



# GOLDMINE

With your investments all the way...

## Goldmine Stocks Pvt Ltd

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[www.goldmine.co.in](http://www.goldmine.co.in)

Ref. No. Scrip/3

October 28, 2009

## Rural Electrification Corporation of India

**Cmp. Rs. 196 Target Rs. 275**

### Background :

Stock Details	
Current Market Price	Rs 196
Face Value	Rs 10
Book Value Proj 09-10	Rs 72
EPS ** Proj.09-10	Rs 25
P/E	8.27
52 Week H/L	225/53
P/BV	2.87
Shareholding Pattern %	
Promoters	81.82
Institutions/FII's	12.58
Public / Corporates	5.6

The Company is a PSU mainly involved in financing projects in the generation-thermal, hydroelectric power projects, transmission and distribution network. The total network of the company is at Rs 6190 crores and loans stood at Rs 44936 crores. We expect the loan portfolio to grow to around Rs 80000 crores in the next couple of years. Last year the company declared a dividend of Rs 4.5 per share, which could go to Rs 5.5-6 per share in 09-10. From 2002-03 until 31-03-2009, the company has sanctioned loans worth Rs 79527 crores. The cumulative disbursement until now since inception is around Rs 92400 crores. Loan book is expected to grow by a minimum 30% every year. In the year 2008-2009, the net income grew by about 42% while

net profits grew by 78%. The NPA as a % of Gross Loan Assets stood at just 0.14% [Rs 68 crores] and even from that Rs 38 crores have been recovered. So it means that the NPA's is virtually zero. We have huge scarcity of power in India and most of the projects will be profitable right from the word go, due to assured return policy of the Government. Hence the problem of NPA's may not occur much.

### Future Growth Triggers :

Various multilateral organizations like World Bank, IMF, IFC, ADB have been vying for safe placement of funds in countries like India. Power sector is in focus for them. Companies like REC are perfect vehicles for such institutions. The company mobilized around Rs 14849 crores in 2008-2009. We can expect more mobilization to happen in 09-10. The overall average cost of borrowings for the company in 2008-09 stood at 9.3% and is able to lend competitively. The only risk to the company lies in forex fluctuations particularly related to the forex borrowings. World over there is increased focus on clean energy development. The company once again could be a vehicle for these multilateral organizations which provide loans with certain conditions that promote clean energy development. The % of foreign borrowings is still very low but might go up in coming years. Forex fluctuations is the only risk in the business model. The Government could come up with an FPO for REC, which may not be at a price less than Rs 250 in the current scenario and about Rs 225 in a slightly depressed scenario. Even at these levels, the stock would look attractive to long term and medium term investors.

### Technicals :

The 21 day moving average is about Rs 201. The 50 day moving average is at Rs 200. The stock has very good support between Rs 194-196 levels. Unless the stock moves below Rs 194, there is nothing to worry on the technical front. We expect the stock to soon move to Rs 245-250 levels and post FPO, could move to Rs 275-300

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levels. Investors can invest in small bits at the current levels and buy more, if it dips between the Rs 175-200 mark.



An ISO 9001:2000 Company



Goldmine Stocks Pvt Ltd

## Goldmine Stocks Private Limited

## Our Branches

MANEKCHOWK : 2217 1182, 2217 1205 3240 8606	PRAHLADNAGAR : 2929 7442, 3294 3825 CTM : 3252 5409, 2586 1842
MANINAGAR : 3294 5261, 3292 8631 2546 4056	BARODA H.O. : 0265 - 3913187-89, 2363606 BARODA VAGHODIA Rd. : 0265 - 2514748, 3203387
RELIEF ROAD : 2211 2233, 3293 6071 (Zaveriwad) : 2211 0098, 3022 7081	BARODA GOTRI Rd. : 0265 - 2354748, 3203385 BARODA RAOPURA : 0265 - 3018481 / 82 / 83
SARANGPUR : 3026 4600, 3026 4601	BARODA DANDIA BAZAR : 0265 - 3914455, 2411311
MADHUPURA : 3206 0315, 2217 2409	SURAT H.O. : 0261 - 2344736/85, 3012780/81
VASTRAPUR : 2676 2152, 3292 5401	RAJKOT : 0281 - 2481832, 3042650/51
BAPUNAGAR : 3240 8919, 3294 5110 2277 3327, 2277 5616	BHARUCH : 02642 - 326797, 98799 17868 BOTAD : 02849 - 252352, 320633
KALUPUR : 3022 5156, 3022 5651, 92274 15165	SURENDRANAGAR : 02752 - 220586-87 HIMMATNAGAR : 02772 - 243180-81, 324685 99099 16380
GHATLODIA : 3240 8375, 2766 1614	
SATADHAR : 3242 1120	

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