 | 56 | 26 | 46.43 | 3,177 | 37 | 1.16 | 63 |
| Total Private Sector | 32,941 | 19,651 | 9,316 | 47.41 | 13,290 | 1,701 | 12.80 | 11,017 |
| Grand Total | 241,913 | 19,651 | 9,316 | 47.41 | 222,262 | 2,090 | 0.94 | 11,406 |

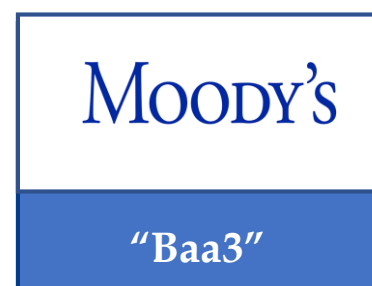
| NPAs | Value | % |
|-------|--------|------|
| Gross | 19,651 | 8.12 |
| Net | 10,335 | 4.27 |

Borrowing Profile

National Ratings



International Ratings



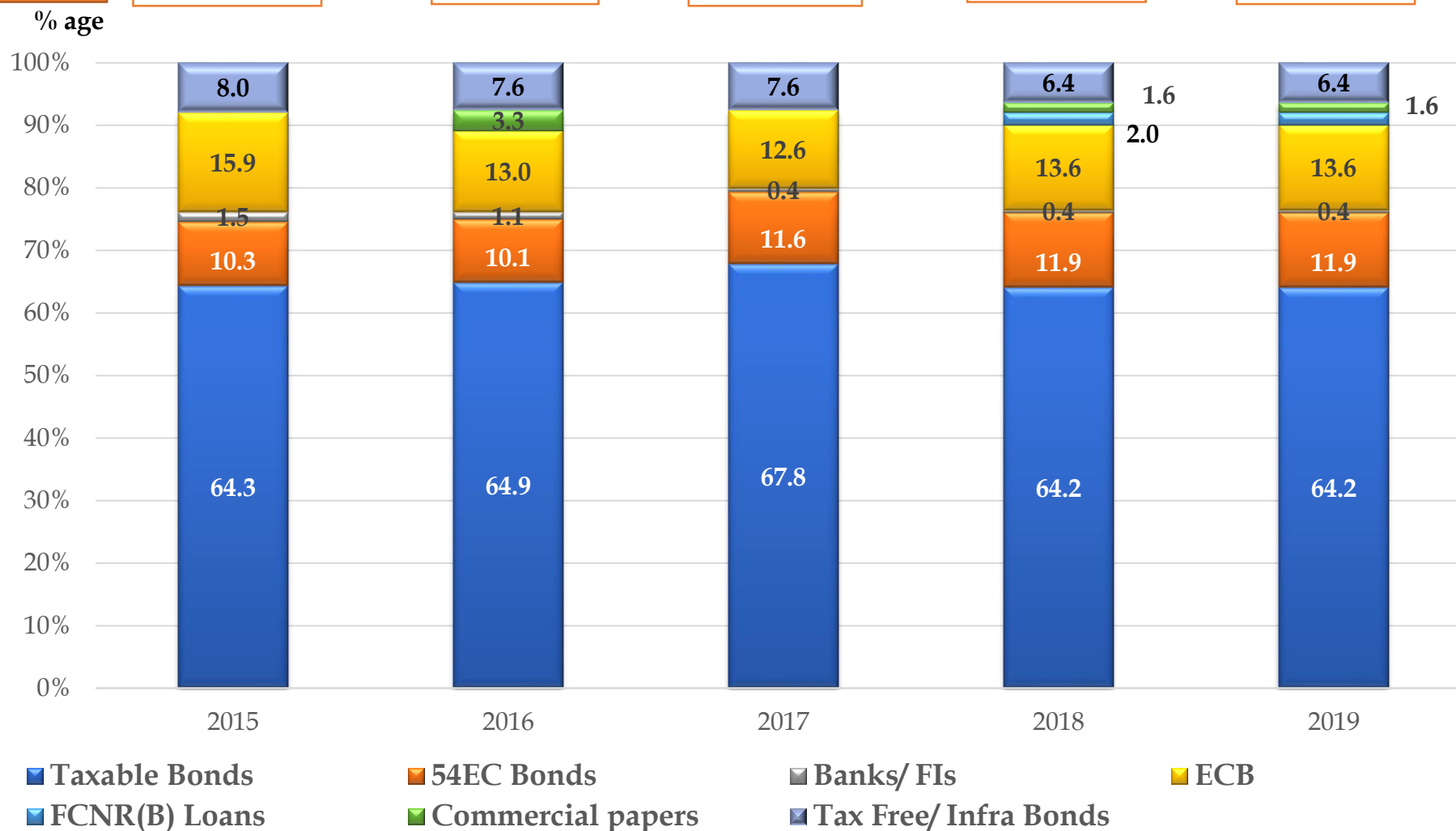
Outstanding Borrowings

Rs. Crores

| Particulars | 12M | | | | Q1 |
|--|----------------|----------------|----------------|----------------|----------------|
| | FY 15 | FY 16 | FY 17 | FY 18 | FY 19 |
| Institutional, Subordinate & Zero Coupon Bonds | 97,068 | 109,678 | 113,449 | 128,871 | 128,395 |
| Foreign Currency Borrowings | 24,028 | 21,924 | 21,081 | 25,996 | 27,242 |
| FCNR (B) Loans | - | - | - | 3,811 | 4,018 |
| Capital Gain Bonds | 15,591 | 17,164 | 19,477 | 23,705 | 23,746 |
| Tax Free Bonds | 11,649 | 12,648 | 12,648 | 12,648 | 12,648 |
| Commercial Papers | - | 5,600 | - | 3,250 | 3,250 |
| Banks, FIs, etc. | 2,312 | 1,850 | 750 | 400 | 816 |
| Infra Bonds | 376 | 242 | 112 | 110 | 110 |
| Grand Total | 151,024 | 169,106 | 167,517 | 198,791 | 200,225 |
| Average annualized Cost of Funds | 8.36% | 8.50% | 8.13% | 7.53% | 7.27% |

Outstanding Borrowings

| Total Borrowings (Rs. Cr.) | 1,51,024 | 1,69,106 | 1,67,517 | 1,98,791 | 2,00,225 |
|-------------------------------|----------|----------|----------|----------|----------|
|-------------------------------|----------|----------|----------|----------|----------|



