

Rural Electrification Corporation Limited

CMP : Rs 119.30

May 28, 2018

Loan growth accelerates to 19%

Rural Electrification Corporation (REC) has reported 37% decline in the net profit to Rs 834.79 crore for the quarter ended March 2018 (Q4FY2018). The Net Interest Income (NII) dipped 26% to Rs 1701.93 crore, driven by narrowing of Net Interest Margin (NIM). RBI circular dated 12 February 2018 on Revised Framework for Resolution of Stressed Asset is not applicable to NBFC, while as a matter of prudence loans amounting to Rs 9591 crore have been classified as NPA in Q4FY18 in line with RBI circular. The rise in NPA and interest income reversals has impacted the margins of the company in Q4FY2018. However, the loan book growth was strong at 19% end March 2018.

Business highlights:

Outstanding loan portfolio continues rise at a strong pace of 19% to Rs 239449 crore at end March 2018. Disbursements improved 8% yoy to Rs 22285 crore in Q4FY2018, as disbursements in the T&D (including RGGVY) rose 3% to Rs 13317 crore, while short-term loans disbursements also jumped 120% to Rs 1431 crore in Q4FY2018. However, the generation segment disbursements declined 23% at Rs 4803 crore.

Sanctions dipped 53% to Rs 12807 crore in Q4FY2018, driven by plunge in generation loans sanction by 30% to Rs 3840 crore, while the sanctions to T&D segment also dipped 72% to Rs 5847 crore in Q4FY2018.

Fund raising increased 34% to Rs 18410 crore in the quarter ended March 2018, of which Rs 9720 crore raised through institutional bonds. Capital gains bonds served Rs 4137 crore, while about Rs 4553 crore were raised through foreign currency borrowings in Q4FY2018.

Outstanding borrowings increased by 19% from Rs 198791 crore at end March 2018. Institutional bonds increased 14% to Rs 128871 crore, capital gains, Tax Free & Infra bonds were up 13% to Rs 36463 crore and foreign currency borrowing moved up 23% to Rs 25996 crore at end March 2018.

Total Assets increased by 18% from Rs 246484 crore at end March 2018 up from Rs 209236 crore at end March 2017.

Asset Quality

Gross NPA increased to Rs 17,128 crore at end March 2018, while Net NPAs moved up to Rs 13612 crore at end March 2018. GNPA and NNPA ratio's increased to 7.15% and 5.68% at end March 2018 compared with 2.99% and 2.03% a quarter ago and 2.41% and 1.60% at end March 2017.

Restructured advances dipped to Rs 6,290 crore (Rs 1,533 crore in public sector and Rs 4,758 crore in private sector) from Rs 21,200 crore (8,556 + 12,644) crore a quarter ago.

Book value of the company stood at Rs 179.7 per share at end March 2018, while adjusted Book value (factoring in NNPA and 25% of restructured advances) stood at Rs 102.8 per share at end March 2018.

Quarterly Performance

Income from Operations declined 5% to Rs 5444.59 crore for the quarter ended March 2018. The interest expense moved up 9% to Rs 3742.66 crore, causing 26% dip in the NII to Rs 1701.93 crore in quarter ended March 2018. Other income dipped 16% to Rs 220.91 crore. The total income declined 25% to Rs 1922.84 crore in the quarter ended March 2018.

The operating expenses moved up 91% to Rs 98.95 crore, while provisions fell 10% to Rs 557.26 crore in the quarter ended March 2018. The Profit before Tax dipped 33% to Rs 1265.02 crore in the quarter ended March 2018. The effective tax rate increased 391 bps yoy to 34.0%. The Net Profit fell 37% to Rs 834.79 crore in the quarter ended March 2018.

