

Rural Electrification Corporation Limited A Navratna PSU

Management Presentation

Performance Highlights Q2 and H1 FY 18

THE FUNDING PARTNER FOR POWER SECTOR



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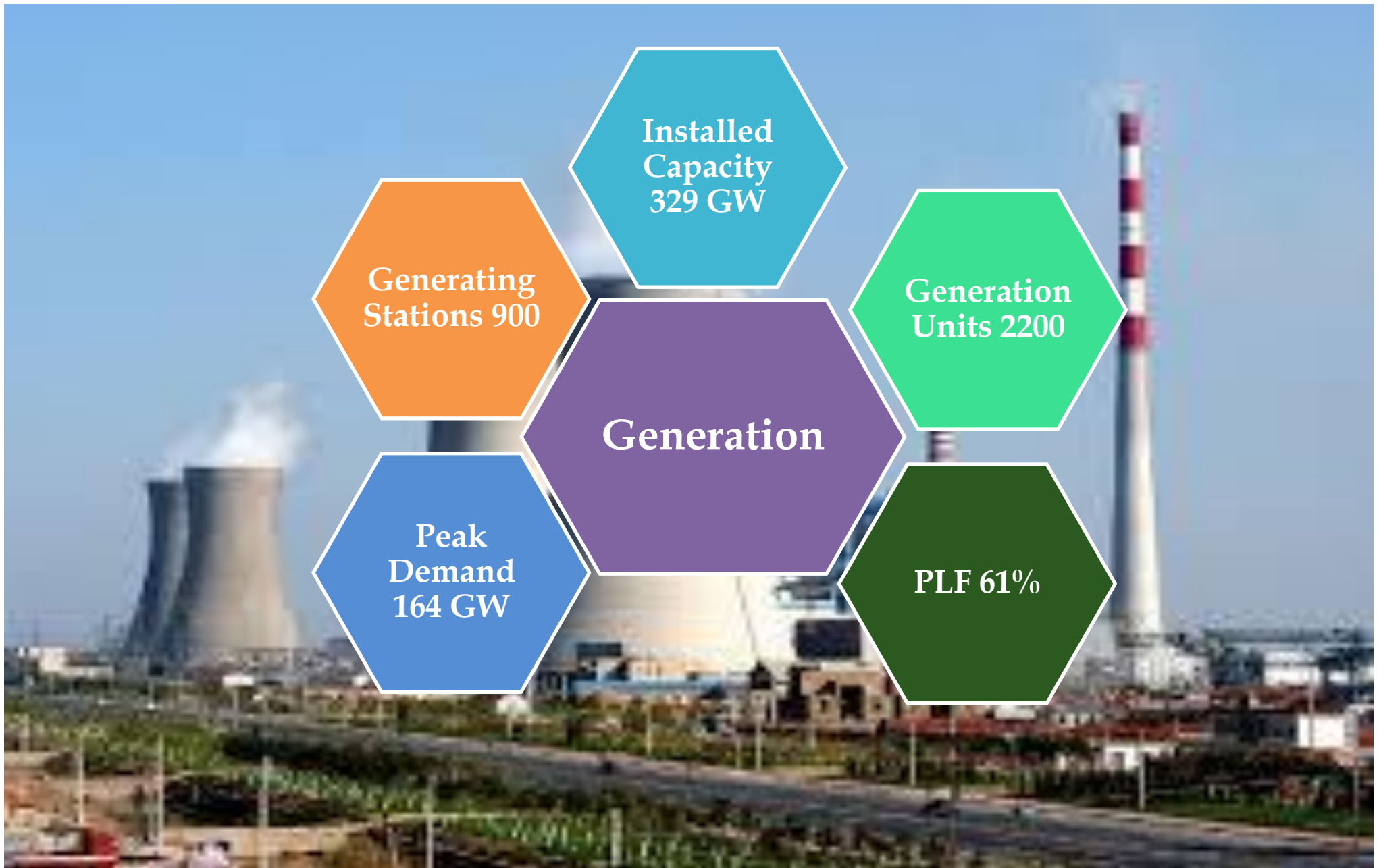
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- This presentation is for information purposes only and is not to be construed as an offer or invitation or recommendation to buy or sell any securities of Rural Electrification Corporation Limited ("REC"), nor shall part, or all, of this presentation 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.*



