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CARE ASSIGNS 'CARE AAA' AND 'PR1+' RATING TO THE MARKET BORROWING PROGRAMME OF FY2011 OF RURAL ELECTRIFICATION CORPORATION LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Borrowing programme for FY11.	28,000	'CARE AAA' [Triple A]	Assigned
Total Facilities	28,000		
Short Term Loans*	5,000	'PR1+' [PR One (Plus)]	Assigned

* included in the overall borrowing programme of Rs.28000 crore.

Rating Rationale

The above ratings reflect REC's role as the nodal agency for funding the rural electrification programmes and its importance to GoI as a prime institution for channeling finance to meet social and economic mandate of achieving 100% rural electrification. The ratings also take into account REC's satisfactory operational performance and good asset quality and majority ownership by GoI. Going forward, continued support and extension of favourable policy regime by GoI and REC's ability to maintain asset quality would be the key rating sensitivities.

Company Profile

REC was established in 1969 to provide financial assistance to SEBs/Power departments of state governments for rural electrification programmes. REC is strategically important, as it is the nodal agency for channelising finance to meet GoI's ongoing plans to develop power sector in India. REC has been designated as the nodal agency for implementation of the Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) programme, launched in April 2005. During February 2008, REC came out with an Initial Public Offer (IPO) thereby reducing GoI ownership from 100% to 81.82%. Also with FPO in FY2010, GoI stake was further reduced to 66.80%.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications.

REC registered growth of 39.39% in total income to Rs.4,931 crore in FY09 mainly on account of an increase in income from operations resulting from increased lending. ROTA improved with increase in higher profit after tax which witnessed an impressive growth of over 48% to Rs.1272 crore in FY09 as compared to previous year primarily due to higher interest income on loans. For 9MFY2010, REC recorded PAT of Rs.1,440 crore (Rs.884 crore in 9MFY2009) on total income of Rs.4,838 crore (Rs.3,450 crore in 9MFY2009). Net Interest Income increased by 40.31% to Rs.1,803 crore during the same period. Gross NPA and Net NPA ratios stood 0.03% and zero as on December 31, 2009. Going forward, in view of the increased fund requirement for generation as well as transmission & distribution projects during Eleventh Plan period, there are considerable growth opportunities for REC and outlook remains positive.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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