


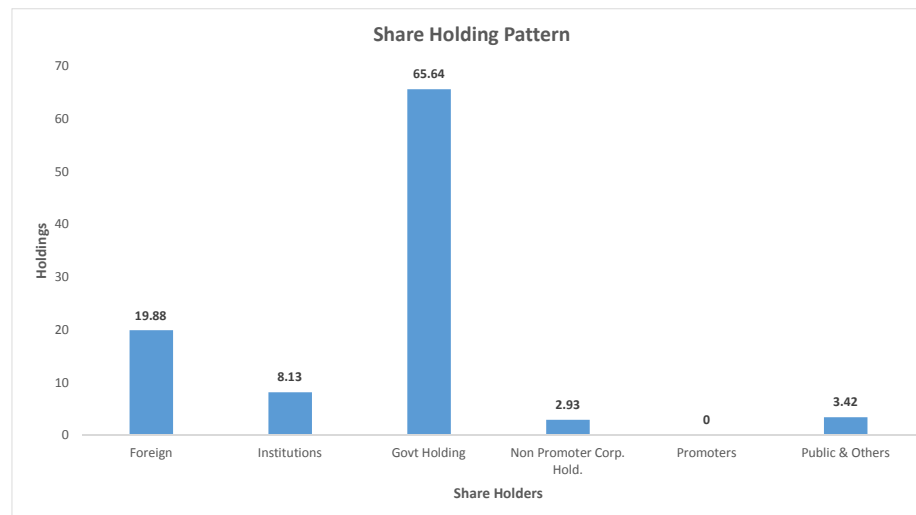
<h1>Research Report</h1>																			
<h2>Rural Electrification Corporation</h2>	<table> <tr> <td>Recommendation</td><td>Accumulate</td></tr> <tr> <td>Current Market Price</td><td>284</td></tr> <tr> <td>Target</td><td>350.00</td></tr> <tr> <td>Accumulation Price Band</td><td>284-290</td></tr> <tr> <td>Time Frame</td><td>6 Months</td></tr> <tr> <td>Derivative Segment</td><td>Yes</td></tr> </table>	Recommendation	Accumulate	Current Market Price	284	Target	350.00	Accumulation Price Band	284-290	Time Frame	6 Months	Derivative Segment	Yes						
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<h3>Industry :Financial Services</h3>	<table> <tr> <td colspan="2">Quick Glance</td></tr> <tr> <td>Share Capital (Rs Cr)</td><td>987.46</td></tr> <tr> <td>Market Cap (Rs Cr)</td><td>27,935.22</td></tr> <tr> <td>Enterprise Value (Rs Cr)</td><td>77,389.29</td></tr> <tr> <td>Face Value (in Rs)</td><td>10.00</td></tr> <tr> <td>52 Week High/ Low (in Rs)</td><td>383.40/233.10</td></tr> </table>	Quick Glance		Share Capital (Rs Cr)	987.46	Market Cap (Rs Cr)	27,935.22	Enterprise Value (Rs Cr)	77,389.29	Face Value (in Rs)	10.00	52 Week High/ Low (in Rs)	383.40/233.10						
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<p>Company Overview</p> <ul style="list-style-type: none"> •Rural Electrification Corporation Ltd (REC) is a Navratna Central PSU, which was incorporated in 1969 with its main objectives being financing of the electrification projects of Rural India. •REC is actively involved in giving loans to State Electricity Boards, State Government Departments and Rural Electric Co-operatives. •REC has a balanced portfolio properly divided among Generation, T&D and Short Term Loans . •REC provides funding for projects for significantly longer periods of up to 12 years unlike banks which provide for only up to 7 years and hence this provides REC with an edge banks when it comes to attracting business 	<table> <tr> <td colspan="2">Financials</td></tr> <tr> <td>EPS (Rs)</td><td>48.01</td></tr> <tr> <td>Book Value (Rs)</td><td>262.59</td></tr> <tr> <td>P/E</td><td>5.89</td></tr> <tr> <td>P/BV</td><td>1.08</td></tr> <tr> <td>ROE</td><td>22.79</td></tr> <tr> <td>ROCE (%)</td><td>12.47</td></tr> <tr> <td>Dividend Yeild (%)</td><td>3.36</td></tr> <tr> <td>Debt - Equity</td><td>5.41</td></tr> </table>	Financials		EPS (Rs)	48.01	Book Value (Rs)	262.59	P/E	5.89	P/BV	1.08	ROE	22.79	ROCE (%)	12.47	Dividend Yeild (%)	3.36	Debt - Equity	5.41
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<p>Industry Overview</p> <ul style="list-style-type: none"> •Power generation registers early double digit growth for third month in a row, with Country's total generation capacity (excluding renewable & captive) as end of Aug 2014 stood at 221.7 GW with the country adding about 22.5 GW in the last 12 months ended Aug 2014. •Power demand (normal) in Apr-Aug period of 2014-15 increased by 8.10% to 463933 million units compared to 429156 million units in the corresponding previous unit. •Indian power sector continues to see challenging times with moderation in demand growth and suboptimum utilization of plants due to fuel shortage or off take issues or transmission constraints. Moreover continued approval delays and high cost or lack of funding continues to escalate execution risk affecting the private investor sentiment thereby affecting the long-term growth of the sector. •with stable Union government on saddle, the bottlenecks for the sector are expected to get addressed and moreover as per initial signals the intent/commitment is visible for the same 	<table> <tr> <td colspan="2">Highlights</td></tr> <tr> <td>Debt (Rs Cr)</td><td>112,635.30</td></tr> <tr> <td>Reserves (Rs Crs)</td><td>19,815.59</td></tr> <tr> <td>FII Holdings (%)</td><td>19.88</td></tr> <tr> <td>MF Holdings (%)</td><td>2.66</td></tr> <tr> <td>Free Float Market Capitaliation (Rs Cr)</td><td>11,015.52</td></tr> <tr> <td>Beta</td><td>1.40</td></tr> <tr> <td>Avg Volume Per day (no. of shares)</td><td>2,347,787</td></tr> <tr> <td>Avg Volume Per Month (no. of shares)</td><td>40,749,352</td></tr> </table>	Highlights		Debt (Rs Cr)	112,635.30	Reserves (Rs Crs)	19,815.59	FII Holdings (%)	19.88	MF Holdings (%)	2.66	Free Float Market Capitaliation (Rs Cr)	11,015.52	Beta	1.40	Avg Volume Per day (no. of shares)	2,347,787	Avg Volume Per Month (no. of shares)	40,749,352
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<p>Key Highlights</p> <ul style="list-style-type: none"> •Fitch Ratings has affirmed Rural Electrification Corporation Limited's (REC) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BBB- which signifies a stable rating for the company. •Rural Electrification Corporation has invited bids for the fourth project, which is a transmission system for the Maheshwaram 765/400 kV pooling substation in Hyderabad 																			
<p>Key Risks</p> <ul style="list-style-type: none"> •Lending to State Electricity boards and State power utilities involves high risk as these are loss making and any default by these entities will result in increase in NPA's which will impact the company's profitability. •REC profitability depends on its ability to access its cost of funds at reasonable rates and any inability to do so will impact its NIM's and profitability. 																			