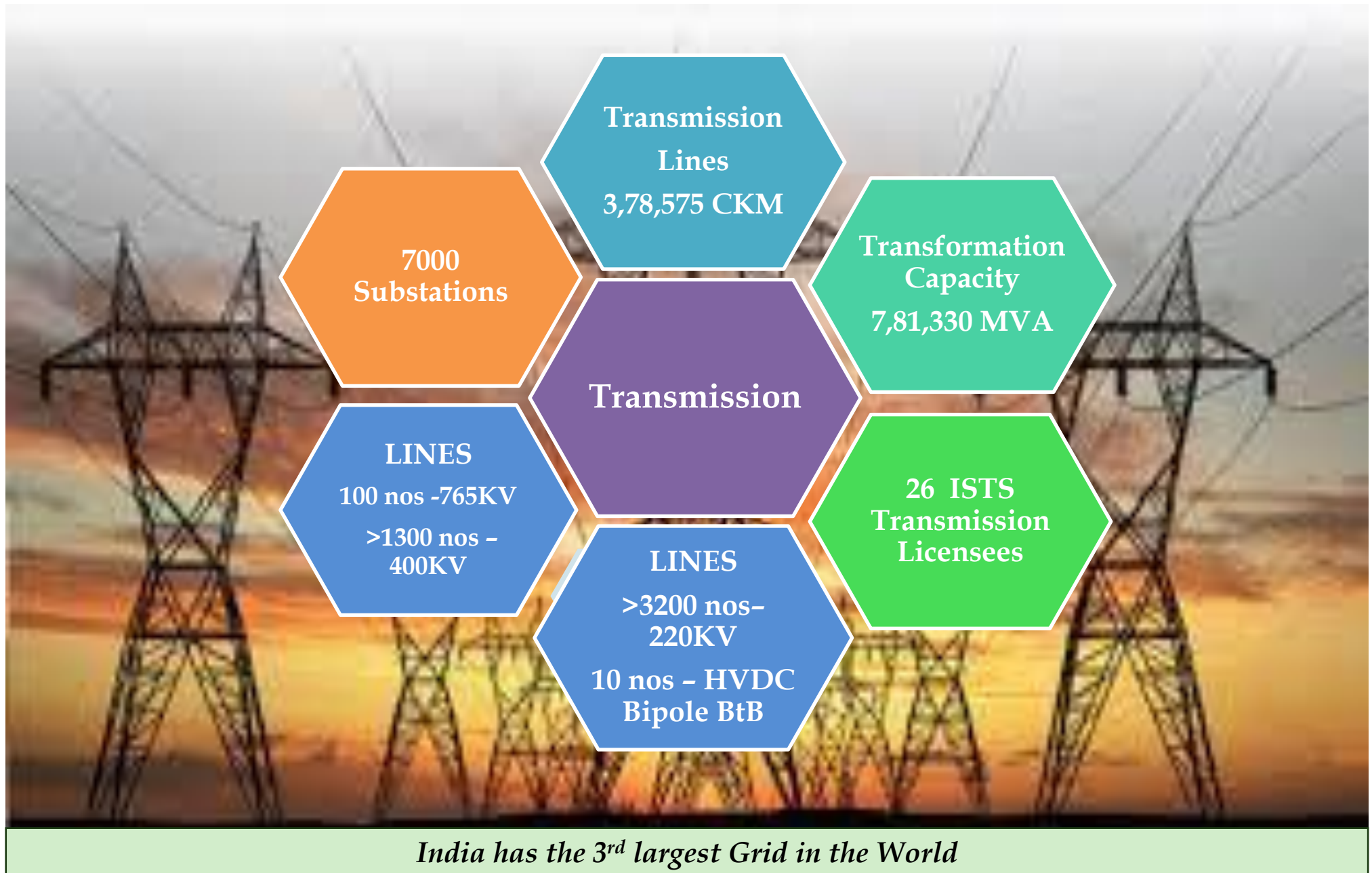
India - Power Sector – Empowering India

Generation



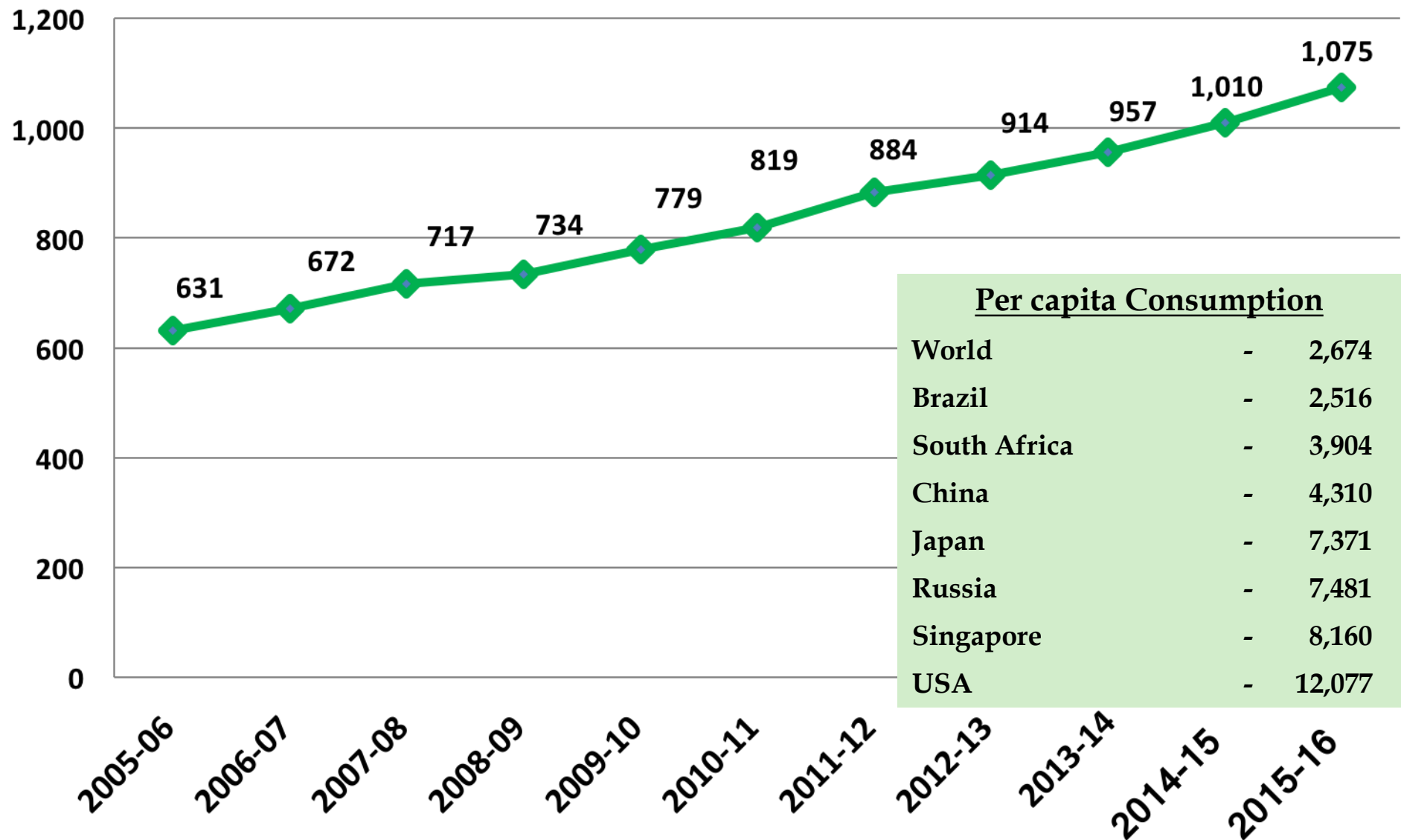
Source : POSOCO & CEA

Transmission



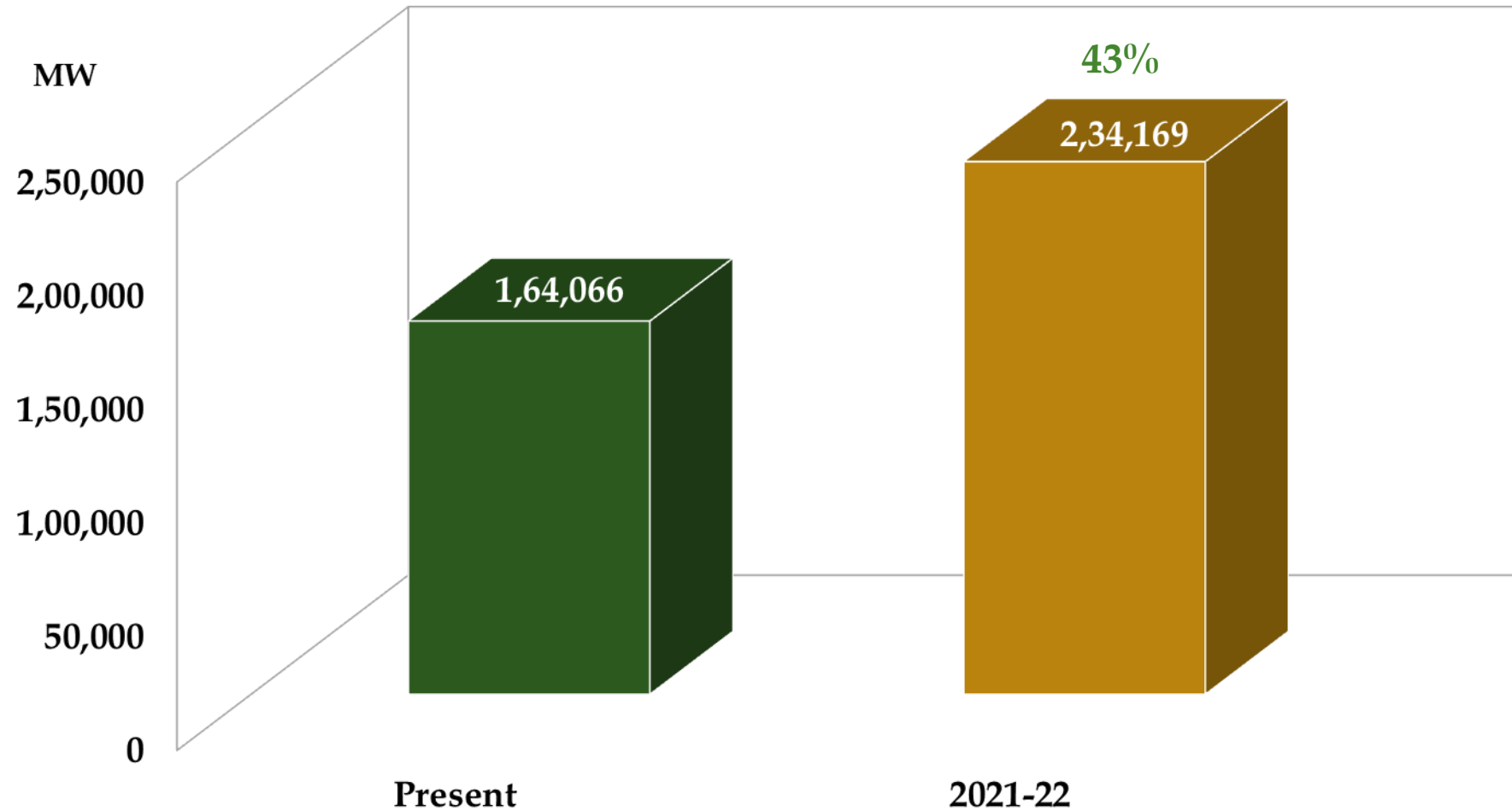
Source : POSOCO & CEA

Annual Per Capita Consumption of Electricity (kwh)



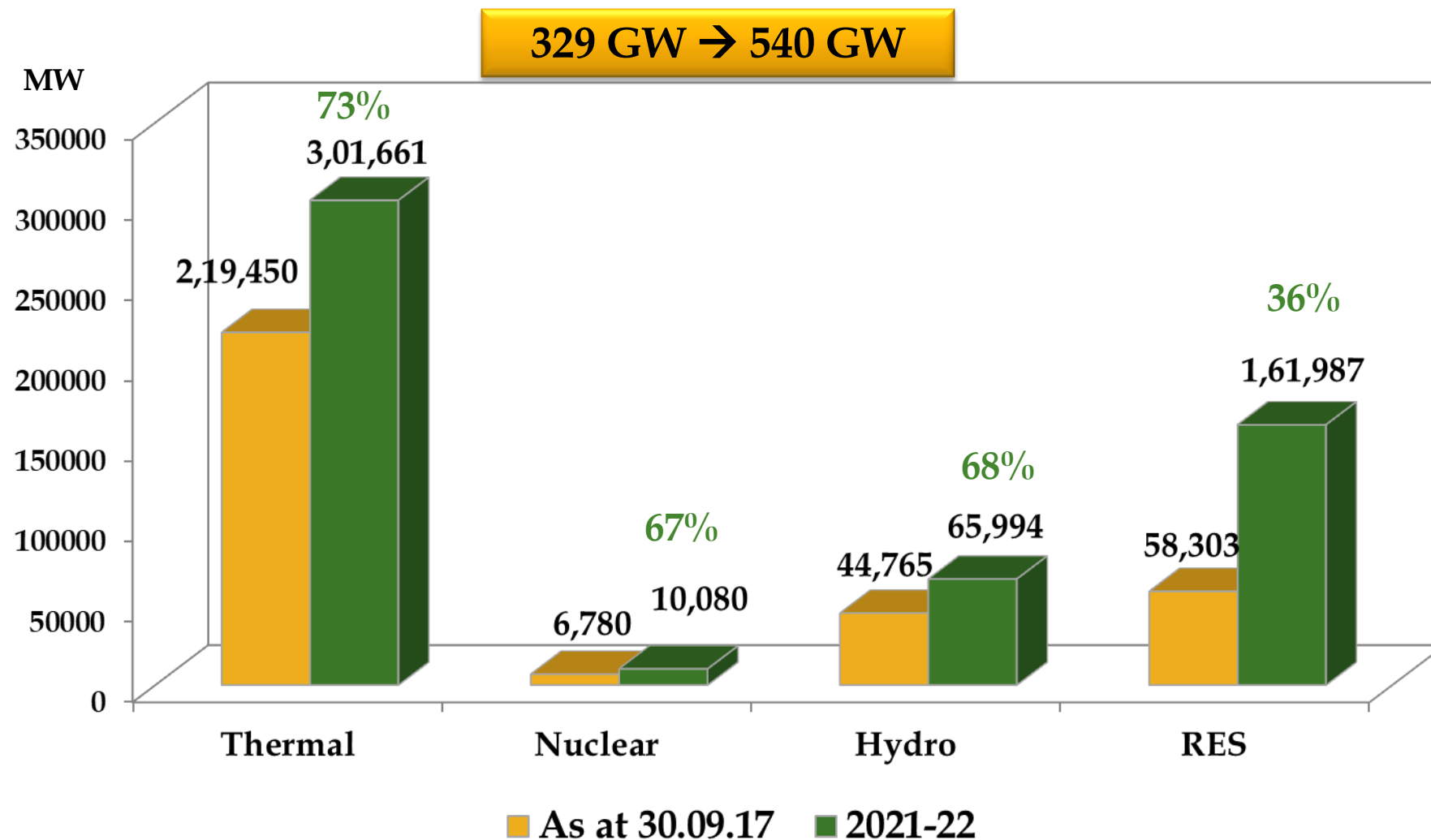
Source : CEA & Wikipedia

“Power for All” - Demand by 2021-22 (MW)



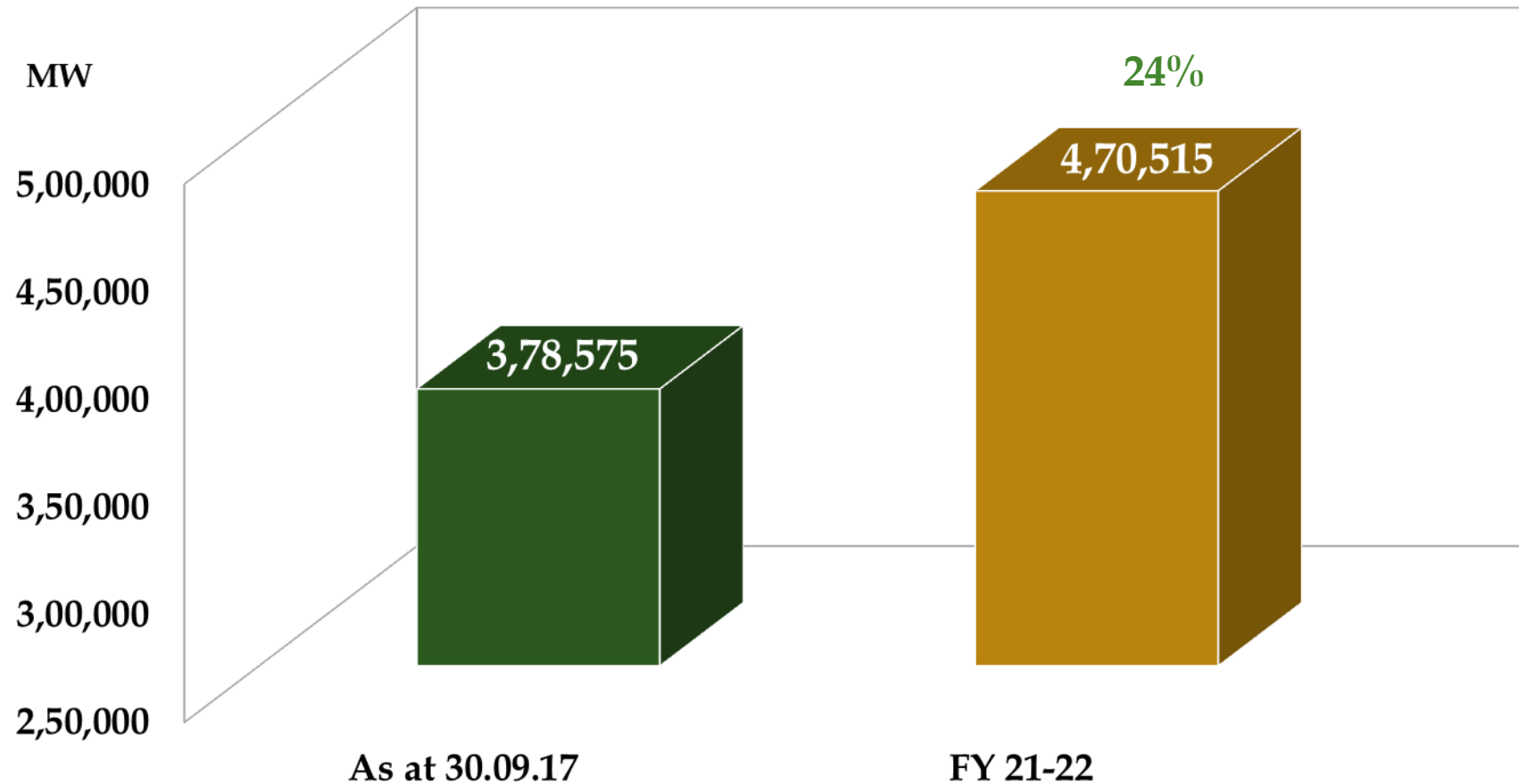
Source : CEA

"Power for All"- Installed Capacity by 2021-22 (MW)



