

# Research Report

## REC Limited

### ENABLING INDIA'S ENERGY TRANSITION



Prepared By-

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# About

REC is a 'Maharatna' company under the administrative control of the Ministry of Power, Government of India, and is registered with RBI as Non-Banking Finance Company (NBFC), Public Financial Institution (PFI) and Infrastructure Financing Company (IFC). REC was incorporated in 1969 in the backdrop of severe drought and famine in the country, to energise agricultural pump-sets for irrigation purposes, thereby reducing the dependency of agriculture on monsoons. REC is a Central Public Sector Undertaking under the Ministry of Power involved in financing projects in the complete power sector value chain from generation to distribution.

## Key Services

- Loan for Generation Projects
- Loan for Transmission Projects
- Loan for Distribution Projects
- Short-term loans/Medium-term loans
- Infra Finance Company

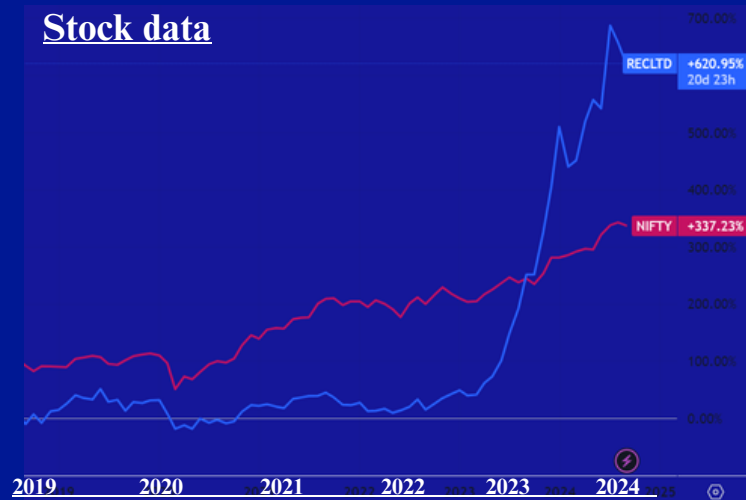
## Synopsis of Financials

- Q1 FY'25 results indicate a growth trajectory maintained from the previous year.
- Total sanctions increased by 24% to ₹1,12,791 crores in Q1 FY'25 compared to ₹90,797 crores in Q1 FY'24.
- Disbursements grew by 28% to ₹43,652 crores in Q1 FY'25 from ₹34,133 crores in Q1 FY'24.
- Asset under management (AUM) rose by 17% to ₹5,29,739 crores in Q1 FY'25, up from ₹4,35,000 crores in FY'24.

Source: Company Annual Report

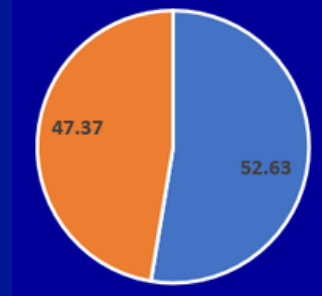
## Stock data (as 9th September 2024)

Nifty Price	: 24,936.40
52 week High (in Rs.)	: 654
52 week Low (in Rs.)	: 240
Market Cap. (in Crore)	: 1,55,413
NSE Code	: <u>RECLTD</u>



-NIFTY50  
-REC Limited

## Shareholding Pattern (March 2024)



-PUBLIC GROUP  
-PROMOTER GROUP

## Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	47,517	39,486	39,276
Sales Growth %	20.34%	0.53%	10.46%
Expenses	-366	1,858	4,838
Operating Profit	47,883	37,628	34,438
OPM %	101%	95%	88%
Net Profit	14,145	11,167	10,036
EPS in Rs	53.72	42.41	38.11

# Quarterly Results



Particular	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	9,782	10,243	11,104	11,688	12,052	12,677	13,079
Expenses	45	-149	332	-492	240	-425	717
Operating Profit	9,737	10,392	10,771	12,180	11,812	13,102	12,362
OPM %	100%	101%	97%	104%	98%	103%	95%
Other Income	14	12	4	13	20	29	14
Interest	6,134	6,496	7,049	7,350	7,654	7,896	8,020
Depreciation	6	6	6	6	6	6	6
Profit before tax	3,610	3,901	3,721	4,838	4,172	5,229	4,349
Tax %	19%	21%	20%	22%	21%	22%	20%
Net Profit	2,915	3,065	2,968	3,790	3,308	4,079	3,460