Financial Highlights

Income Statement (Annual)					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Net Sales	17,122.21	13,525.70	10,337.59	8,256.91	6,549.76
Operating Profit	16,549.19	13,085.85	9,992.13	8,080.96	6,381.27
Operating Profit Margins	96.65	96.75	96.66	97.87	97.43
Depreciation	4.51	3.9	3.34	3.06	2.18
Interest	10,034.74	8,005.86	6,378.84	4,851.11	3,896.07
Other Income	106.73	110.88	216.03	275.29	163.09
PBT	6,616.71	5,186.21	3,825.80	3,498.80	3,054.86
APAT	4,741.25	3,832.78	2,838.66	2,584.89	2,022.25
PAT Margin (%)	27.69	28.34	27.46	31.31	30.88
Earnings Per Share	48.01	38.81	28.75	26.18	20.48

Balance Sheet					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Equity Share Capital	987.46	987.46	987.46	987.46	987.46
Reserves and Surplus	19,815.59	16,542.38	13,818.42	11,839.98	10,116.80
Net Worth	20,803.05	17,529.84	14,805.88	12,827.44	11,104.26
Deferred Tax Liability :	-	-	-	-	-
Long Term Debt	49,454.07	37,358.35	38,467.46	39,719.85	46,244.74
Short Term Debt	63,181.23	56,052.58	40,587.93	21,828.17	9,703.49
Total Debt	112,635.30	93,410.93	79,055.39	61,548.02	55,948.23
Current Liabilities	18,804.40	19,210.38	14,547.87	11,644.43	1,982.59
Total Provisions	701.57	415.95	401.46	550.51	2,326.38
Total Liabilities	133,438.35	110,940.77	93,861.27	74,375.46	67,052.49
Gross Block	97.69	94.23	90.74	83.69	83.67
Net Fixed Assets	73.1	71.87	70.84	65.58	67.36
Investments	1,690.44	638.26	732.58	836.71	909.76
Current Assets	1,294.83	1,558.07	5,413.37	2,884.89	720.33
Deferred Tax Asset :	0	0	0	0	0
Receivables	60.54	28.53	38.01	18.1	44.67
Inventories	0	0	0	0	0
Cash	1,234.29	1,529.54	5,375.36	2,866.79	675.66
Total Assets	133,438.35	110,940.77	93,861.27	74,375.46	67,052.48