**Estimated fund requirement for generation capacity addition –
INR 10,33,400 Crores during the period 2017-22**

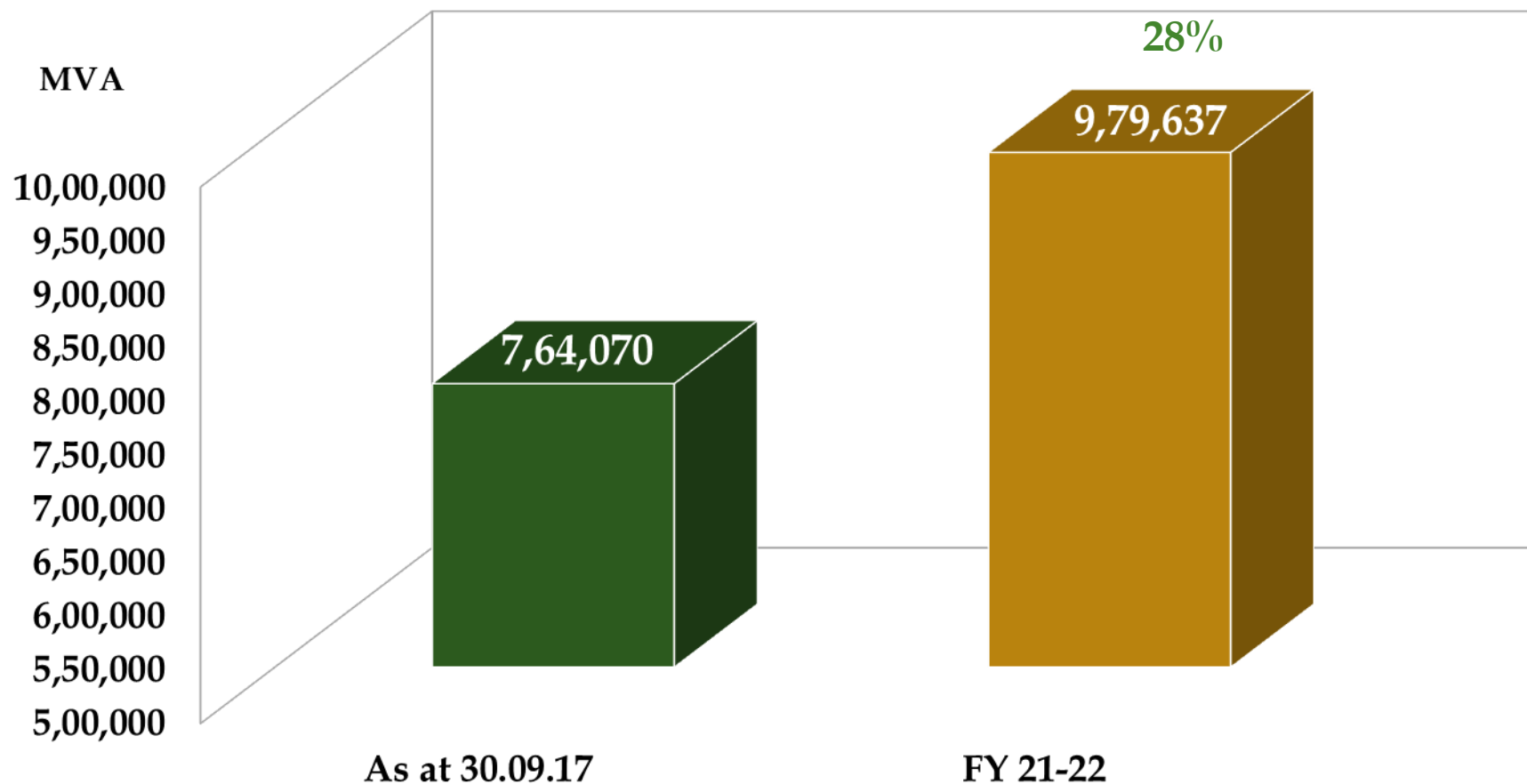
“Power for All” - Transmission Line Capacity by 2021-22 (CKM)



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

Source : CEA

“Power for All” - 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

Source : CEA

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

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

Particulars	Installed Capacity 31.03.2017	Installed Capacity 30.06.2017	TARGET 2022	
Solar >1 MW	12,289	13,115	100,000	57%
Wind	32,280	32,507	60,000	24%
Small Hydro Power	4,380	4,385	5,000	3%
Biomass/Other	8,311	8,296	10,000	6%
Total Installed Capacity (MW)	57,260	58,303	175,000	100%

Source : CEA



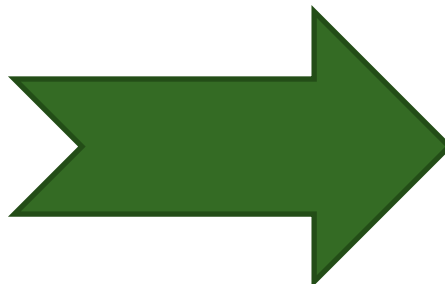
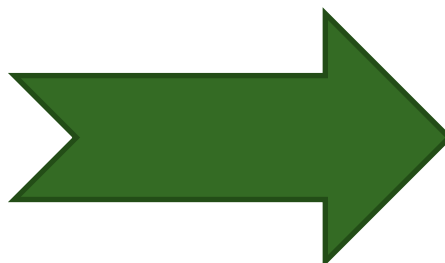
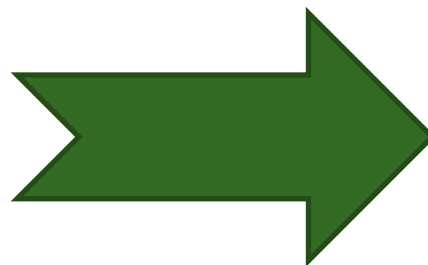
"Power for All" – Distribution Modernization by 2019

Present

**AT & C Loss
24.6%**

**Gap
ACS -ARR
Rs.0.6/U**

**Power
Supply
19.9 Hrs**



By March 2019

Below 15%

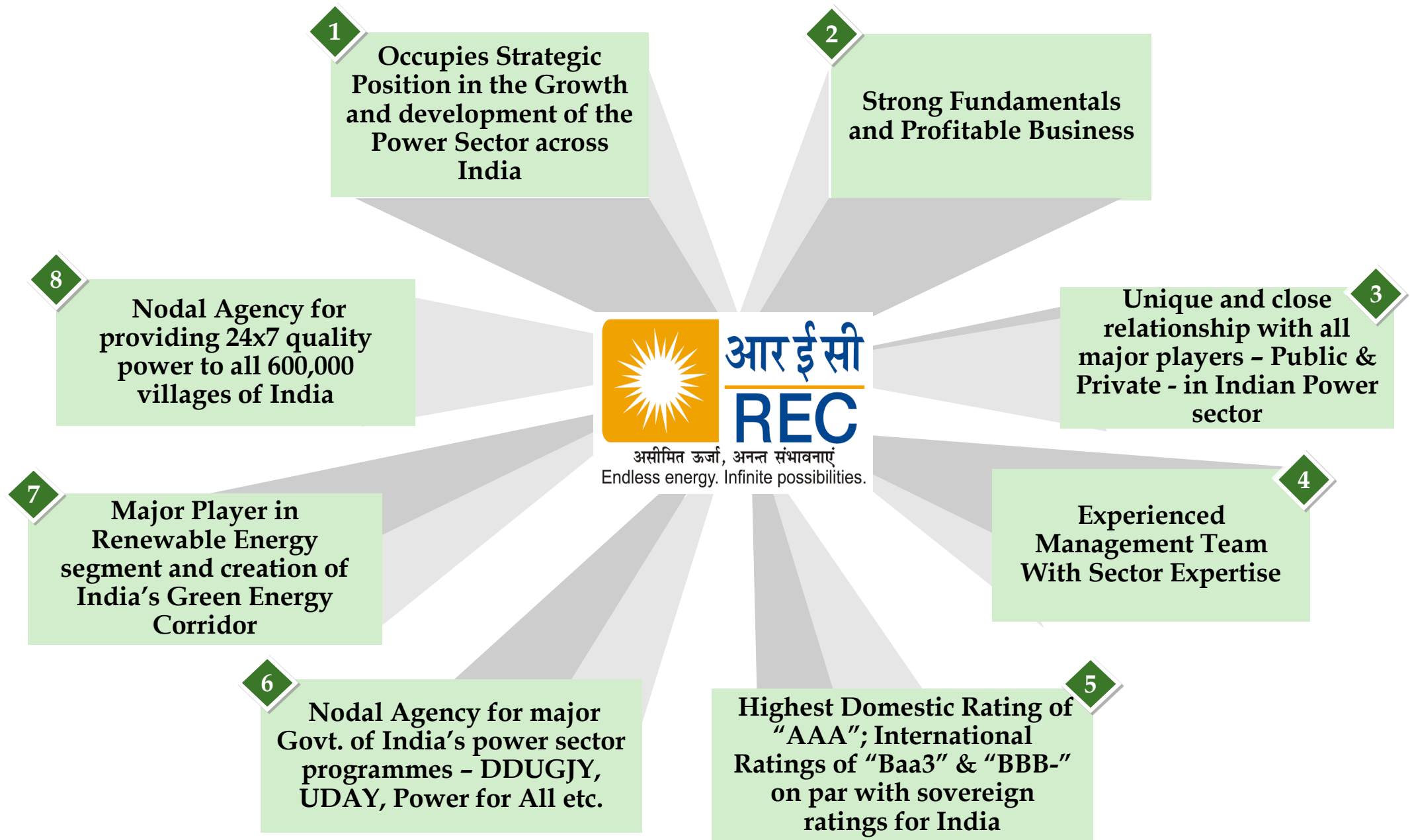
Zero

**24X7
Power for All**

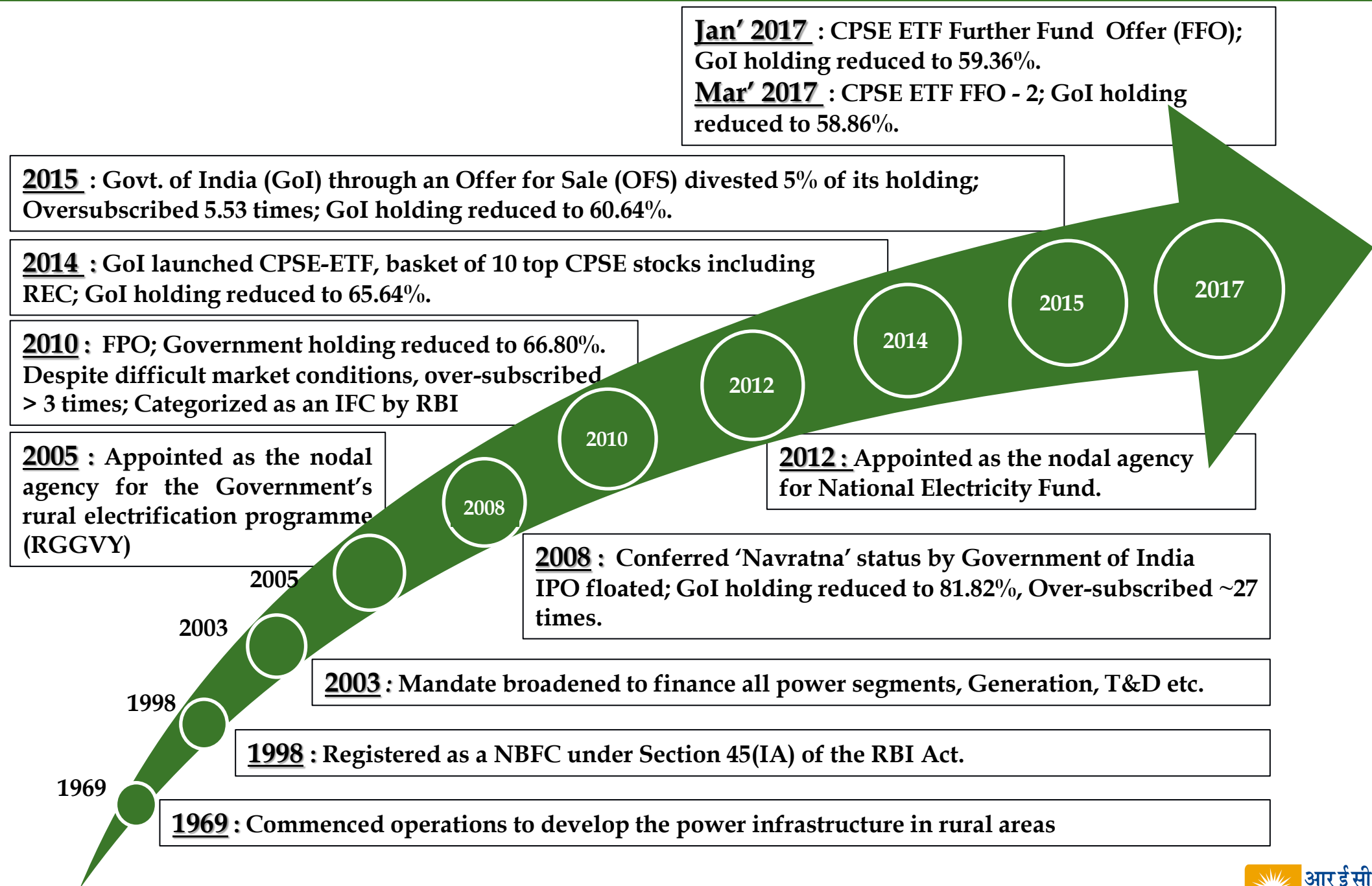


REC Overview

Key Strengths



Major Milestones in Long & Successful journey of more than 48 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 > 31
years

- ❑ Was Special Chief Secretary and Development Commissioner in the Govt of AP. Also held important position of Principal Finance Secretary, Principal Secretary Department of Health & Family Welfare and Commissioner of Industries in Govt of AP. Headed the State Reorganization Department that reorganized the state of AP.
- ❑ Qualified Doctor from the Christian Medical College & Hospital, Vellore.
- ❑ Has Served in the UNO for ~13 years and also as Country Programme Manager for Asia Pacific Division of IFAD/ UNOPS, Senior Portfolio Manager for West Asia, Acting Director of UNOPS Regional Office for Southern Eastern Africa; Country Representative for UNFPA to Afghanistan; and Senior Advisor to Finance Minister of Afghanistan. Had been a staff member of IFAD, UNOPS and UNFPA



Mr. Ajeet Kumar
Agarwal
Director (Finance)
> 33 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.