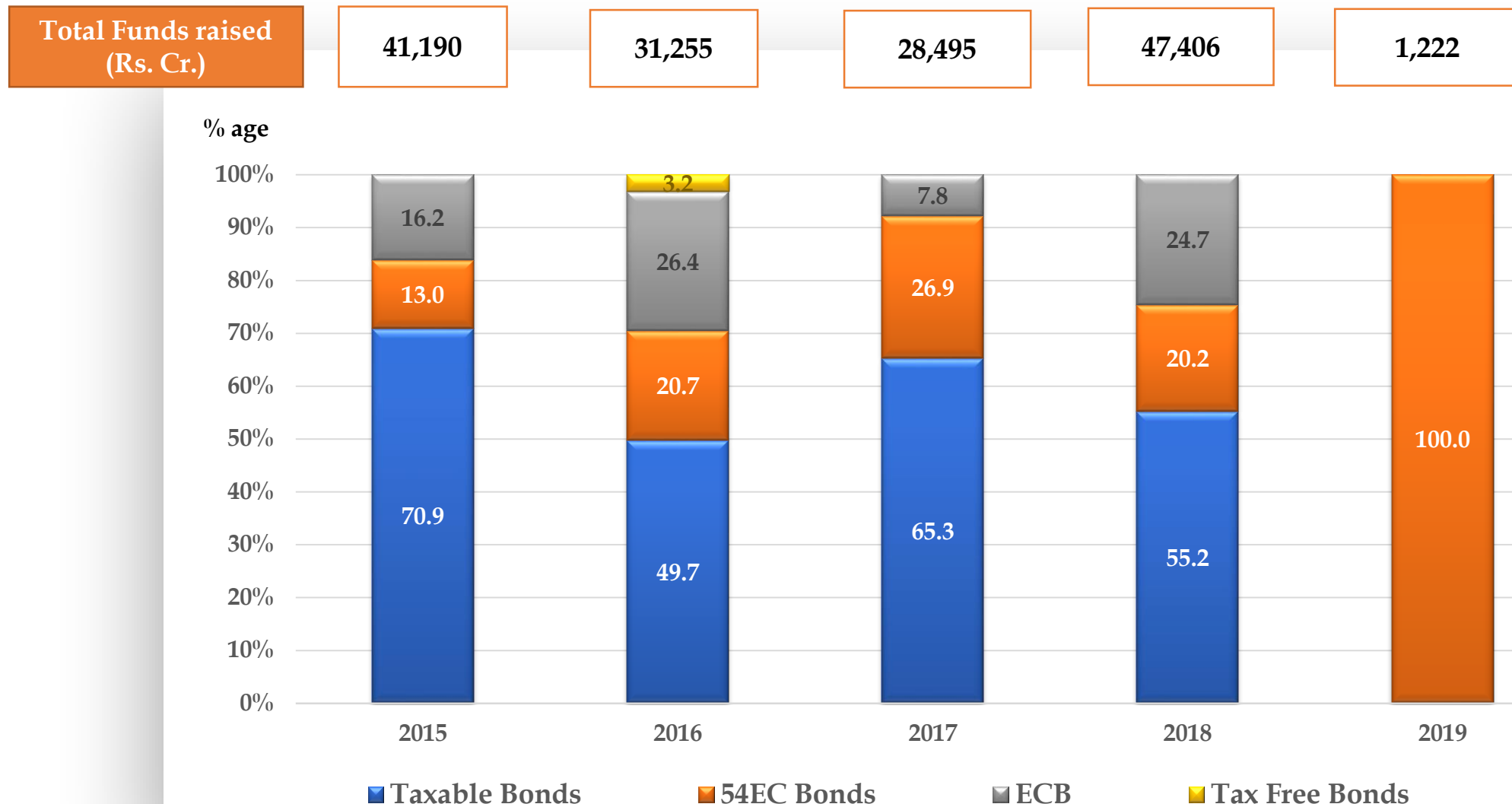
Funds Raised During The Period

Rs. Crores

| Category | 12M | | | | Q1 |
|---------------------------------------|---------------|---------------|---------------|---------------|--------------|
| | FY15 | FY16 | FY17 | FY18 | FY 19 |
| (A) <u>Long Term</u> | | | | | |
| Capital Gains Bonds | 5,338 | 6,477 | 7,663 | 9,565 | 1,222 |
| Tax Free Bonds | - | 1,000 | - | - | - |
| Institutional Bonds/ Subordinate Debt | 29,200 | 15,526 | 18,600 | 26,145 | - |
| Foreign Currency Borrowings | 6,652 | 8,252 | 2,232 | 11,696 | - |
| Total (A) | 41,190 | 31,255 | 28,495 | 47,406 | 1,222 |
| | 8.07% | 7.01% | 6.85% | 6.17% | 5.75% |
| (B) <u>Short Term</u> | | | | | |
| FCNR (B) Loan | - | - | - | 3,759 | - |
| Commercial papers | 5,894 | 20,772 | 19,917 | 12,115 | - |
| Total (B) | 5,894 | 20,772 | 19,917 | 15,874 | - |
| Total (A + B) | 47,084 | 52,027 | 48,412 | 63,280 | 1,222 |

%age denotes annualized cost of borrowings mobilized

Funds Raised During The Period (Long Term)



Financial Highlights



Standalone Profit & Loss Statement

Rs. Crores

| Particulars | Q1 | |
|-------------------------------------|--------------|--------------|
| | FY 18 | FY 19 |
| Interest Income | 5,467 | 5,669 |
| Less: Finance Costs | 3,187 | 3,628 |
| Net Interest Income | 2,280 | 2,041 |
| Other Operating Income | 160 | 70 |
| Other Income | 1 | 580 |
| Total Income | 5,628 | 6,319 |
| Other costs * | 317 | 448 |
| Impairment loss on financial assets | 723 | 132 |
| Profit Before Tax | 1,401 | 2,111 |
| Tax Expense | 325 | 642 |
| Profit After Tax | 1,076 | 1,469 |