Source: Screener

## Key Ratios

Particulars	FY 2022-23	FY 2021-22
Interest Coverage ratio (times)	<b>1.58</b>	1.56
Debt Equity ratio (times)	<b>6.49</b>	6.41
Operating Profit Margin (%)	<b>34.93</b>	31.50
Net Profit Margin (%)	<b>28.16</b>	25.61
Return on Net Worth (PAT/Average Net Worth) (%)	<b>20.35</b>	21.28
Gross Credit Impaired Assets (Stage-III) (%)	<b>3.42</b>	4.45
Net Credit Impaired Assets (Stage-III) (%)	<b>1.01</b>	1.45

Source: Annual Report

# Yearly Results

Particulars	March 2024	March 2023	March 2022
Equity Capital	2,633	2,633	1,975
Reserves	66,717	55,487	49,339
Borrowings	4,45,568	3,80,790	3,33,043
Other Liabilities	33,273	26,592	26,503
Total Liabilities	5,48,191	4,65,503	4,10,860
Fixed Assets	632	641	628
CWIP	24	3	6
Investments	5,352	3,170	2,190
Other Assets	5,42,184	4,61,689	4,08,035
Total Assets	5,48,191	4,65,503	4,10,860

# Synopsis Quater Results

## Con-Call Q1 FY'24: Key Highlights

### Growth Outlook:

- Management is optimistic about maintaining a growth trajectory of 15% to 20%, potentially exceeding 17%.
- If the 17% growth is sustained, AUM could reach ₹10 lakh crores by FY'28-29, earlier than the previous target of FY'30.
- Significant developments in renewable energy sanctions, which grew by 59% to ₹39,655 crores in Q1 FY'25, with disbursement up by 249%.

### Renewable Energy Focus:

- Renewable energy portfolio currently represents 8% of total AUM, expected to grow to 30% by 2030.
- Anticipated demand for ₹24 lakh crores for energy transition to achieve 500 GW capacity from non-fossil fuel sources.
- Management is targeting a 20% market share in the renewable energy financing opportunity.

### Infrastructure Logistics:

- Sanctions in infrastructure logistics increased by 122% in Q1 FY'25 to ₹19,815 crores, with disbursement up by 78% to ₹7,982 crores.
- Focus on financing projects with yields above 9% and strong asset quality.

### Credit Quality and Provisions:

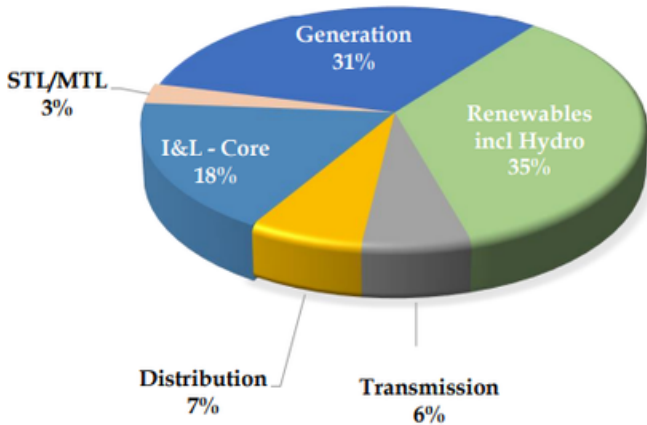
- Gross NPA decreased by 7% to 2.61% of total assets, while net NPA reduced from 0.97% to 0.82%.
- Provisioning for stressed assets stands at about 70%, with expectations of write-backs exceeding ₹2,000 crores in FY'25.