Mr. Sanjeev Kumar
Gupta
Director (Technical)
> 33 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
Joint Secretary–Rural
Electrification &
Distribution, MoP

- ❑ 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 expirience



Mr. Arun Singh
Independent Director
27 years experience in
Finance, Taxation,
Banking &
Management.

- ❑ Served on Board of Union Bank of India & State Bank of India. Was member of Committee of Eminent person in PGCIL. Has handled various projects of FAO, UNO and World Bank as National Consultant.
- ❑ Guest faculty of Management & Finance for Post Graduate Diploma in Management Programmes and Management Institutions.
- ❑ Member of the Institute of Chartered Accountants of India



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.



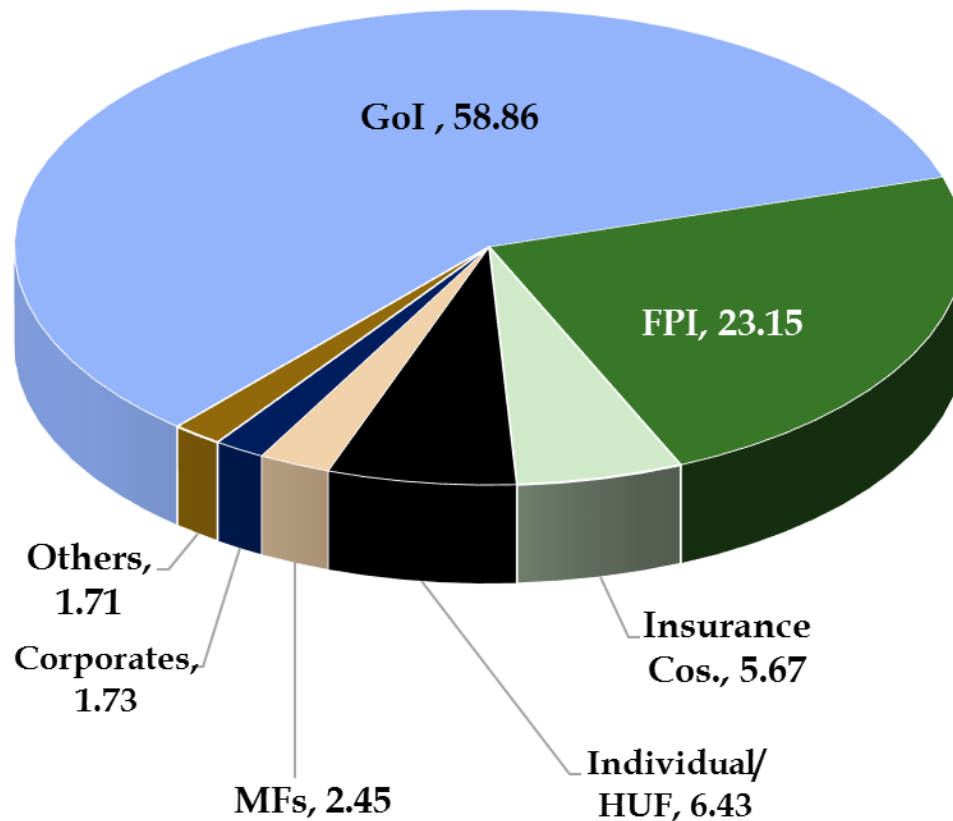
Ms. Asha Swarup
Independent Director
IAS officer (1973
batch) Retd. with
varied experience

- ❑ 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

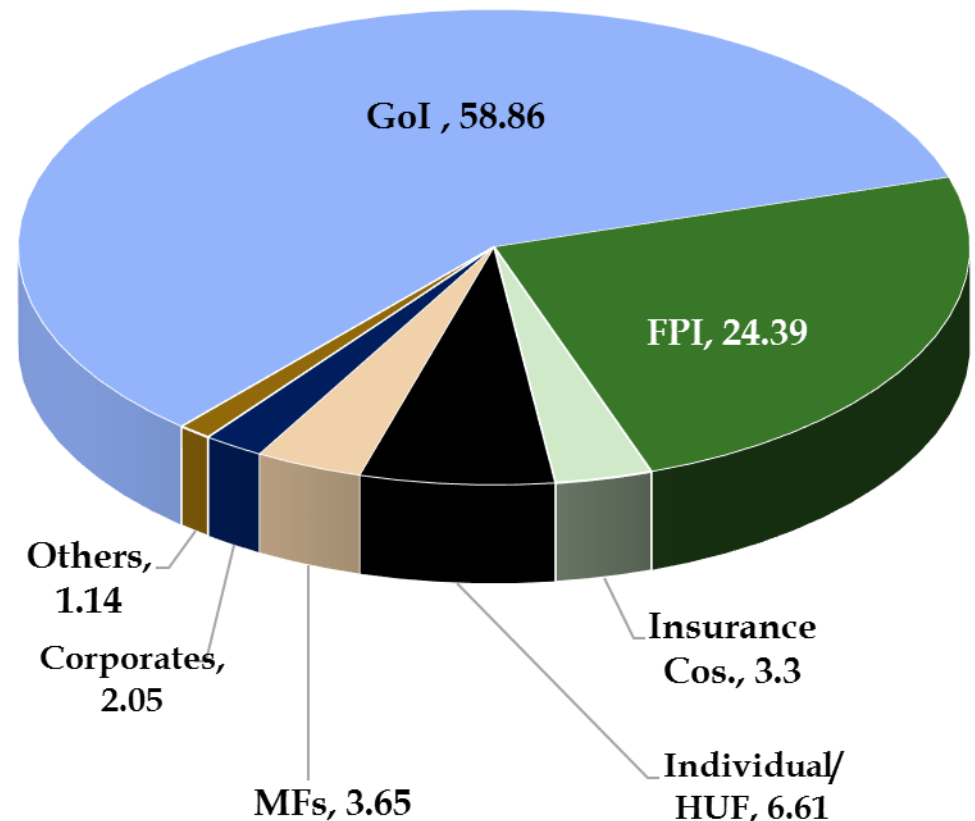
REC is compliant to provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, Companies Act, 2013 and “Guidelines on Corporate Governance for CPSEs, 2010” issued by the DPE, relating to composition of Board.

Shareholding Pattern

As at 30.06.2017



As at 30.09.2017



FPI investments have been consistently maintained at a level of around 20% and reaching high of 24.39% as on September 30, 2017

Shareholding Pattern

Top 10 Share holders as at September 30, 2017

Rank	Particulars	Shareholding (%)	Category
1	President of India	58.86	POI
2	Life Insurance Corporation of India	2.39	INS
3	The Prudential Assurance Company Limited	1.52	FPI
4	East Bridge Capital Master Fund Limited	1.13	FPI
5	CPSE ETF	0.97	MUT
6	Eastspring Investments - Developed and Emerging Asia Equity Fund	0.73	FPI
7	HDFC Trustee Company Limited - HDFC Equity Fund	0.65	MUT
8	Vanguard Emerging Markets Stock Index Fund	0.62	FPI
9	LSV Emerging Markets Equity Fund LP	0.47	FPI
10	Wisdomtree India Investment Portfolio, Inc.	0.47	FPI
	TOTAL	67.81	

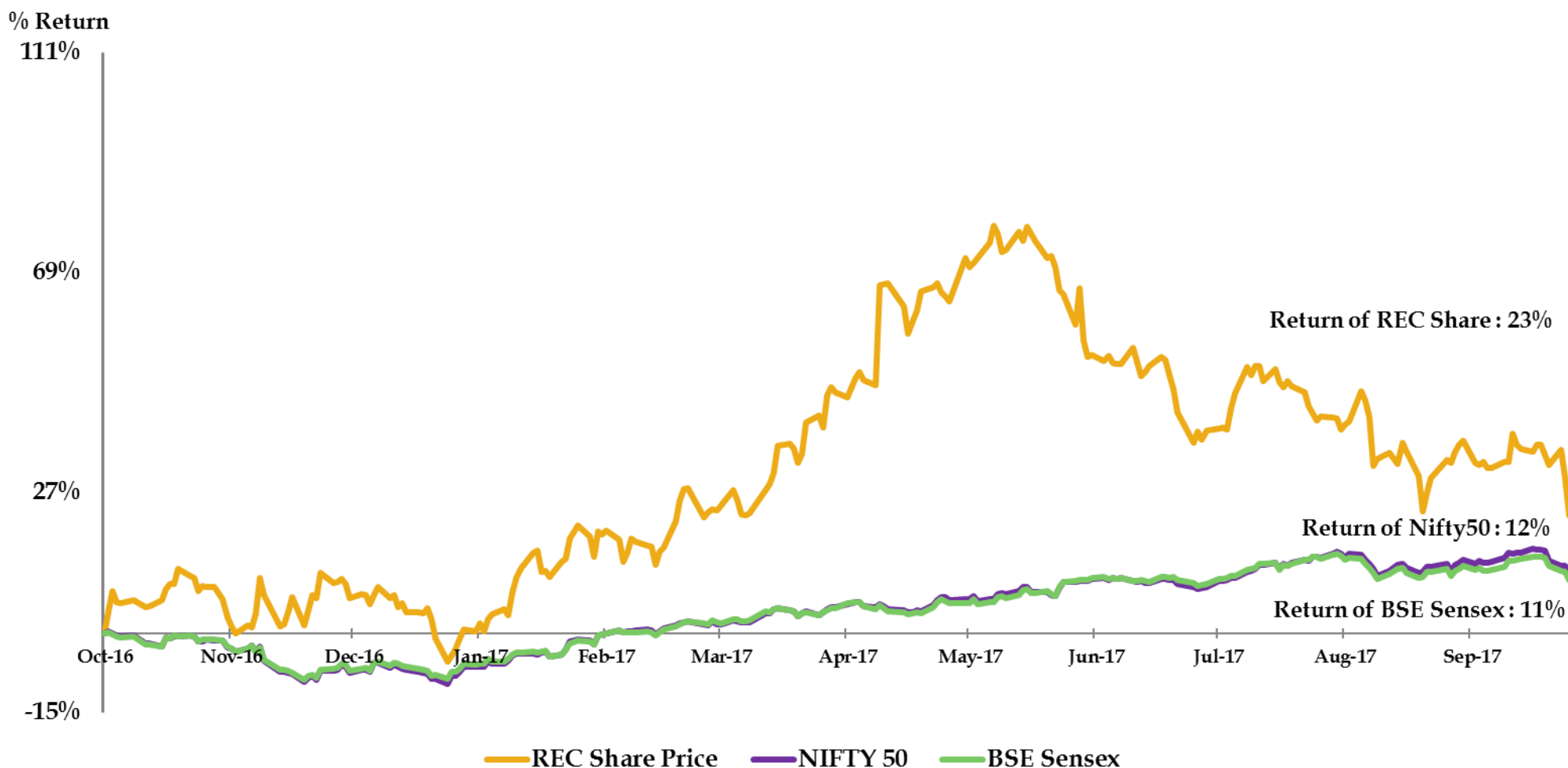
POI = President of India

INS = Insurance Companies

FPI = Foreign Portfolio Investors

MUT = Mutual Fund

Performance of REC Share vis-à-vis Major Indices during Last 1 Year ended Sept. 30, 2017



Source

REC Share price : NSE

Nifty 50 : NSE

BSE Sensex : BSE

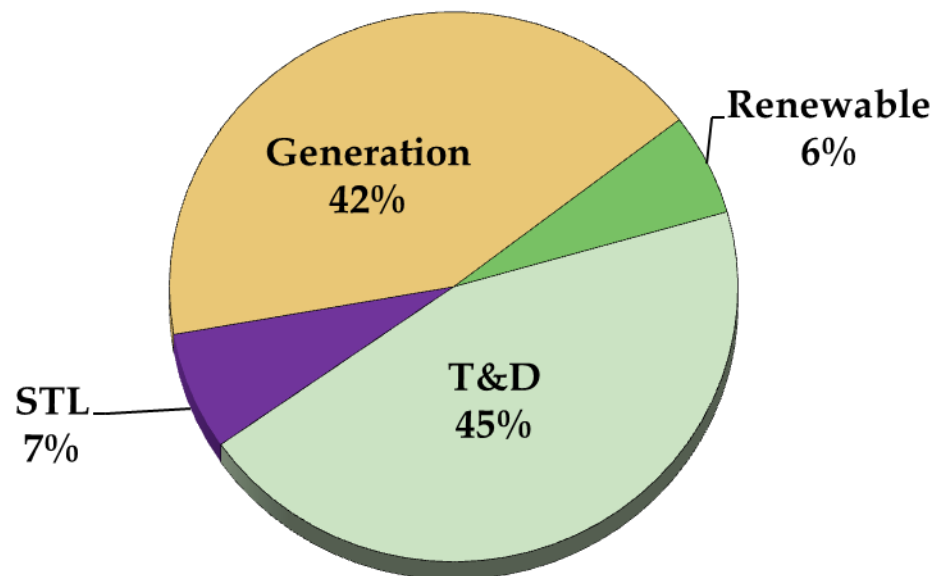
REC's stock has outperformed major indices and has earned much better returns