Income Statement (Quarterly)								
Particulars (Rs Cr)	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	5,205.29	5,023.71	4,667.13	4,442.51	4,372.93	4,210.42	3,981.57	3,624.79
Operating Profit	4,963.33	4,947.54	1,735.31	4,223.56	4,237.58	4,029.64	3,812.01	3,449.40
Operating Profit Margins	95.35	98.48	37.18	95.07	96.90	95.71	95.74	95.16
Depreciation	1.65	1.77	1.87	1.04	1.07	1.10	1.00	1.09
Interest	3,044.87	2,954.47	2,752.29	2,623.35	2,593.80	2,424.03	2,243.86	2,143.47
Other Income	39.03	42.56	39.57	47.49	32.24	13.83	19.81	15.26
PBT	1,957.49	2,035.63	1,774.88	1,647.70	1,676.02	1,619.44	1,587.96	1,321.19
APAT	1,379.83	1,500.75	1,282.79	1,191.70	1,227.67	1,110.67	1,153.66	960.34
PAT Margin (%)	26.51	29.87	27.49	26.82	28.07	26.38	28.98	26.49
Earnings Per Share	13.97	15.2	12.99	12.07	12.43	11.25	11.68	9.73

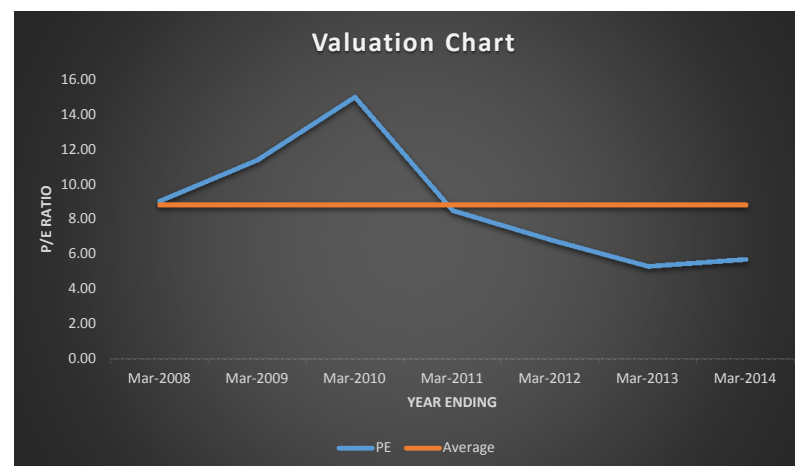
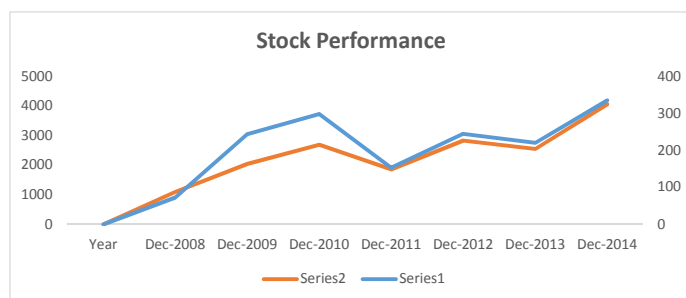


Key Financial Indicators						
Particulars	Units	2014	2013	2012	2011	2010
Revenue	Crs	17,122.21	13,525.70	10,337.59	8,256.91	6,549.76
Operating Profit Margins	%	96.65	96.75	96.66	97.87	97.43
PAT	Crs	4,741.25	3,832.78	2,838.66	2,584.89	2,022.25
PAT Margins	%	27.69	28.34	27.46	31.31	30.88
Revenue Growth	%	27%	31%	25%	26%	38%
Operating Profit Growth	%	26%	31%	24%	27%	36%
PAT Growth	%	24%	35%	10%	28%	59%
Gearing	times	5.41	5.33	5.34	4.8	5.04
ROCE	%	12.47	11.89	10.87	11.23	9.75
ROE	%	22.79	21.86	19.17	20.15	18.21