Annual Financial Performance

For the year ended March 2018 (FY2018), REC reported 5%

INDEX DETAILS

SENSEX	35165.48
NIFTY (S&P CNX)	10688.65

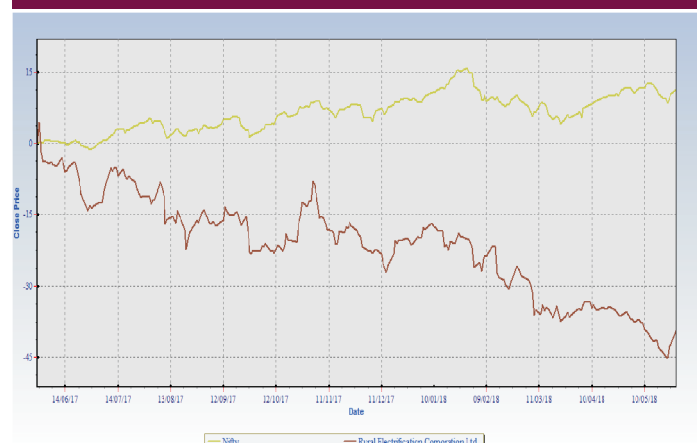
SCRIP DETAILS

Industry	Finance (including NBFCs)
Mkt Cap (Rs in Crore)	23550.90
Book Value (Rs)	177.96
Free Float (%)	41.68
Avg Vol Weekly (NSE)	4410725
52 Week H/L (NSE)	210.30 / 107.70
Dividend Yield (%)	8.09
BSE Code	532955
NSE Code	RECLTD

SHAREHOLDING PATTERN(%)

PARTICULARS	LATEST QUARTER	PREVIOUS QUARTER
Promoters	58.32	58.32
FIIs	23.18	23.56
DIIIs	8.65	8.94
Others	9.85	9.18
Totals	100	100

Price Comparison with Sensex



decline in Income from Operations at Rs 21748.95 crore, while interest expense rose 3% to Rs 13829.52 crore, leading to a 17% dip in NII to Rs 7919.43 crore. Other income fell 17% to Rs 691.83 crore. The staff cost moved down 1% to Rs 176.87 crore, while the other expenditure fell 4% to Rs 161.14 crore. The Depreciation stood at Rs 5.61 crore in FY2018 compared with Rs 5.04 crore in FY2017, while provision for bad debts and standard assets jumped 28% to Rs 1415.55 crore in FY2018. Profit before Tax stood at Rs 6852.09 crore, indicating a decline of 23% on a yoy basis. The Tax expense during the period under review stood at Rs 2205.09 crore, resulting in a PAT of Rs 4647.00 crore in FY2018, showing a dip of 26% over FY2017.

Notes:

- State sector projected upgraded from restructured standard assets category to standard assets category has resulted in net reversals of provisions of Rs 338 crore. The total provision held against restructured loan amounts to Rs 463.95 crore end March 2018.
- RBI circular dated 12 February 2018 on Revised Framework for Resolution of Stressed Asset is not applicable to NBFC, while as a matter of prudence loans amounting to Rs 9591 crore have been classified as NPA in Q4FY18 in line with RBI circular. Provisions have increased and PBT is lower by Rs 359.24 crore, making a total provision of Rs 959.14 crore against such loans.

Rural Electrification Corporation: Financial Results

Particulars	Q4FY18	Q4FY17	Var (%)	FY18	FY17	Var %
Income from Operations	5444.59	5717.39	-5	21748.95	22935.61	-5
Interest & Finance Expenses	3742.66	3424.77	9	13829.52	13450.35	3
NII	1701.93	2292.62	-26	7919.43	9485.26	-17
Other Income	220.91	264.2	-16	691.83	836.62	-17
Total Income	1922.84	2556.82	-25	8611.26	10321.88	-17
Staff Cost	38.06	59.93	-36	176.87	178.07	-1
Other Expenditure	60.89	-8.04	-857	161.14	168.6	-4
Gross Profit	1823.89	2504.93	-27	8273.25	9975.21	-17
Depreciation	1.61	1.33	21	5.61	5.04	11
Provisions and Write-off	557.26	616.19	-10	1415.55	1109.47	28
Profit before tax	1265.02	1887.41	-33	6852.09	8860.7	-23
Tax expense	430.23	568.18	-24	2205.09	2614.94	-16
PAT	834.79	1319.23	-37	4647	6245.76	-26
EPS	16.91	26.72		23.53	31.63	

NOTES :-

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