Operational Performance

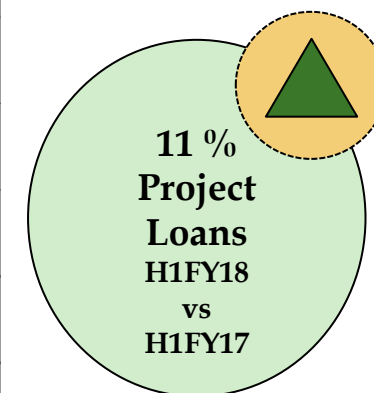
Sanctions - Composition

Sector-wise breakup of Sanctions



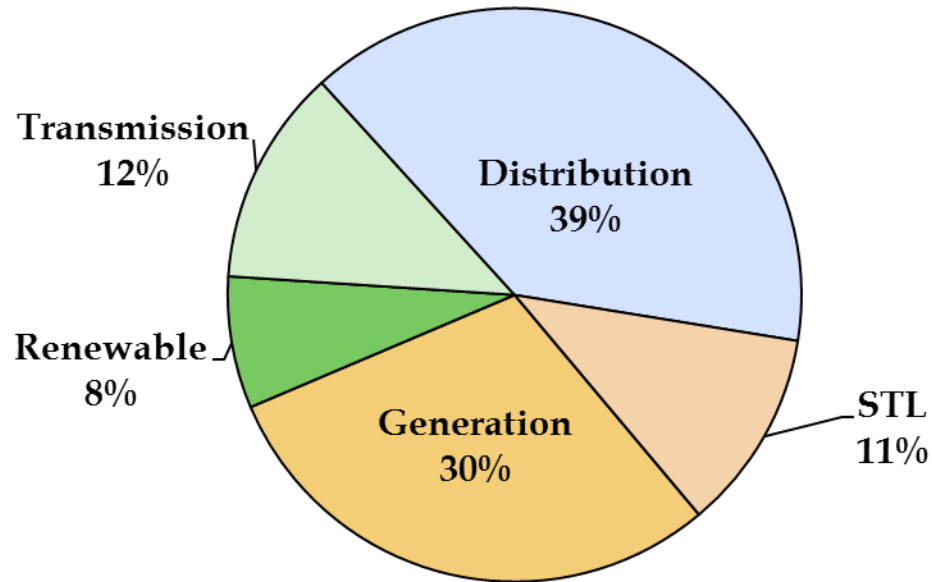
Rs. Crores

Discipline-wise	12M			H1	
	FY15	FY16	FY17	FY 17	FY 18
Generation	23,778	27,828	28,209	27,605	23,804
Renewable Energy	548	2,966	2,090	1,313	3,370
T & D	35,135	31,377	49,047	18,002	25,089
Total Project Loans	59,461	62,171	79,346	46,920	52,263
Short Term Loan	1,960	3,300	4,525	3,125	3,905
Total Sanctions	61,421	65,471	83,871	50,045	56,168



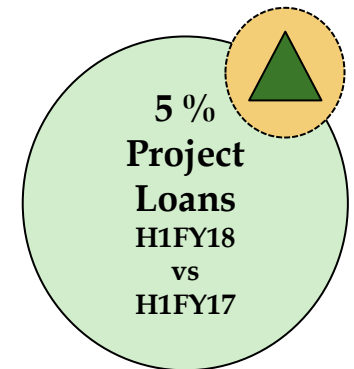
Disbursements - Composition

Sector-wise breakup of Disbursements



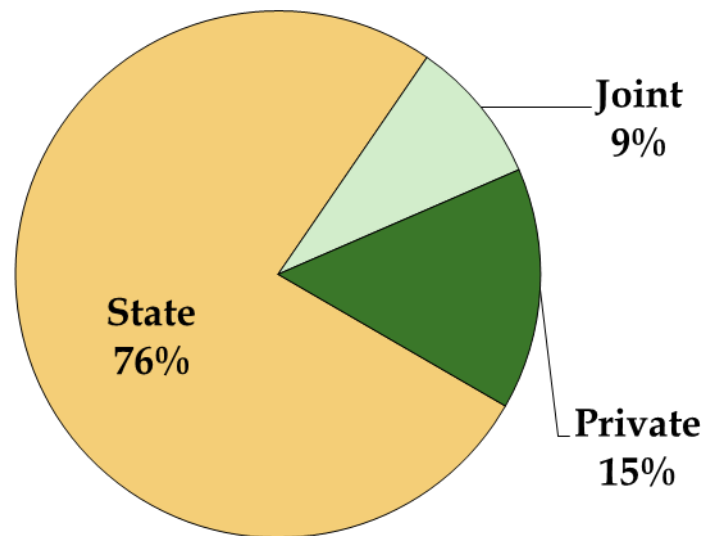
Rs. Crores

Discipline-wise	12M			H1	
	FY 15	FY 16	FY 17	FY17	FY18
Generation	13,828	12,820	21,697	11,359	7,885
Renewable Energy	295	304	1,618	376	1,973
Transmission	6,286	8,529	10,520	4,104	3,243
Distribution	20,159	22,173	19,429	6,494	10,429
Total Transmission & Distribution	26,445	30,702	29,949	10,598	13,672
Total Project Loans	40,568	43,826	53,264	22,333	23,530
Short Term Loan	2,250	2,200	4,775	3,575	3,005
Total Disbursements	42,818	46,026	58,039	25,908	26,535

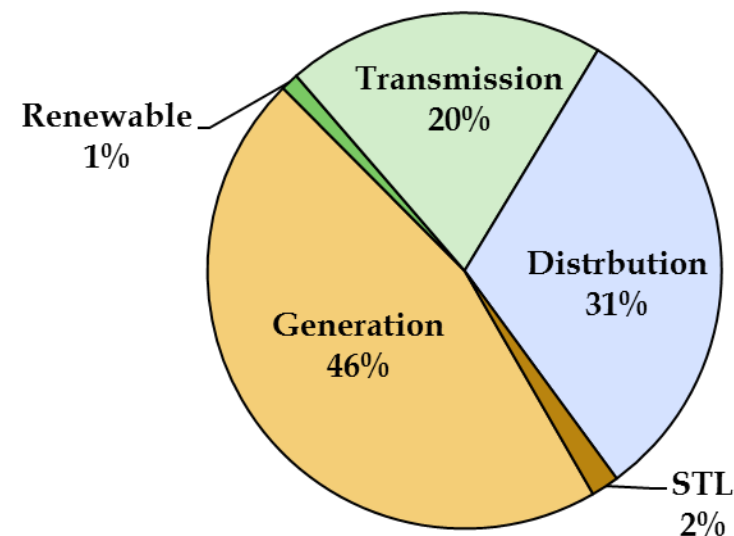


Outstanding Loans – Composition

Customer-wise breakup of Loans



Category-wise breakup of Loans



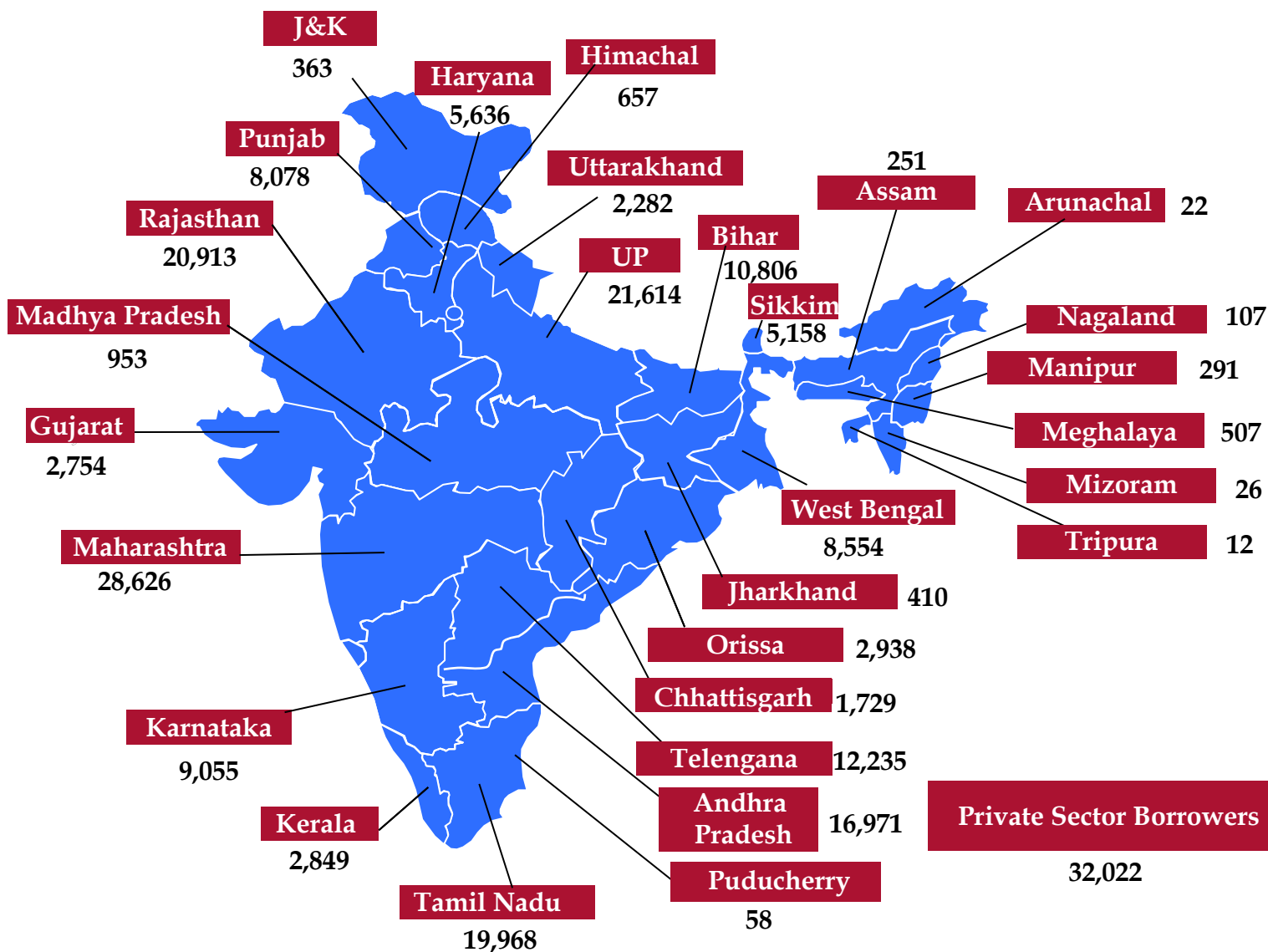
Rs. Crores

Discipline-wise	12M						H1	
	FY 15		FY 16		FY 17		FY18	
	Amt	%	Amt	%	Amt	%	Amt	%
State	1,33,712	75	1,53,941	77	1,51,976	75	1,64,619	76
Joint	14,629	8	16,808	8	16,728	8	19,204	9
Private	31,306	17	30,529	15	33,225	17	32,022	15
Total	1,79,647	100	2,01,278	100	2,01,929	100	2,15,845	100
Generation	75,618	41	82,673	40	93,601	46	98,969	46
Renewable Energy	770	1	744	1	2,224	1	2,416	1
Transmission	28,146	16	34,263	17	41,498	21	43,257	20
Distribution	74,016	41	81,676	41	61,017	30	67,422	31
T & D	1,02,162	57	1,15,939	58	1,02,515	51	1,10,679	51
Short Term Loans	1,097	1	1,922	1	3,589	2	3,781	2

* Outstanding Loans are after pre-payments under UDAY totalling to Rs. 42,700 crores

Outstanding Loans - Asset Diversification

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



Total Loan Outstanding - Rs. 2,15,845 crores

Outstanding Loans - Loan Concentration

Major Borrowers (as on Sept 30, 2017)

