



BLAZING PICKS

FREQUENCY	ALLOCATION	DURATION	APPROX RETURNS	RISK	MAX OPEN CALLS
Every Monday	20% of capital on every call	3 months	15-20%	<10%	5

SALIENT FEATURES:

- 👍 Allocation based product – 20% of capital on every call
- 👍 For Short to Medium term clients
- 👍 Mid Cap & Large Cap quality stocks
- 👍 Company with growth prospects and compliance free
- 👍 Moderate risk product

Key Data

NSE / BSE Code	RECLTD
Sector	Finance
Industry	Finance Term Lending
Face value / Book Value (₹ per share)	10 / 181.3
Dividend yield	7.3
52 H/L (₹)	170 / 94
Market Cap. (₹ mn)	297,521
Shares Outstanding (mn)	1,974.9
6M Avg Traded Volume	4,338,178

Key Ratios

	Mar15	Mar16	Mar18	Mar19
P/E (x)	5.2	4.7	6.7	5.2
P/B (x)	1.0	0.9	0.9	0.9
EV/Sales	8.1	8.0	8.6	7.7
EV/EBITDA	8.7	8.7	10.1	8.2
ROCE	12.0%	11.2%	8.8%	9.2%
ROE	21.0%	20.2%	13.4%	17.1%

Earnings Summary

(In ₹ mn)	Mar15	Mar16	Mar18	Mar19
Net Sales	240,129	241,949	226,516	253,990
Sales Growth	17.8%	0.8%	-6.4%	12.1%
EBITDA	223,316	223,063	192,602	237,107
EBITDA Margin	93.0%	92.2%	85.0%	93.4%
PAT	56,914	63,134	44,399	57,314
PAT Margin	23.7%	26.1%	19.6%	22.6%
EPS (₹)	28.8	32.0	22.5	29.1

REC Ltd.

CMP: 150.65

- REC came into being in 1969 to articulate a response to the pressing exigencies of the nation. During the time of severe drought, the leaders sought to reduce the dependency of agriculture on monsoons by energizing agricultural pump-sets for optimized irrigation. Thereafter, the company have ventured into newer paths and expanded our horizons to emerge today, as a leader in providing financial assistance to the power sector in all segments, be it Generation, Transmission or Distribution.
- Domestically, REC hold the highest credit ratings from CRISIL, ICRA, IRRPL and CARE and internationally the company is rated at par with the sovereign ratings. It has maintained consistent profit margins and paid dividends each year since fiscal 1998. It has thus propelled ourselves to a net worth of over Rs. 34,303 crore. The company's two subsidiaries – RECPDCL (REC Power Distribution Company Limited) and RECTPCL (REC Transmission Project Company Limited) work in tandem with it to realise the shared mission by providing consultancy services in Distribution and Transmission sectors.
- **Good Q1FY20 performance:** Rural Electrification Corporation (REC) turned in an improved operational performance in Q1FY20—robust loan growth momentum and stable asset quality. Strong disbursements (largely from earlier sanctioned projects) percolated to >20% AUM growth. Impaired loans (stage-3 assets) rose to INR209bn (INR204bn in FY19) due to slippage in one account (Nagai Power worth ~INR5bn); however, it had already provided for 42% of this and thus credit cost was not impacted.
- **Disbursement growth surprises positively; more balanced approach :** At INR156bn, disbursements are robust supported by T&D segment (largely into already sanctioned projects). This percolated to steady loan growth of >20% YoY to INR2.9tn. While Q1 is seasonally weak (with disbursements skewed towards Q4), management is now targeting more balanced growth across quarters. NIM (down to 3.59%) was impacted by higher funding cost even as better lending yield cushioned the impact.
- **Valuations:** The stock is trading at a valuations of 27x P/E FY19. We recommend **buy on Rural Electrification Corporation Limited** with a price target of **Rs. 170**.

Dealmoney Research

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