

## Pick of the Day (Short Term Delivery Call)

**Company Name: REC Ltd**

NSE code	RECLTD
BSE code	532955
Market Cap (Rs Cr)	1,20,338
Promotor holding (%)	52.6
PE(x) TTM	9.15
Industry PE (x) TTM	17.1
EV/EBITDA (x) TTM	12.3
P/PB (x) TTM	1.85

**CMP (Rs): 464 | Buy Range: 460-464 | Target Price: 530 | Upside: 15%**

**Duration of recommendation: 1 to 3 months**

**REC Ltd**, a Central PSU under the Ministry of Power, finances projects across the power sector—from generation to distribution. It also serves as a key player in implementing government schemes like DDUGJY and SAUBHAGYA, aimed at enhancing the country's power infrastructure. REC's role is crucial in the government's goal of boosting power capacity nationwide.

### Investment Rationale

**Consistent Financial Performance:** Revenue has grown at a CAGR of 12% over FY18-23 period from Rs. 24,338 crores in FY18 to Rs. 39,486 crores in FY23. EBITDA has grown at a CAGR of 10.88% during FY18-23 from Rs. 19,279 crores to Rs. 37,628 crores. Operating margins increased by 200 bps in same period. PAT has grown at a CAGR of 20% from Rs. 5,741 crores in FY18 to Rs. 11,167 crores in FY23. Company's ROE/ROCE are 19% & 9% respectively. Company's book value has grown at CAGR of 12.3% over FY18-FY23. Until December 2024, book value stood at Rs. 64,787 crores.

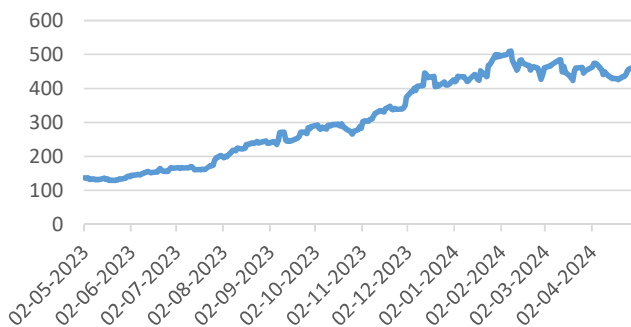
**Robust Q3FY24 results:** Net Interest Income (NII) increased by 18% YoY to Rs. 4,153 crores from Rs. 3,521 crores reported in same quarter last year. Net Interest Margin (NIM) rose to 3.61% from 2.75%. Net profit up by 13.4% to Rs. 3308 crores from Rs. 2915 crores reported last year in same quarter.

**Loan growth remains strong:** Loan growth is strong 18% year-on-year increase to Rs 4.9 trillion, primarily due to substantial disbursement of Rs 1,22,089 crore, which saw a 103% year-on-year growth during the same period. The sanctioned amount as of 9MFY24 was Rs 3,25,941 crore, marking a 69% year-on-year growth. Proportion of renewables in the total sanction rose to 39% in 9MFY24, a significant increase from 11% in 9MFY23.

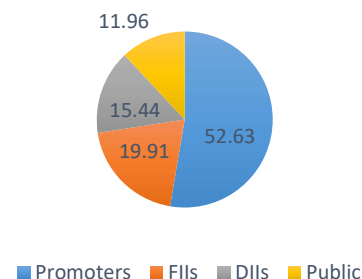
**Improving asset quality:** Lower slippages improved GNPA & NNPA, which were reduced to 2.78% and 0.82% respectively Q3FY24, down from 3.14% and 0.96% in Q2FY24. Low slippages & reversal of provisions due to recoveries have led to zero credit costs in the first nine months of FY24.

**Reasonable Valuation:** At current market price, the is currently trading at a P/B multiple of 1.5x/1.3x of its FY25E/FY26E book value respectively.

**Price Performance**



**Shareholding Pattern %**



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