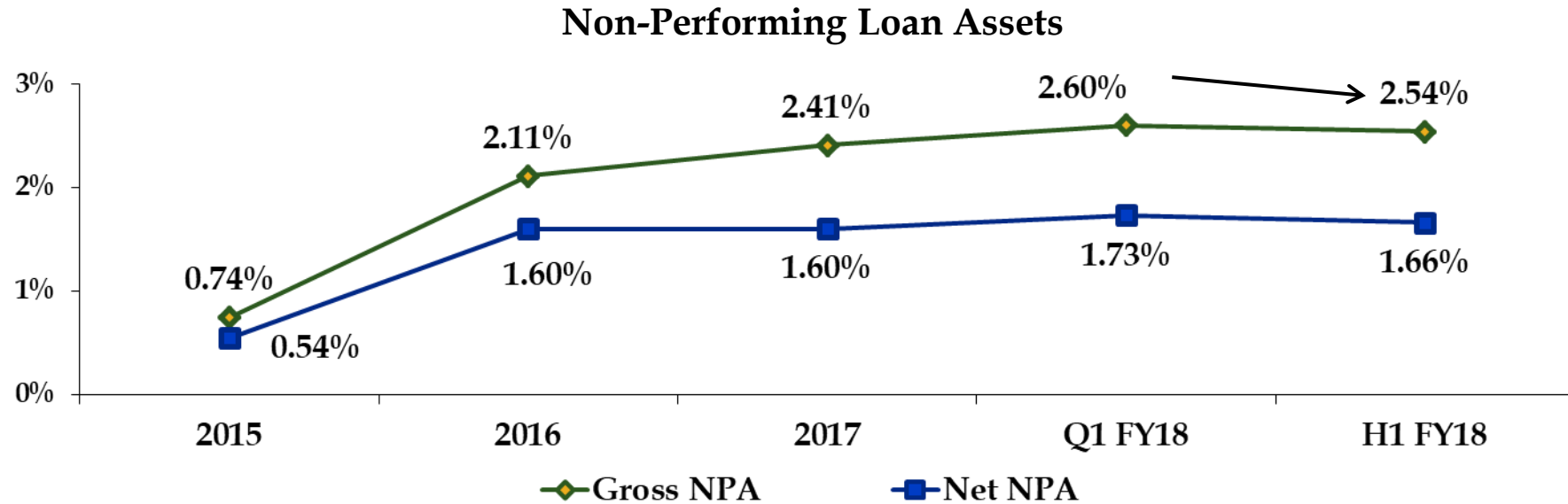
S.No.	Top Ten Borrowers	Amount Outstanding (Rs Cr.)	% of Total Loan Assets
1	Maharashtra State Power Generation Company Limited	13,164	6.10%
2	Maharashtra State Electricity Distribution Company Limited	11,311	5.24%
3	Rajasthan Rajya Vidyut Utpadan Nigam Limited	8,946	4.14%
4	Tamil Nadu Generation and Distribution Corporation	7,869	3.65%
5	Uttar Pradesh Power Transmission Corporation Limited	7,339	3.40%
6	Nabinagar Power Generating Co. Pvt Ltd	7,038	3.26%
7	Tamil Nadu Transmission Corporation (TANTRANSCO)	6,889	3.19%
8	Andhra Pradesh Power Generation Corporation (APGENCO)	5,666	2.63%
9	Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL)	5,660	2.62%
10	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	5,582	2.59%
	Total	79,464	36.82%

Well diversified asset portfolio with Top 10 borrowers accounting for ~37% of current loans and no single borrower accounting for more than 7% of total loan book



Asset Quality

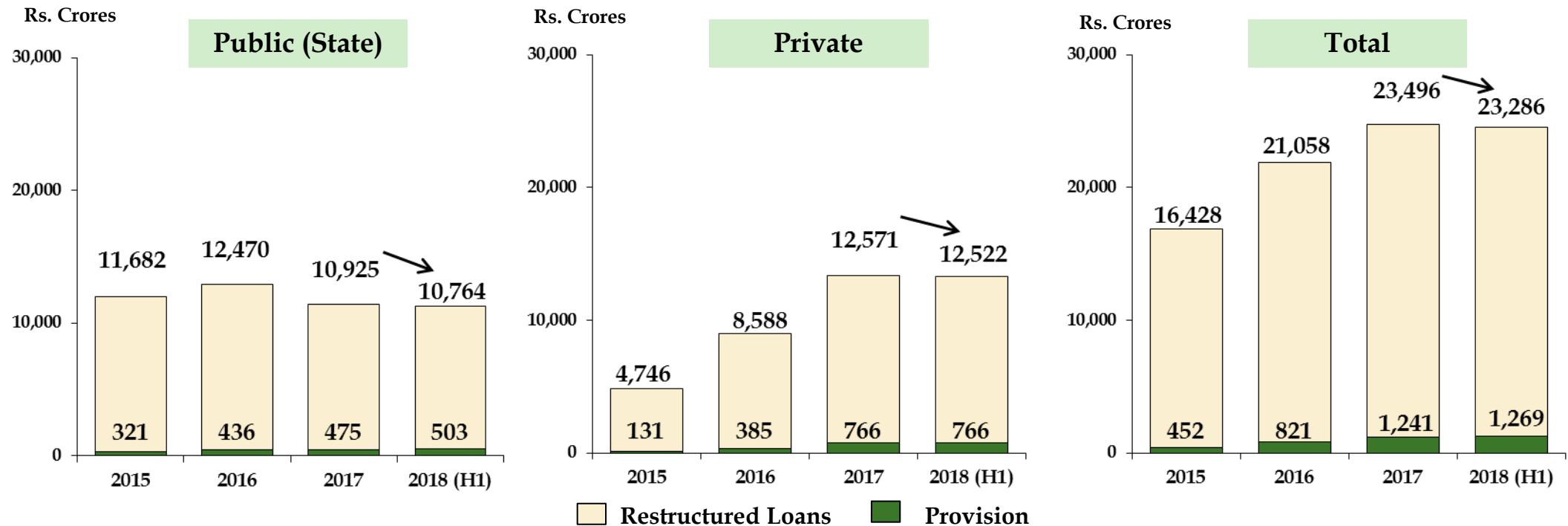
Asset Quality – NPA position



Figures : Rs. Crores

Particulars	12M			Q1	H1
	FY 15	FY 16	FY 17	FY18	FY 18
Loan outstanding	1,79,647	2,01,278	2,01,929	2,07,802	2,15,845
Gross NPA	1,335	4,243	4,873	5,412	5,473
Provision	365	1,013	1,639	1,821	1,885
Net NPA	970	3,230	3,234	3,591	3,588

Asset Quality - Restructured Loan Assets



Figures : Rs. Crores

Particulars	12M			H1
	FY 15	FY 16	FY 17	FY 18
Public (State Sector)	11,682	12,470	10,925	10,764
Provision - Public	321	436	475	503
Private	4,746	8,588	12,571	12,522
Provision - Private	131	385	766	766
Total Restructured Assets	16,428	21,058	23,496	23,286
Total Provision	452	821	1,241	1,269



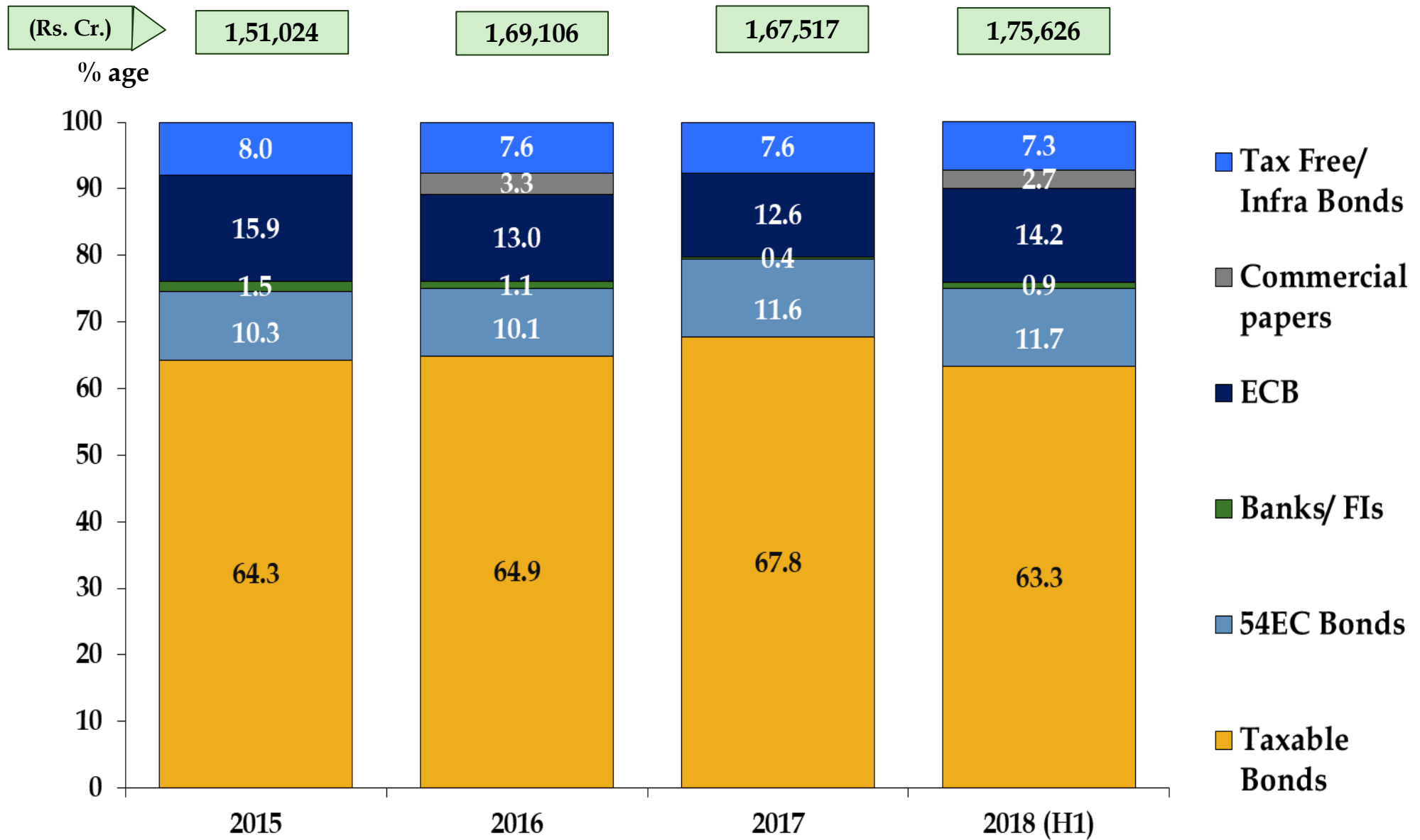
Borrowing Profile

Outstanding Borrowings

Rs. Crores

Particulars	12M			H1
	FY 15	FY 16	FY 17	FY 18
Institutional, Subordinate & Zero Coupon Bonds	97,068	1,09,678	1,13,449	1,11,172
Foreign Currency Borrowings	24,028	21,924	21,081	24,925
Capital Gain Bonds	15,591	17,164	19,477	20,568
Tax Free Bonds	11,649	12,648	12,648	12,648
Commercial Papers	-	5,600	-	4,700
Banks, FIs, etc.	2,312	1,850	750	1,501
Infra Bonds	376	242	112	112
Grand Total	1,51,024	1,69,106	1,67,517	1,75,626
Average annualized Cost of Funds	8.36%	8.50%	8.13%	7.90%

