

Sep 13, 2013

RURAL ELECTRIFICATION CORPORATION LTD.

BSE Code: 532955 NSE Code: RECLTD Reuters Code: RURL.NS Bloomberg Code: RECL:IN

A 'NAVRATNA' central public enterprise, Rural Electrification Corporation Ltd. (RECLTD) was established in 1969. It offers financial and loan assistance to state electricity boards, state government departments, state power utilities, and rural electric cooperatives for rural electrification projects in India. It also offers debt refinancing; short term/medium term loans to the manufacturers of power/electrical material for power projects. Its main aim is to facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and semi-urban population.

Investor's Rationale

🌀 Total income rose 29% driven by healthy growth in loan book

Rural Electrification Corporation's (REC) posted a remarkable performance during Q1FY'14 with 30% growth in total income to ₹39,816 mn as against ₹30,685 mn during the corresponding quarter previous year. The growth was driven by rise in outstanding borrowings that rose 24% to ₹1,111.0bn from ₹895.81 bn. The loan book surged 25% to ₹1,329.15 bn on the back of healthy disbursements growth of 21% YoY to ₹82.92 bn from ₹68.64 bn. The sanctions grew 9% YoY to ₹236.47 bn from ₹217.89 bn.

🌀 Rise in NII pushed net profit by 32% YoY

REC reported 32% growth in net profit to ₹11.54 bn from ₹8.77 bn in Q1FY'13 due to higher Net Interest Income (NII) that rose 43% to ₹16.70 bn from ₹11.66 bn. The net interest margin rose by 62 bps to 4.96% from 4.34%. The profit before tax increased 35% from ₹11.78 bn to ₹15.88 bn. The EPS during the quarter surged 32% to ₹11.68. The tax amount rose 44% to ₹4.34 bn from ₹3.01 bn. The other income fell to ₹198.1 mn from ₹241.4 mn. The company incurred Foreign Exchange Fluctuation Loss of ₹5.8 bn.

🌀 Total assets surged 25% YoY in Q1FY'14

Total assets rose 25% to ₹1,365.34 bn from ₹1,088.19 bn. The gross NPAs and net NPAs remained stable at 0.37% and 0.28% respectively. The provision during the quarter surged 75% to ₹1.12 bn from ₹0.64 bn. The networth grew 19% from ₹151.44 bn to ₹180.76 bn.

🌀 Raised funds worth ₹87.46 bn during Q1FY'14

REC raised ₹87.46 bn of funds during Q1FY'14, which includes ₹11.10 bn through capital gains bonds, ₹68 bn through Institutional bonds and zero coupon bonds, ₹8.18 bn through Banks, Fis, CPs, etc and ₹0.18 bn through Foreign Currency Borrowings. It had raised ₹37.90 bn during Q1FY'13.

Market Data

CMP (₹)	198	
Target Price	234	
Stop Loss	180	
Duration	Short-term	
52-week High-Low (₹)	267.5/146.2	
Rise from 52WL (%)	35.4	
Correction from 52WH (%)	26.0	
Beta	1.5	
1 year Average Volume (mn)	1.9	
	3M-	1.7
Stock Return (%)	6M-	(7.6)
	1Y-	5.9
Market Cap (₹bn)	195.5	
Book Value (₹)	177.5	

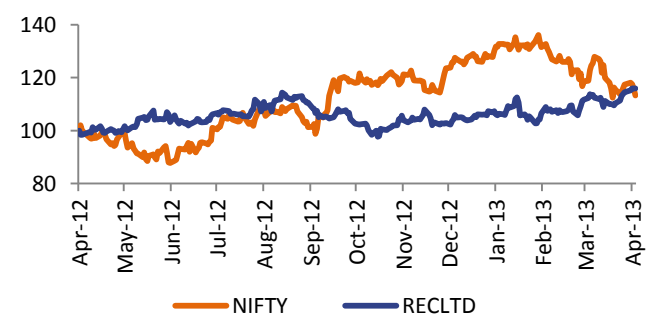
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	66.8	66.8	-
FII (%)	20.7	20.6	(0.6)
DII (%)	6.4	6.2	0.2
Public & Others (%)	6.0	6.3	0.4

Quarterly Performance (Standalone)

(₹bn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	39,816	30,685	36,248	29.8	9.8
Op. exp	24,124	19,134	23,178	26.1	4.1
EBITDA	15,692	11,552	13,070	35.8	20.1
OPM (%)	39.4	37.6	36.1	177 bps	35 bps
Net profit	11,537	8,767	9,603	31.6	20.1
NPM (%)	28.8	28.3	26.4	48bps	245bps
EPS (₹)	11.7	8.9	9.7	31.5	20.0

One Year Price Chart





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