### Challenges and Resolutions:

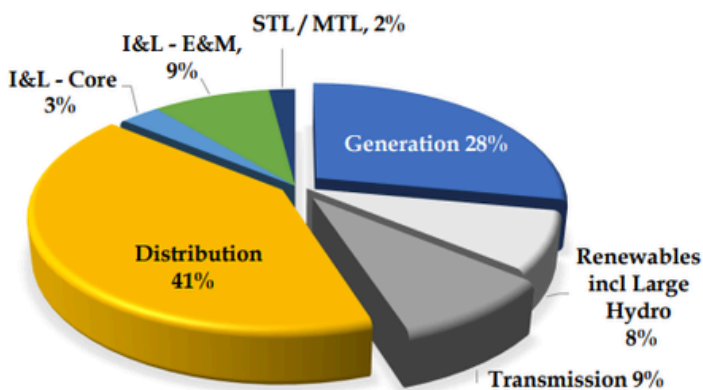
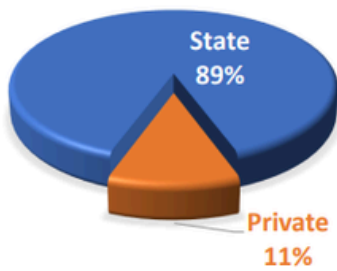
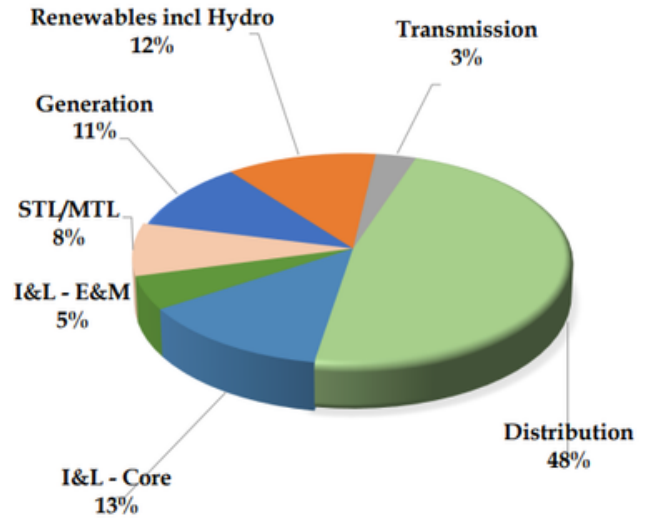
- Specific standard accounts in Andhra Pradesh have been flagged, but management expects normalization within 3-4 months due to government support.
- Key stressed assets in resolution include Sinnar Power Plant and KSK Mahanadi, with significant interest from quality bidders.

# Revenue Highlights

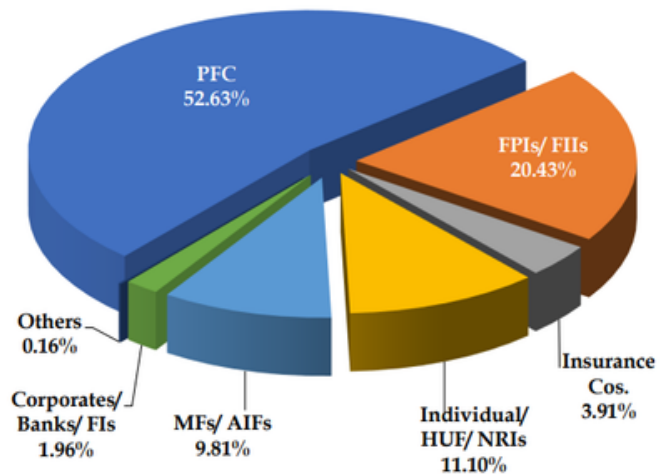
Sector-wise breakup of Sanctions in Q1 FY 25