Outstanding Borrowings



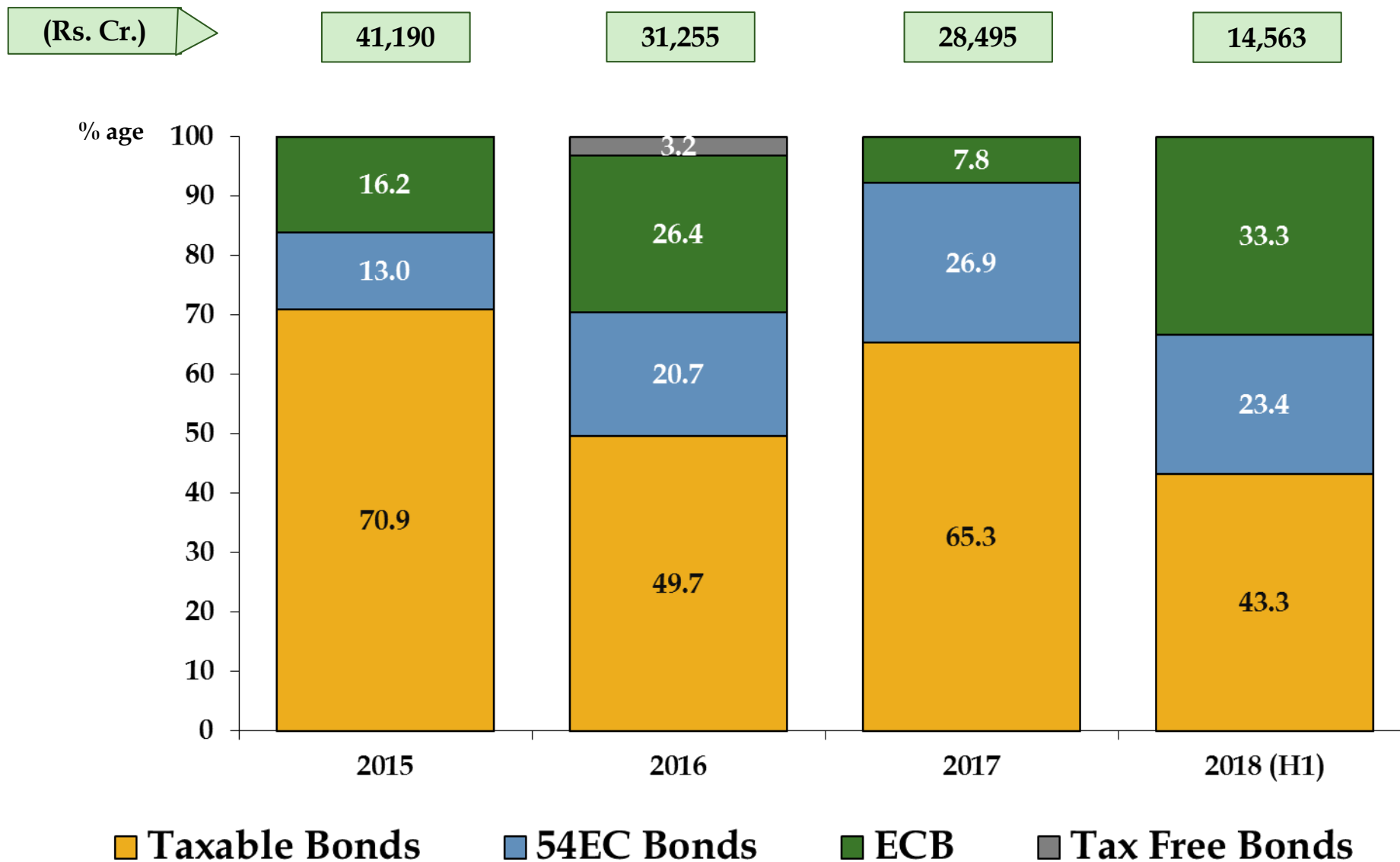
Funds Raised During The Period

Rs. Crores

Category	12M			H1
	FY15	FY16	FY17	FY 18
(A) <u>Long Term</u>				
Capital Gains Bonds	5,338	6,477	7,663	3,412
Tax Free Bonds	-	1,000	-	-
Institutional Bonds/ Subordinate Debt	29,200	15,526	18,600	6,305
Banks, FIs, etc.	-	-	-	-
Foreign Currency Borrowings	6,652	8,252	2,232	4,846
Total (A)	41,190	31,255	28,495	14,563
	8.07%	7.01%	6.85%	5.83%
(B) <u>Short Term</u>				
Commercial papers	5,894	20,772	19,917	7,591
Total (A + B)	47,084	52,027	48,412	22,154

%age denotes annualized cost of borrowings mobilized

Funds Raised During The Period (Long Term)

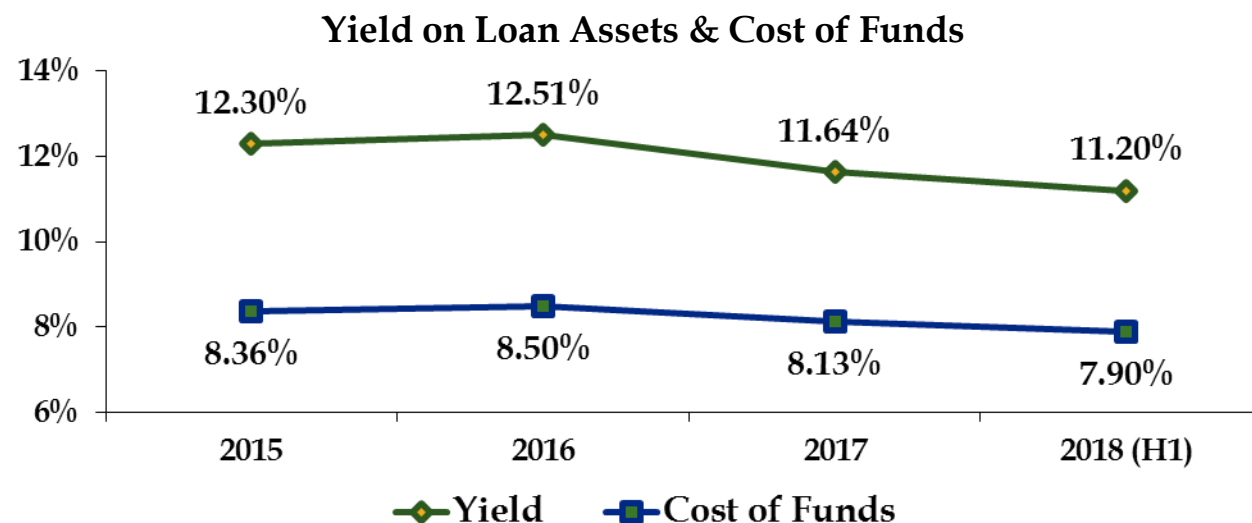




Financial Highlights

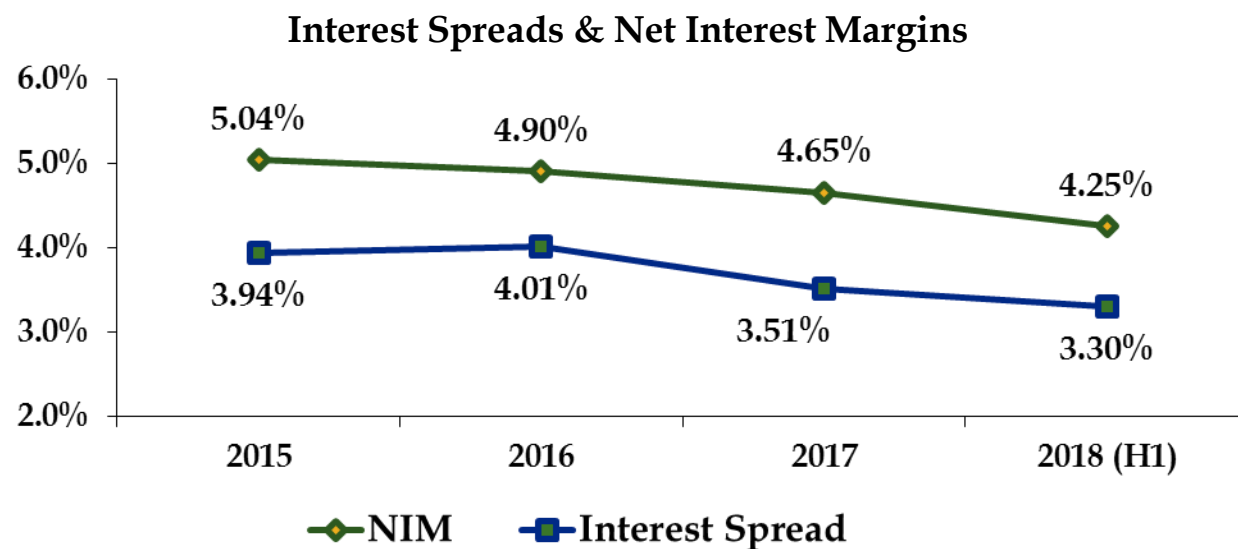
- ❑ **Loan Book as at end of H1 FY18 increased to Rs. 2,15,845 cr against Rs. 1,96,652 cr as at end of H1 FY17, registering a growth of 10%.**
- ❑ **Net worth as at end of H1 FY18 increased to Rs. 35,145 cr against Rs. 31,778 cr as at end of H1 FY17, registering a growth of 11%.**
- ❑ **As at end of H1 FY18 Gross NPAs stood at 2.54% as against 2.45% as at H1 FY17.**
- ❑ **Outstanding borrowings at end of H1 FY18 stands at Rs. 1,75,626 cr.**
- ❑ **Total Income for H1 FY18 stands at Rs. 11,290 cr against H1 FY17 of Rs. 12,159 cr.**
- ❑ **PAT for H1 FY18 is Rs. 2,516 cr against Rs. 3,172 cr for H1 FY17.**

Key Financial Highlights



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.

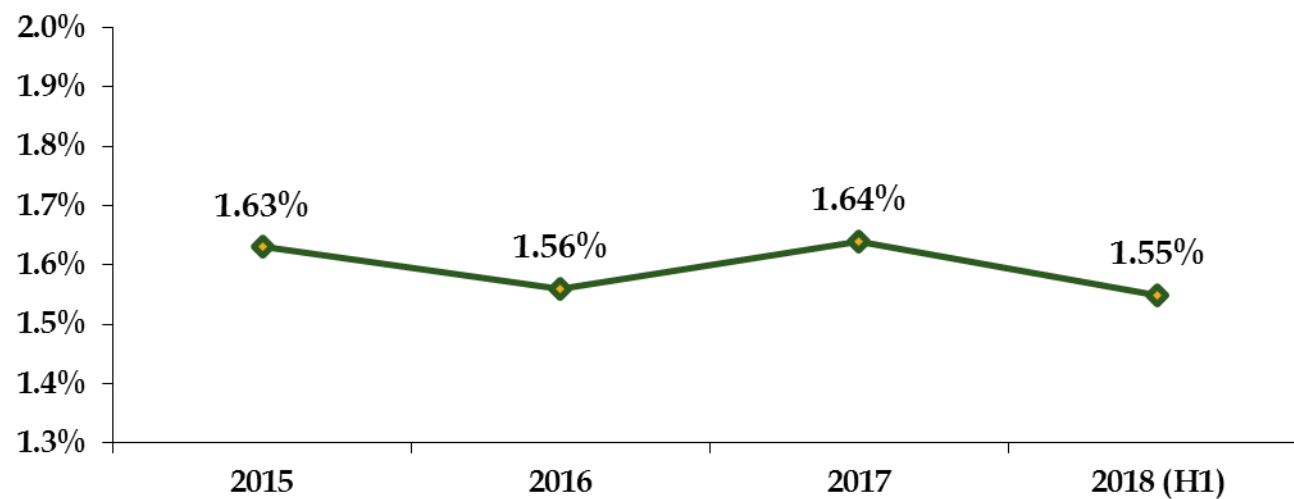


Interest Spread = Yield minus Cost of Funds

Net Interest Margin = Ratio of net interest income to average interest earning loan assets

Key Financial Highlights

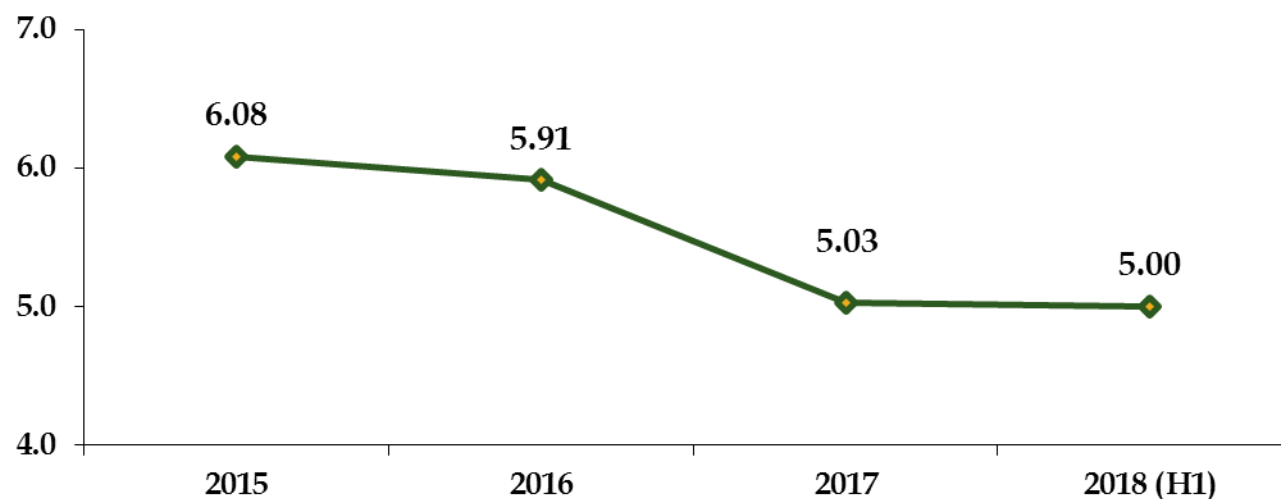
Interest Coverage Ratio



Interest Coverage Ratio = Ratio of Profit before Interest & Tax to Profit Before Tax