| Other Comprehensive Income/(Loss) | (15) | (72) |

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

Key Ratios

| Particulars | Q1 | |
|--|--------|--------|
| | FY 18 | FY 19 |
| Yield on Loan Assets (%) | 11.09 | 10.32 |
| Cost of Funds (%) | 7.59 | 7.27 |
| Interest Spread (%) | 3.50 | 3.05 |
| Net Interest Margin (%) | 4.63 | 3.72 |
| Return on Net Worth (%) | 13.85 | 18.15 |
| Interest Coverage Ratio (Times) | 1.44 | 1.58 |
| Debt Equity Ratio (Times) | 5.33 | 6.16 |
| Earning per Share (Face Value Rs. 10 per share) | 21.79 | 29.75 |
| Book Value Per Share (Face Value Rs. 10 per share) | 159.88 | 164.45 |

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

Reconciliation of Net Profit for June 30, 2017

| Particulars | Amount (in Rs. crores) |
|--|---------------------------|
| Profit under IGAAP for the period ended 30 June 2017 | 1,301.14 |
| | |
| Adjustments under Ind AS | |
| Incremental provision on application of expected credit loss model | (400.10) |
| Adjustment on account of effective interest rate on financial liabilities and financial assets | (20.41) |
| Incremental impact of fair valuation of derivatives | (87.79) |
| Fair value of investments through OCI | 19.61 |
| Other adjustments | (0.11) |
| Tax impact on above adjustments | 263.62 |
| Total Ind-As Impact | (225.18) |
| | |
| Profit under Ind AS for the period ended 30 June 2017 | 1,075.96 |
| Other comprehensive income, net of tax | (15.39) |
| Other comprehensive income under Ind AS for the period ended 30 June 2017 | 1,060.57 |



आर ई सी
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Thank You