Sector-wise breakup of Disbursements in 12M FY24

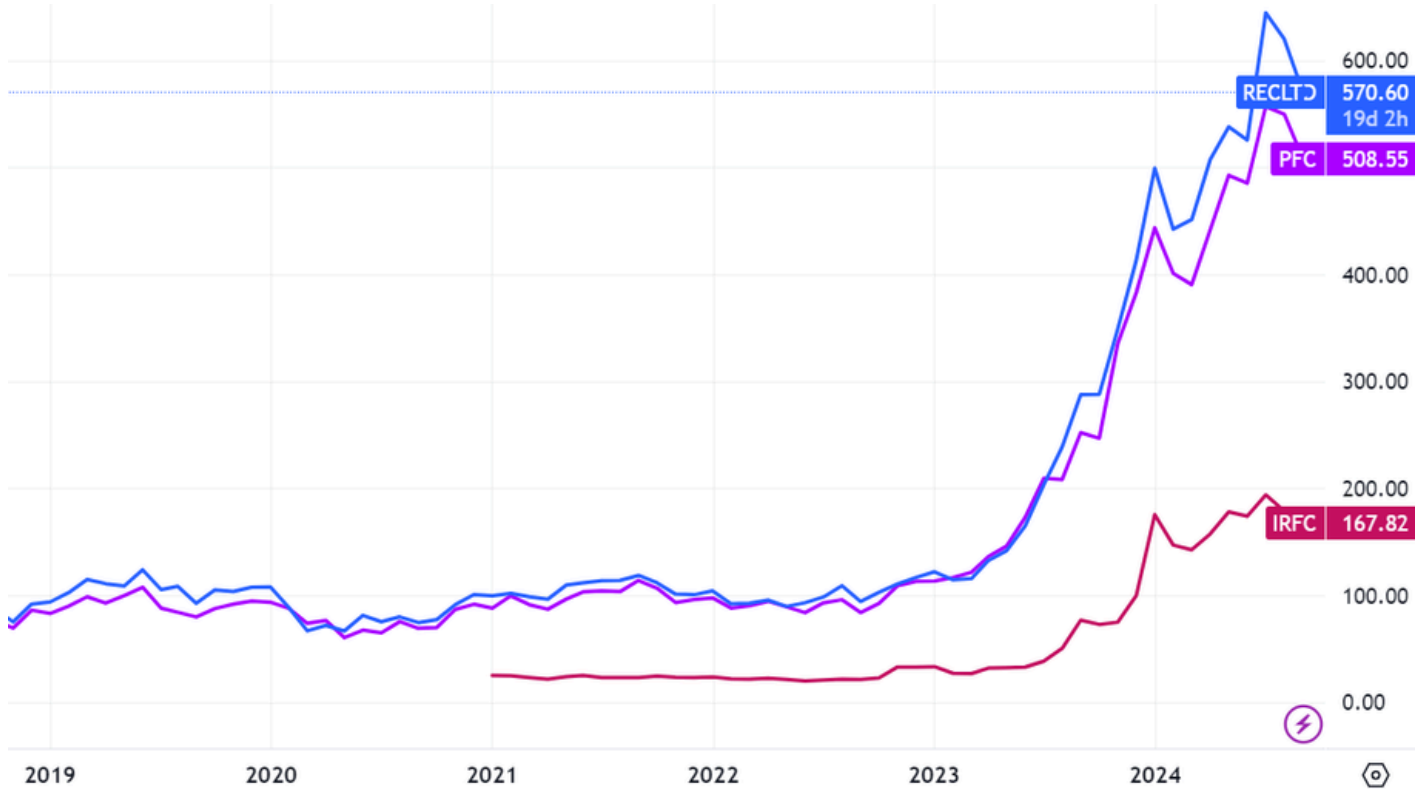


Shareholding Pattern as at 30.06.2024



# Peer Comparison

## Peer Stock Performance (5Y) Indexed



Source: Trading View

## Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	<a href="#">IRFC</a>	167.70	34.02	219158.87	0.88	1576.83	1.30	6765.63	1.29	5.73
2.	<a href="#">Power Fin.Corp.</a>	511.50	8.17	168800.23	2.63	7182.06	21.13	24716.76	17.65	9.85
3.	<a href="#">REC Ltd</a>	571.75	10.27	150554.53	2.81	3460.19	16.58	13078.66	17.78	10.05
4.	<a href="#">Indian Renewable</a>	231.50	46.39	62221.76	0.00	383.69	30.25	1510.27	32.11	9.30
5.	<a href="#">IFCI</a>	70.57	116.77	18444.15	0.00	-87.97	31.75	387.80	21.24	10.24

Source: Screener

# Final Outlook

**RECLTD: HOLD | LTP: 572**

1. REC has a comparative good working capital days compared to its competitors .
2. Total Revenue Annual growth is higher than historical averages.
3. Revenue Growth Annual YoY % is growing faster than historical averages.

REC Ltd. has a durability score of 65, which indicates High Financial Strength. A High Durability Score (greater than 55) indicates good and consistent financial performance : stable revenues, cash flows, and low debt, thus can be useful for investing.

Total Shareholders Funds Annual growth is higher than historical averages. Total Assets Annual growth is higher than historical averages thus the company is showing a positive sign thus it can give good returns in the future thus investors shall invest in it.