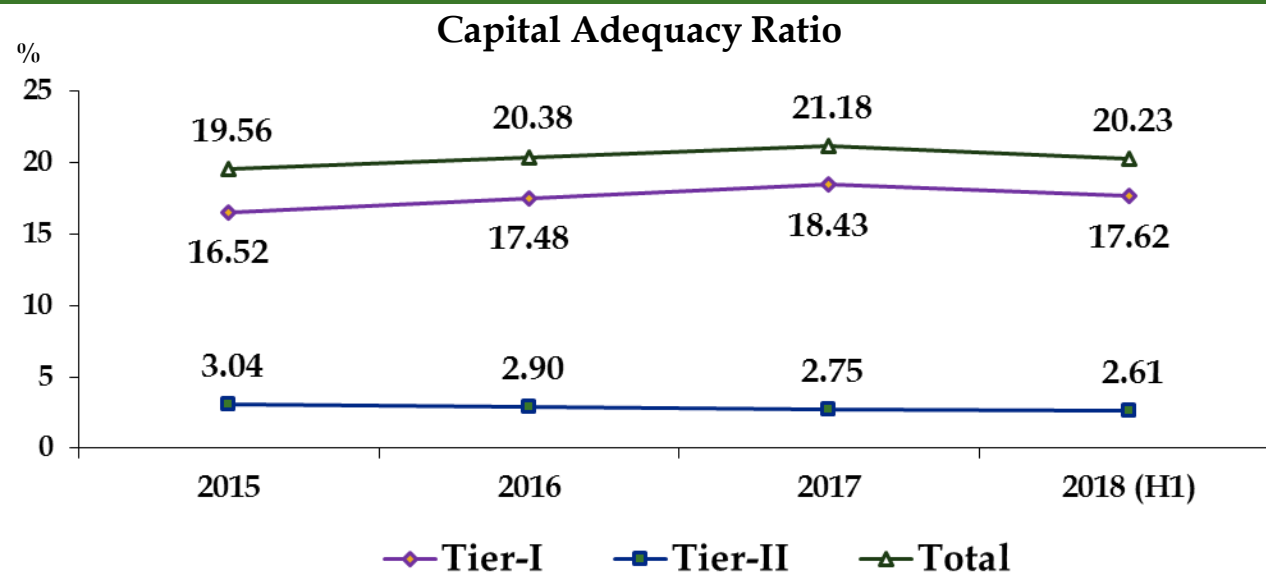
Times

Debt Equity Ratio



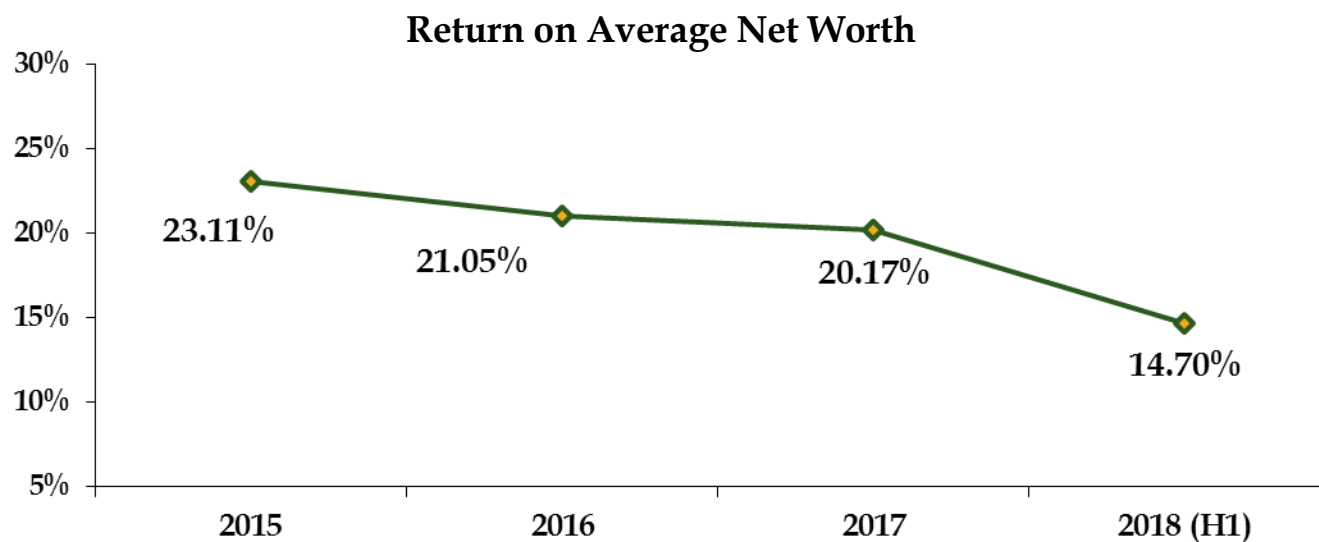
Debt Equity = Ratio of Total Borrowings to Net Worth

Key Financial Highlights



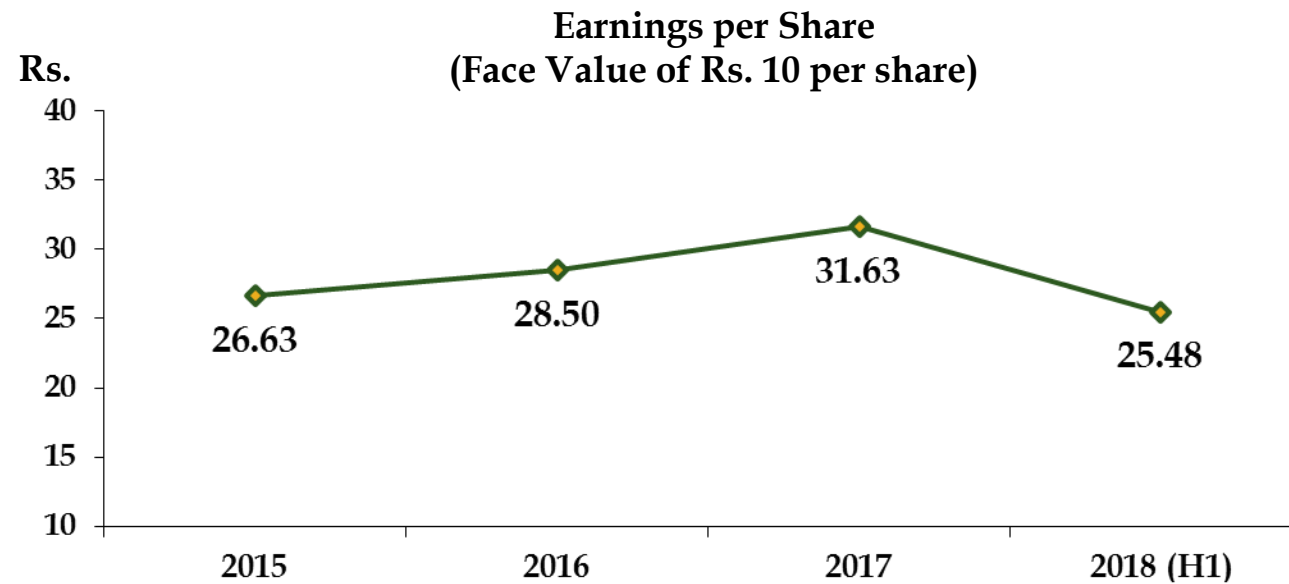
Minimum Requirement as per RBI Guidelines : 15%

Capital Adequacy ratio = Ratio of Owned Funds to Risk Weighted Assets

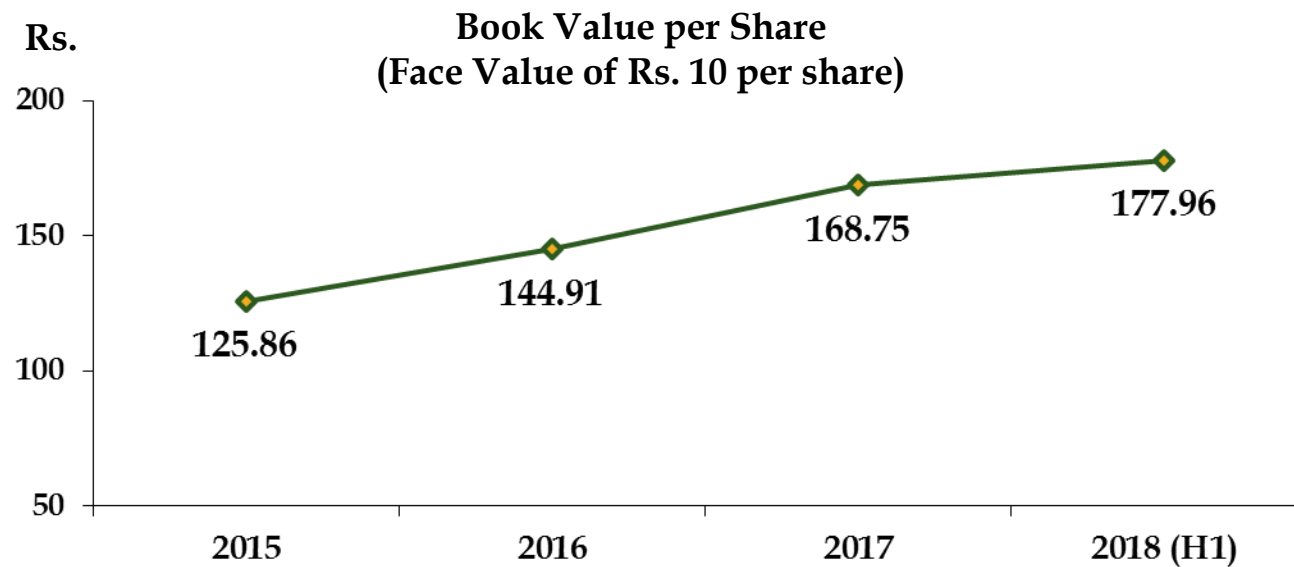


Return on Average Net worth = Ratio of PAT to average Net Worth

Key Financial Highlights



Earnings per Share = Ratio of PAT to outstanding Equity shares.



Book Value per share = Ratio of Net worth to outstanding Equity shares.

Standalone Balance Sheet (abridged)

Rs. Crores

Particulars	12M			H1
	FY 15	FY 16	FY 17	FY 18
<u>Liabilities</u>				
Shareholders Funds	24,857	28,618	33,326	35,145
Borrowings	1,51,024	1,69,106	1,67,517	1,75,626
Deferred Tax Liabilities (Net)	107	50	40	88
Other Liabilities	7,187	8,579	8,353	9,498
Total Liabilities	1,83,175	2,06,353	2,09,236	2,20,357
<u>Assets</u>				
Fixed Assets (Net)	81	150	181	210
Investments	1,613	2,467	2,696	2,632
Loan Assets (Net of Provisions)	1,79,282	2,00,265	2,06,163	2,13,960
Other Assets	2,199	3,471	196	3,555
Total Assets	1,83,175	2,06,353	2,09,236	2,20,357

Previous year figures have been suitably rearranged, regrouped and reclassified so as to make them comparable

Standalone Profit & Loss Statement

Rs. Crores

Particulars	12M			Q2	H1
	FY15	FY16	FY 17	FY 18	FY 18
Interest Income	20,072	23,471	22,936	5,371	10,834
Less: Finance Costs	11,845	14,283	13,775	3,427	6,770
Net Interest Income	8,227	9,188	9,161	1,944	4,064
Other Operating Income	157	168	415	122	230
Other Income	159	118	745	135	226
Other costs *	313	323	351	68	155
Provision for Bad & Doubtful debts	803	1,090	1,109	310	633
Provision for Restructured Standard Loans					
Provision for Standard Loans					
Provision for depreciation on Investments	-	16	-	-	20
Profit Before Tax	7,427	8,045	8,861	1,823	3,712
Tax Expense	2,167	2,417	2,615	608	1,196
Profit After Tax	5,260	5,628	6,246	1,215	2,516
Dividend (incl. interim)	1,057	1,689	1,906	-	-
Dividend Distribution Tax	212	341	384	-	-
Total (Dividend + Dividend Distribution Tax)	1,269	2,030	2,290	-	-

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



Thank You!