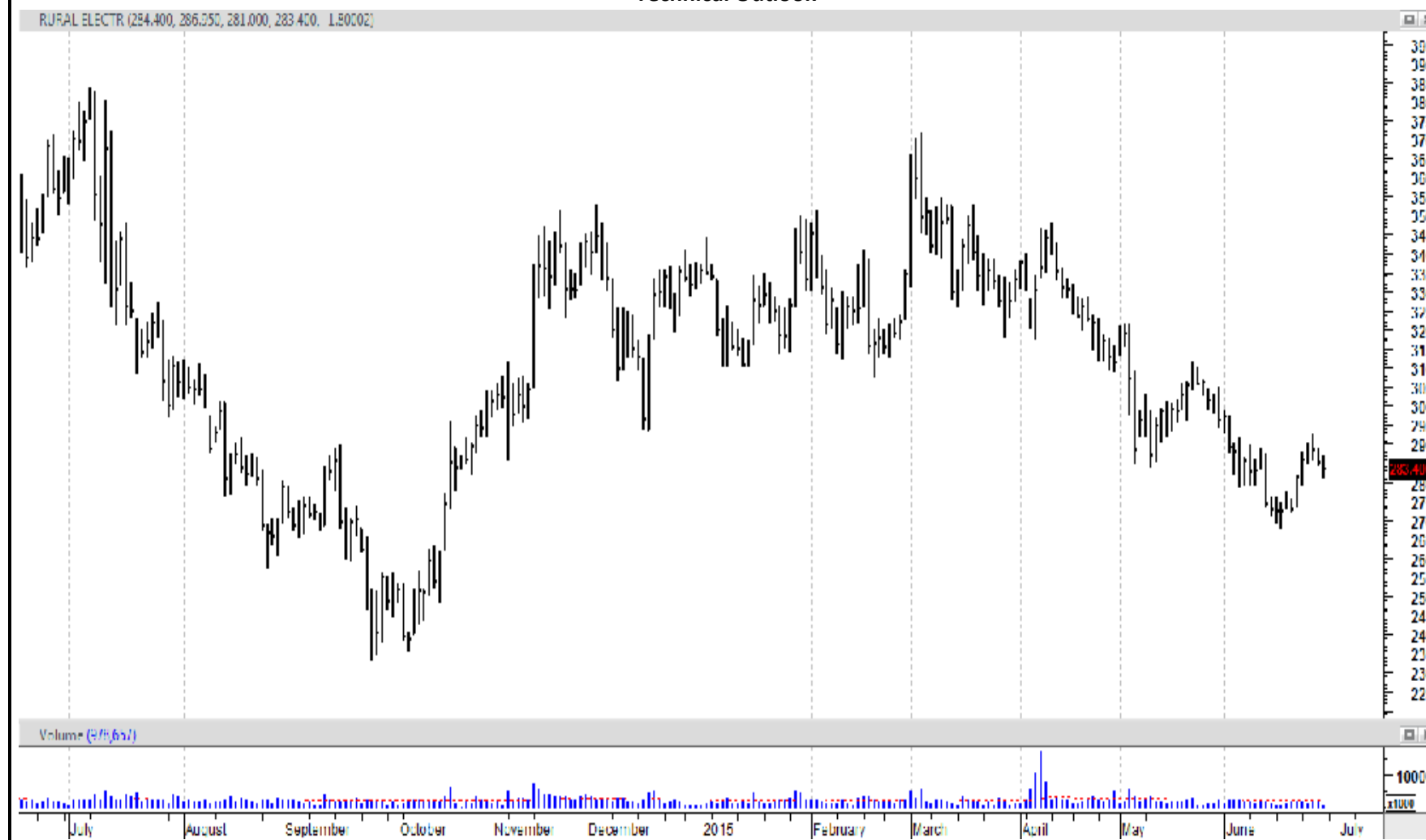
Peer Comparison				
Particulars	Units	REC	IDFC	PFC
Revenue	Rs Cr	17,122.21	8,772.04	21,614.53
Operating Profit Margins	%	96.65	86.99	96.33
PAT	Rs Cr	4,741.25	1,824.19	5,461.84
PAT Margins	%	27.69	20.80	25.27
Gearing	%	5.41	3.13	5.23
EPS	Rs / Share	48.01	12.03	45.14
PE	times	5.89	12.72	5.94
P/BV	times	1.08	1.64	1.06
ROCE	%	12.47	12.25	12.15
ROE	%	22.79	11.98	19.84
EV/EBITDA	times	8.36	9.29	8.57

Stock Performance vis-a-vis Index

Particulars	Return	
	YTD	QTD
REC Ltd	-15%	-15%
S&P BSE Finance	0%	-2%



Technical Outlook



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